

SECURITIES AND EXCHANGE COMMISSION

FORM S-1/A

General form of registration statement for all companies including face-amount certificate companies [amend]

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FILER

IPG PHOTONICS CORP

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SIC: **3674** Semiconductors & related devices

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STURBRIDGE MA 01566
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Registration No. 333-51560

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-1
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

IPG Photonics Corporation
(Exact name of Registrant as specified in its charter)

Delaware	3674	04-3444218
(State of other	(Primary Standard Industrial	(I.R.S. Employer
jurisdiction of	Classification Code Number)	Identification No.)
incorporation or		
organization)		

P.O. Box 519
660 Main Street
Sturbridge, Massachusetts 01566
(508) 347-6800
(Address, including zip code, and telephone number,
including area code of Registrant's principal executive offices)

Dr. Valentin P. Gapontsev
Chairman of the Board and Chief Executive Officer
P.O. Box 519
660 Main Street
Sturbridge, Massachusetts 01566
(508) 347-6800
(Name, address, including zip code, and telephone number,
including area code, of agent for service)

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Approximate Date of Commencement of Proposed Sale to the Public: As soon
as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered
on a delayed or continuous basis pursuant to Rule 415 under the Securities Act
of 1933, please check the following box.

If this form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following
box and list the Securities Act registration number of the earlier effective
registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act
registration number of the earlier effective registration statement for the
same offering:

If this form is a post-effective amendment filed pursuant to Rule 462(d)
under the Securities Act, check the following box and list the Securities Act

registration number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

CALCULATION OF REGISTRATION FEE

<TABLE>

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Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Per Share(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, \$0.0001 par value.....	9,375,000	\$16.00	\$150,000,000	\$39,600(2)

</TABLE>

(1) Estimated solely for the purpose for computing the amount of registration fee pursuant to Rule 457(o) under the Securities Act.

(2) An aggregate of \$39,600 of the fee was paid with the initial filing of the Registration Statement on December 8, 2000.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS PROSPECTUS SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

Explanatory Note

This Registration Statement contains two forms of prospectus: one to be used in connection with a United States offering (the "U.S. Prospectus") and one to be used in a concurrent international offering (the "International Prospectus"). The two prospectuses will be identical in all respects except for the front and back cover pages and the sections entitled "Underwriting." Pages to be included in the International Prospectus and not the U.S. Prospectus are marked "Alternate Page."

+++++
+The information in this prospectus is not complete and may be changed. We may +
+not sell these securities until the registration statement filed with the +
+Securities and Exchange Commission is effective. This prospectus is not an +
+offer to sell these securities and it is not soliciting an offer to buy these +
+securities in any state where the offer or sale is not permitted. +
+++++

Subject to Completion

Preliminary Prospectus Dated February 2, 2001

PROSPECTUS

8,200,000 Shares
[IPG LOGO]
Common Stock

This is IPG Photonics Corporation's initial public offering of common stock. IPG Photonics Corporation is selling all of the shares. The U.S. underwriters are offering shares in the U.S. and Canada and the international managers are offering shares outside the U.S. and Canada.

We expect the public offering price to be between \$14.00 and \$16.00 per share. Currently, no public market exists for the shares. After pricing of this offering, we expect that the common stock will trade on the Nasdaq National Market under the symbol "IPGP."

At the center of page two is a triangle. The legs of this triangle depict the segments of the Long Haul Network that interconnect metropolitan areas. The middle of the triangle contains the words "Long Haul Network". Above the top leg of the triangle is a photograph of an IPG Photonics High Power Erbium-Doped Fiber Amplifier, illustrating the use of this product to amplify light signals in long haul networks. Along the lower left-hand leg of the triangle is a photograph of an IPG Photonics Raman pump laser, illustrating the use of this product to effect Raman amplification of light signals in long haul networks.

At each of the triangle's three corners is an identical image of five high-rise buildings standing in an ellipse. Each ellipse depicts the "Metropolitan Ring" in the metropolitan area in which the buildings are located. Underneath each ellipse are the words "Metropolitan Ring." Underneath and slightly to the right of the Metropolitan Ring at the right-hand corner of the Long Haul Network triangle is a photograph of an IPG Photonics Utility EDFA, illustrating the use of this product to amplify light signals in metropolitan rings.

The top half of page three is an exploded view of three of the high-rise buildings in the metropolitan area at the right-hand corner of the Long Haul Network triangle on page two. One of the buildings is connected to the metropolitan ring. There are two dotted lines connecting a point near the top of this building to each of the other two buildings in this exploded view, depicting free space optical communications taking place between the buildings. Above the three buildings are the words "Free Space Access Network." Underneath the three buildings is a photograph of an IPG Photonics Dynamic Power Free Space Amplifier, illustrating the use of this product in free space optical communications.

The lower half of page three is an expanded view of two of the high-rise buildings in the metropolitan area at the right-hand corner of the Long-Haul Network triangle on page two. The exploded view also contains images of three homes. The central telecommunications switching exchange to which the two buildings and three homes are connected is depicted by an ellipse in the middle of the five structures. A straight line running from each structure to this ellipse depicts the "fiber-to-the-curb" that connects the structure to the central telecommunications switching exchange. Below the ellipse is a photograph of an IPG Photonics High-Power, Multiport EDFA, illustrating the use of this product in access networks.

At the bottom right-hand corner of page three is the registrant's "...Enabling the Optical Network" logo.

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Unless specifically stated, the information in this prospectus:

. reflects the automatic conversion of all outstanding shares of our

Series A convertible preferred stock and Series B convertible redeemable preferred stock into an aggregate of 12,083,333 shares of our common stock upon the closing of this offering;

- . reflects the acquisition of all of the remaining shares of IPG Laser GmbH by us on October 4, 2000;
- . a 2-for-1 stock split of our common shares to be effective upon commencement of this offering; and
- . assumes no exercise of the underwriters' overallotment option to purchase an aggregate of 1,175,000 shares of common stock.

You should rely only on the information contained in this prospectus. Neither we nor the underwriters have authorized any person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

IPG is a trademark of IPG Photonics Corporation. This prospectus contains product names, trade names and trademarks of IPG and other organizations.

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PROSPECTUS SUMMARY

The summary highlights selected information contained elsewhere in this prospectus. Because this is only a summary, it does not contain all the information that you should consider before buying shares in this offering. You should read the entire prospectus carefully, including our consolidated financial statements and the related notes included elsewhere in this prospectus.

IPG Photonics Corporation

We design, manufacture and sell high performance fiber amplifiers, Raman pump lasers and fiber lasers for telecommunications and industrial applications. Our proprietary technology, materials science expertise and vertically integrated manufacturing operations enable us to meet the demands of our customers for cost-effective fiber amplifiers and lasers having high power output and reliable performance. Our telecommunications products are used throughout optical communications networks. Our largest telecommunications customers in 2000 were Alcatel, Lucent, Marconi, Siemens and TeraBeam Networks. Our industrial products are used for a variety of manufacturing, medical and aerospace applications. Our largest industrial customers in 2000 were GSI Lumonics, Purup Escofot and Sunx.

Due to rapidly increasing worldwide levels of data, voice and video traffic, telecommunications service providers are expanding their use of fiber optic technologies and seeking to increase the transmission capacity, or bandwidth, of existing fiber optic networks. Fiber optic networks transmit information as pulses of light, or optical signals, through optical fibers, which are thin glass strands. In these networks, the distance that an optical signal can be transmitted is limited by losses in signal strength, or attenuation, as well as by losses to the signal as it passes through optical components in the network, known as insertion loss. Operators of fiber optic networks use fiber amplifiers to amplify optical signals during transmission to overcome attenuation and insertion loss. Prior to the invention of the fiber amplifier in 1987, this amplification could only be accomplished through the relatively expensive and inefficient process of optical to electronic to optical conversion. By addressing attenuation and insertion loss without the need for this type of conversion, fiber amplifiers allow communications networks to be deployed more cost-effectively.

Optical signals are most commonly amplified through the use of erbium-doped fiber amplifiers, or EDFAs, and Raman pump lasers. EDFAs are placed at specific points along an optical network to boost the optical signal in order to assure the signal maintains its integrity throughout transmission. Ryan, Hankin & Kent, a leading market research and consulting firm, estimates that revenue from the sale of erbium gain modules, the component of EDFAs in which amplification occurs, was \$641 million in 1999 and will increase to \$4.2 billion in 2004, representing a compound annual growth rate of 45.3%.

Raman pump lasers emit light at specific wavelengths that travels along a transmission fiber to amplify the optical signal, a process known as Raman amplification. Ryan, Hankin & Kent estimates that sales of Raman gain modules

will grow from approximately \$18.0 million in 2000 to approximately \$1.0 billion in 2004, representing a compound annual growth rate of 173.1%.

Our innovative line of customized high and low power amplifiers is designed to meet the specific needs of our telecommunications customers. For example:

- . Our high-power fiber amplifiers enable bandwidth-enhancing technologies, such as dense wavelength division multiplexing, or DWDM, by which multiple wavelengths of optical signals are transmitted simultaneously through the same fiber.
- . Our high-power, multiple output fiber amplifiers enable fiber optic technology to be used in residential areas and cable television systems.

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- . Our high-power amplifiers automatically adjust power output to overcome atmospheric limitations, such as fog and rain, in free-space (wireless) optical networks.
- . Our low- and medium-power fiber amplifiers can be widely deployed in metropolitan areas because of their cost-effectiveness and high reliability.

In addition to telecommunications products, we also provide high power fiber lasers for a variety of industrial applications. Industrial lasers enable manufacturers to cut, mark and measure without physical contact which, in many applications, allows for higher processing speeds. Our high power fiber lasers offer several benefits compared to traditional industrial laser technologies, such as gas or solid state such as higher beam quality and mobility, increased reliability and efficiency, reduced size, maintenance-free operation and lower operating costs.

We employ more than 30 Ph.D.'s to support our proprietary technology platform. We produce our products using vertically integrated manufacturing operations located in the United States, Germany and Italy, all of which we are currently expanding. We design and manufacture a significant majority of our critical specialty components and test and qualify all of our components, assemblies and finished products. Our vertically integrated manufacturing operations enable us to quickly scale our production and maintain high product quality and reliability in order to meet the needs of our telecommunications and industrial customers.

Our objective is to be the leading supplier of fiber amplifiers, Raman pump lasers and fiber lasers to developers of optical communications and industrial laser systems. Key elements of our strategy include:

- . extending our existing technology leadership;
- . expanding and enhancing our existing line of products;
- . expanding our manufacturing capacity and reducing costs;
- . expanding our sales and marketing efforts;
- . providing our customers with a high degree of technical and engineering support for customization; and
- . acquiring strategic businesses and technologies consistent with our growth strategy.

Corporate Information

Our main office is located at 660 Main Street, Sturbridge, Massachusetts 01566 and our telephone number is (508) 347-6800.

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The Offering

<TABLE>
<S> <C>
Common stock offered by
IPG Photonics..... 8,200,000 shares

Common stock to be
outstanding after this

Statement of Operations Data:					
Net sales.....	\$3,097	\$8,263	\$18,640	\$14,823	\$32,689
Cost of sales (1).....	2,436	5,560	9,688	6,882	12,610
Gross profit (1).....	661	2,703	8,952	7,941	20,079
Operating expenses:					
Sales and marketing (2).....	219	374	677	619	1,049
Research and development (3).....	127	682	1,477	1,036	1,127
General, administrative and other (4).....	276	1,000	2,712	2,006	3,946
Equity-based compensation.....	--	--	--	--	12,035
Total operating expenses.....	622	2,056	4,866	3,661	18,157
Operating income.....	39	647	4,086	4,280	1,922
Interest income (expense), net.....	(119)	(208)	(303)	(231)	(77)
Other income (expense), net.....	108	(47)	273	40	475
Income before provision for income taxes and minority interest.....					
Provision for income taxes.....	22	234	2,102	2,178	5,828
Minority interest.....	--	(4)	(3)	(5)	--
Net income (loss).....	6	154	1,951	1,906	(3,508)
Accretion of preferred stock.....	--	--	--	--	(169)
Net income (loss) available to common shareholders.....	\$ 6	\$ 154	\$ 1,951	\$ 1,906	\$(3,677)
Net income (loss) per share: (5)					
Basic	--	--	\$ 0.03	\$ 0.03	\$(0.06)
Diluted	--	--	\$ 0.03	\$ 0.03	\$(0.06)
Pro forma net loss per share--basic and diluted (5).....					
	--	--	--	--	\$(0.05)

</TABLE>

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- (1) Excludes \$677 of equity-based compensation for the nine months ended September 30, 2000.
- (2) Excludes \$166 of equity-based compensation for the nine months ended September 30, 2000.
- (3) Excludes \$184 of equity-based compensation for the nine months ended September 30, 2000.
- (4) Excludes \$11,008 of equity-based compensation for the nine months ended September 30, 2000.
- (5) The calculation of net income (loss) per share and pro forma basic and diluted net loss per share is described in Note 3 to the combined consolidated financial statements.

<TABLE>
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	September 30, 2000		
	Actual	Pro Forma	
		Pro Forma (6)	As Adjusted (7)
	(in thousands)		
<S>	<C>	<C>	<C>
Balance Sheet Data:			
Cash and cash equivalents.....	\$ 52,999	\$ 73,499	\$185,869
Working capital.....	56,994	77,494	189,864
Total assets.....	102,977	123,477	235,847
Long-term debt, including current portion.....	7,299	7,299	7,299
Series B preferred stock.....	62,389	--	--
Series A preferred stock.....	4,954	--	--
Shareholders' equity.....	18,354	101,243	213,613

- (6) The pro forma amounts give effect to (i) the issuance of an additional 800,000 shares of Series B preferred stock at \$25.00 per share subsequent to September 30, 2000, (ii) the issuance of 2,806,000 shares of our common stock in connection with the acquisition of the remaining ownership of IPG Laser on October 4, 2000, (iii) the issuance subsequent to September 30,

2000 of 1,000,000 shares of common stock for \$500,000 and options to purchase 2,000,000 shares of common stock at a price of \$1.50 per share, reflecting a compensation charge of \$12.0 million and deferred compensation charge of \$22.0 million, (iv) the issuance subsequent to September 30, 2000 of options to purchase 1,607,000 shares of common stock at a weighted-average exercise price of \$3.25 per share to employees, consultants and members of the Board of Directors, reflecting a deferred compensation charge of \$14.7 million, (v) the conversion of all outstanding shares of Series A preferred stock into 1,000,000 shares of common stock, and (vi) the conversion of all outstanding shares of Series B preferred stock into 11,083,333 shares of common stock.

- (7) The pro forma as adjusted amounts reflect pro forma amounts, as adjusted to reflect the sale of 8,200,000 shares of our common stock in this offering, at an assumed initial public offering price of \$15.00 per share and after deducting the estimated underwriting discount and estimated offering expenses, and our receipt of the net proceeds. For more information, see "Use of Proceeds" and "Capitalization."

RISK FACTORS

You should carefully consider the risk factors set forth below, in addition to the other information contained in this prospectus, before making an investment decision. If any of the following risks actually occur, our business could be harmed, the trading price of our common stock could decline and you may lose all or part of your investment. You should also refer to the other information contained in this prospectus, including our financial statements and the related notes.

Risks Related to Our Business

We depend on a few key customers for a substantial portion of our sales revenue and the loss of any of these customers or a significant reduction or fluctuation in sales to these customers could significantly reduce our sales revenue or cause our results of operations to fluctuate.

Our results of operations have historically depended, and we anticipate will continue to depend for the foreseeable future, on sales to a relatively small number of customers. In the nine-month period ended September 30, 2000, TeraBeam and Marconi accounted for 40.2% and 19.6% of our net sales revenue, respectively, with eight customers accounting for 86% of our net sales revenue. Our net sales revenue generated from these customers, individually or in the aggregate, may not reach or exceed historic levels in any future period. In addition, some of these customers are also competitors.

Our net sales are dependent in part upon the ability of our customers to develop and sell systems that incorporate our fiber amplifiers, Raman pump lasers and fiber lasers. Adverse economic conditions, large inventory positions, limited marketing resources and other factors affecting these customers could have a substantial impact upon our financial results. In addition, our customers tend to order large quantities of products on an as needed basis. These ordering patterns may result in significant quarterly fluctuations in our net sales revenue and results of operations. None of our current customers have any minimum purchase obligations and may stop placing orders with us at any time. Our customers may purchase, and in several cases have purchased, fiber amplifiers and fiber lasers from other vendors, regardless of any forecast they may have previously provided to us. Loss or cancellations of orders from, or any downturn in the business of, any of these significant customers could cause a reduction in our sales revenue. In addition, we may not be able to reduce our dependence on a limited number of customers if the trend toward consolidation within various segments of the communications industry continues.

A significant portion of our sales are to a customer seeking to develop a free-space optical telecommunications business. If this customer's business does not develop as planned, our operating results could be materially adversely affected.

TeraBeam has developed a free-space optical telecommunications system to transmit data from building to building at high speeds without the use of copper or fiber optic cables. We understand that TeraBeam plans to introduce this system in metropolitan areas in the coming years. Free-space optical telecommunications systems are relatively new. We cannot predict the rate or extent to which these new telecommunications systems will be adapted or whether they will be widely accepted. Finally, as a private company, TeraBeam does not publish financial statements or other reports of the type required of companies whose securities are publicly traded. Consequently, we cannot make any statements about TeraBeam's financial condition or resources.

Our ability to sell our products would suffer if we lose members of our senior management team or if these members are unable to work together effectively.

Our future success depends upon the continued services of members of our senior management, particularly Dr. Valentin P. Gapontsev, our founder, Chairman of the Board and Chief Executive Officer. The loss of Dr. Gapontsev could hurt our business, and we do not have "key person" life insurance policies covering Dr. Gapontsev or any of our other employees. We are currently seeking to obtain a "key person" life insurance policy for Dr. Gapontsev as well as other key employees. With the exception of John H. Dalton, John

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Geagea and Angelo P. Lopresti, none of our executive officers or key employees are bound by an employment agreement for any specific term and these individuals may terminate their employment at any time. In addition, many of the members of our management team have been with us only for a relatively short period of time. For example, our President, Chief Operating Officer, Executive Vice President of Strategic Marketing, and General Counsel joined us within the past seven months.

If we do not successfully expand our sales and marketing organization, our sales revenue may not increase.

The sale of our products requires long and sustained efforts targeted at several key departments within our customers' and prospective customers' organizations. Our sales organization is currently limited and relies substantially upon our senior management, scientists and engineers. We will need to grow our sales force in order to increase market awareness and sales of our products. Competition for these individuals is intense, and we might not be able to hire the kind and number of sales personnel and applications engineers we need.

If we cannot reduce our manufacturing costs and introduce higher margin products to offset anticipated continued reductions in the average selling price of our products, we may experience reduced sales levels, reduced gross margins and loss of market share.

We anticipate that average selling prices of fiber optic communications products will continue to decrease in the future in response to technological advances, to product introductions by competitors and by us, and to other factors, including price pressures from significant customers. We cannot predict the rate at which selling prices will decrease. Therefore, we must continue to develop and introduce new products that incorporate features that can be sold at higher prices and reduce our manufacturing costs.

Our dependence on single or limited source suppliers for some of our key components and raw materials could adversely affect our results of operations.

We currently purchase some of our key components and raw materials used in the manufacture of our products from single or limited source suppliers and we have no contractual supply arrangements with any supplier other than SDL, our single source supplier of laser diode chips. Although we are actively seeking alternative sources of supply for the key components that we obtain from single or limited source suppliers, we do not anticipate supplies being available from other sources in commercial quantities in the near future. Financial or other difficulties faced by our suppliers or significant changes in demand for the components and materials we obtain from them could limit the availability of these components and materials. Any interruption or delay in the supply of any of these components or materials, or the inability to obtain these components and materials from alternate sources at acceptable prices and within a reasonable amount of time would impair our ability to meet scheduled product deliveries to our customers and could cause customers to cancel orders. We currently manufacture many of our critical components and will attempt to manufacture more of them to reduce our dependence on single or limited source suppliers, but we cannot assure you that we will succeed at these efforts in a timely manner or at all.

Some of our competitors are also our suppliers and if our relationships with these suppliers deteriorate, we may experience delivery problems and have less control over product pricing and quality, which would harm our business.

Some of our component suppliers are both single source suppliers to us and major competitors. For example, we buy some of our key components from SDL, one of our competitors. SDL has recently announced its decision to merge with JDS Uniphase. A change in these supply relationships in any manner adverse to us could cause us to experience delivery problems as well as reduced control over product pricing and quality. In addition, we could experience delays in identifying and qualifying other suppliers in a timely manner, which could cause production delays.

If we are unable to expand our manufacturing capacity in a timely manner, we will have insufficient capacity, which could seriously harm our business prospects.

We are currently establishing additional manufacturing and research facilities in Oxford, Massachusetts and Burbach, Germany and plan to add additional capacity in Milan, Italy. During this process, we could face the inability to procure and install the necessary capital equipment, a lack of availability of manufacturing personnel to work in our existing or new facilities and difficulties in achieving adequate yields from new manufacturing lines. We could also experience delays, disruptions, capacity constraints or quality control problems in our existing or new manufacturing operations. If we experience difficulties and disruptions in the manufacture of our products, we may not be able to deliver our products in a timely manner, which could cause us to lose customers or make it more difficult to attract new customers and negatively impact our sales revenue, competitive position and reputation. An element of our manufacturing strategy is increasing use of automation in our manufacturing and assembly processes. We cannot assure you that we will be able to successfully increase our use of automation. In addition, if we outgrow our existing and new facilities in Massachusetts, Germany and Italy, we will need to locate and obtain additional space. The commercial real estate markets in Massachusetts and Germany are extremely competitive and we may not be able to obtain additional needed space on reasonable terms, or at all. Our failure to obtain additional space could adversely impact our ability to expand our business and operations and increase our sales.

If we do not achieve acceptable manufacturing costs or sufficient product reliability in our expanded facilities or we suffer any interruption in our manufacturing operations, our ability to compete may be impaired and our sales could suffer.

The manufacture of our products involves complex and precise processes, requiring production in highly controlled clean room environments. Changes in our manufacturing processes or those of our suppliers, or inadvertent use of defective or contaminated materials by our suppliers or us, could significantly reduce our manufacturing yields and product reliability. Our manufacturing costs are relatively fixed and, thus, manufacturing yields are critical to our results of operations. To the extent we do not achieve acceptable manufacturing yields or experience product shipment delays, our gross margins would suffer. In addition, we may experience manufacturing delays and reduced manufacturing yields upon introducing new products. Furthermore, any interruption in manufacturing resulting from shortages of parts or equipment, earthquake, fire, equipment failures, yield fluctuations or otherwise could materially harm our operating results and business prospects.

If we fail to predict our manufacturing requirements accurately, we could incur additional costs or experience manufacturing delays, which could cause us to lose orders or customers and harm our operating results.

We need to accurately predict both the demand for our products and the lead time required to manufacture and obtain the raw materials and components for manufacturing our products. Lead times for raw materials and components that we order vary significantly and depend on factors such as the size of the order, contract terms and market demand for the raw materials or components. We currently use historical pricing, analytical reports and industry trend analysis to determine our requirements for components and raw materials. If we underestimate our requirements, our company may have inadequate manufacturing capacity or inventory, which could interrupt manufacturing of our products and result in delays in shipments and revenues. If we overestimate our requirements, we could have excess inventory.

If fiber optic technology is adopted at rates slower than we expect, we may have to significantly revise our strategy and demand for our products may decline, which would adversely impact our operating results and business prospects.

We have based a significant element of our business strategy on expanded use of fiber optic technology as a means of satisfying the increasing demand for bandwidth across communications networks, including the demand for higher transmission rates related to Internet-based communications. While we believe that both economic and technological factors favor the use of fiber optic communications systems over traditional copper wire-based systems, enhancements to copper wire-based technology, such as digital subscriber line, or DSL, could delay or prevent the adoption of fiber optic technology. Consequently, our

sales could be adversely affected.

If we fail to manage our growth effectively, our ability to manufacture and sell our products could be adversely affected, which could harm our operating results.

The increase in the number of our employees and the growth in our operations, combined with the challenges of managing geographically-dispersed operations, has placed, and we expect will continue to place, a significant demand on our management systems and resources. We continue to expand the scope of our operations in the United States, Germany and Italy, and have increased the number of our employees substantially in the past year. In addition, we plan to hire a significant number of employees over the next few quarters. We expect that we will need to continue to improve our financial and managerial controls, reporting systems and procedures and continue to expand, train and manage our work force worldwide.

Competition in the fiber amplifier and fiber laser market for telecommunications applications is intense and could adversely affect our sales revenue and gross margins.

Many of our competitors are large public companies that have long operating histories, significantly greater financial, technical, marketing and other resources, name recognition, extensive customer bases, well-developed distribution channels and broad product offerings. These companies include ADC, Alcatel, Corning, Corvis, Furukawa, JDS Uniphase, Lucent, Marconi, SDL and Siemens. These competitors and others are able to devote greater resources than we can to the development, marketing, sale and support of their products, and they can leverage their customer bases and broader product offerings and adopt aggressive pricing policies to gain market share. We expect to encounter potential customers that, due to existing relationships with these and other competitors, are committed to the products offered by them. The intensity of competition in our business could both prevent us from increasing or maintaining our market share and force us to reduce the prices of our products. If we cannot increase our market share or if we are forced to reduce the prices of our products, our sales revenue could stagnate or decline. Similarly, if we are forced to reduce the prices of our products, our margins could decline. Several of our competitors have large market capitalizations or cash reserves, and are much better positioned than we are to acquire other companies in order to increase their size or gain new technologies or products that may displace ours. These competitors could also acquire one or more of our significant customers, thereby leading to a decline in our sales revenue. In other circumstances, some of our competitors could spin-out new companies in the fiber optic components market that could as free-standing companies compete more aggressively with us. Finally, additional competitors may enter our market, and we are likely to compete with new companies in the future.

We do not have patents on our core technologies and, as a result, other companies may develop similar products or services, which could seriously harm our business.

Our success and ability to compete substantially depends on our ability to sell products in which we may not have sufficient intellectual property rights. We currently do not have patents on any of our core technology that would preclude or inhibit customers from using our core technologies, and we cannot assure you that we will be successful in protecting our technology through patent law. Historically, we have chosen to

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rely upon trade secrets and contractual restrictions, as opposed to patents, to protect our rights because of our limited resources. Attempts may be made to copy or reverse engineer aspects of our products or to obtain and use information that we regard as proprietary. Accordingly, we may not be able to prevent misappropriation of our technology or deter others from developing similar technology. Furthermore, policing the unauthorized use of our products is difficult. Although we have applied for U.S. federal trademark protection, we do not have any U.S. federal trademark registrations for the marks "IPG," "IPG Photonics" or "IPG Laser" or certain of our other marks and we may not be able to obtain such registrations due to conflicting marks or otherwise. Litigation may be necessary in the future to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. This litigation could result in public disclosure of our proprietary technology, substantial costs and diversion of resources.

We may be sued by third parties for infringement of their proprietary rights and we may incur defense costs, and possibly royalty obligations, or be prevented from using technology important to our business.

The fiber optic components and fiber laser industries are characterized by the existence of a large number of patents and frequent litigation based on

allegations of patent infringement or other violations of intellectual property rights. Several manufacturers of fiber amplifiers have recently been sued for alleged infringement of a fiber amplifier patent. As the number of participants and the overall level of competitiveness in our markets increase, the possibility of an intellectual property claim against us increases. Any intellectual property claims, with or without merit, could be time consuming and expensive to litigate or settle and could divert management attention from administering our business. A third party asserting infringement claims against us or our customers with respect to our current or future products may adversely affect us by, for example, causing us to enter into costly licenses or incur settlement or litigation costs. We cannot assure you that third-party licenses will be available to us on commercially reasonable terms, or at all. The inability to obtain any third-party license required to continue the manufacture and sale of our current products or develop new products and product enhancements could require us to obtain substitute technology of lower quality or performance standards or at greater cost, either of which could seriously harm our ability to manufacture and sell our products.

If we fail to develop and successfully introduce new and enhanced products that meet the needs of our current and potential customers or do not comply with evolving fiber optic technology standards, our operating results would suffer.

The fiber amplifier and fiber laser industries are characterized by rapid technological changes, frequent new product introductions, changes in customer requirements and evolving standards. Our failure to predict accurately the needs of our customers and prospective customers, and to develop products or product enhancements that address those needs and these evolving standards, may result in the loss of current customers or the inability to convert prospective customers into customers. While we intend to continue to invest in product and technology development, our products could quickly become obsolete as new technologies and standards are introduced and incorporated into new and improved products. In addition, if laser products are not broadly accepted for industrial applications as an alternative to current technology, we may incur significant expenses and losses due to lack of customer demand, unusable purchased components for these products and the diversion of our engineers from future product development efforts. The development of new or enhanced products is a complex and uncertain process that requires the accurate anticipation of technological and market trends. We may experience design, manufacturing, marketing and other difficulties that could delay or prevent the development, introduction or marketing of new products and enhancements. The introduction of new or enhanced products also requires that we manage the transition from older to newer products in order to minimize disruption in customer ordering patterns and ensure that adequate supplies of new products can be delivered to meet anticipated customer demand. Our inability to effectively manage this transition would cause our operating results to suffer.

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The long sales cycles for our products may cause our revenue and operating results to fluctuate significantly from quarter to quarter.

Customers often view the purchase of our products as a significant and strategic decision. As a result, customers typically expend significant effort in evaluating, testing and qualifying our products and our manufacturing process. This customer evaluation and qualification process frequently results in a lengthy initial sales cycle. While any customer or prospective customer is evaluating our products and before they place an order with us, we may incur substantial sales and marketing and research and development expenses to customize our products to their needs. We may also expend significant management effort, increase manufacturing capacity and order long lead time components or materials prior to receiving an order. Even after this evaluation process, a customer or prospective customer may not purchase our products. Our sales cycles typically last four to six months. However, because of the evolving nature of the optical networking market and the customized nature of our products, some sales and development cycles may be longer.

Operations of our affiliate in Russia subject us to risks inherent in doing business in Russia.

Our wholly-owned subsidiary, IPG Laser, has agreed in principle to acquire a 51% interest in NTO IRE-POLUS, a company located in Russia and one of our affiliates. NTO IRE-POLUS conducts research and development and provides components and test equipment to us. The results of operations, business prospects and facilities of NTO IRE-POLUS are subject to the economic and political environment in Russia. Russia has experienced and is continuing to experience both political and economic instability, including, the successive turnover of persons holding the position of prime minister and other upper level government ministers, the devaluation of the ruble and problems relating to the bailout of Russia's economy by the International Monetary Fund. If Russia's federal or local governments adopt new restrictions, such as those relating to taxation, import and export tariffs, currency regulations,

environmental regulations, land use rights, property and various other matters, or impose stricter regulations or interpretations of existing regulations, the supply of technology, test equipment or components to us from NTO IRE-POLUS could be limited and our operating results and financial position could be harmed.

We may not be successful in attracting, assimilating or retaining qualified personnel to fulfill our current or future needs, which could adversely impact our ability to manufacture and sell our products.

Our ability to continue to attract and retain highly skilled personnel is critical for us. During 2000, we hired approximately 106 new employees. We will need to increase the number, and ensure the continued quality, of our engineering, marketing, sales and manufacturing personnel to successfully implement our business plan. Our business requires individuals educated in several disciplines, including physics, optics, materials sciences, chemistry and electronics. Competition for this technical personnel is intense.

Our products are deployed in large and complex systems and may contain defects that are not detected until after our products have been installed, which could damage our reputation and cause us to lose customers.

Several of our products are designed to be deployed in large and complex optical networks. Although we test both critical components and our finished products, they can only be fully tested for reliability when deployed in networks for long periods of time. Our customers may discover defects in our products only after they have been fully deployed and have operated under peak stress conditions. In addition, our products are combined with products from other vendors. Should problems occur, it may be difficult to identify the source of the problem. If we are unable to fix defects or other problems, we could experience, among other things, loss of customers, damage to our brand reputation, failure to attract new customers or achieve market acceptance, diversion of development and engineering resources, and legal actions by our customers.

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Our ability to grow may be limited if we need, but are unable to raise, additional capital to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements.

We compete in a dynamic and rapidly evolving industry and may be required to raise substantial additional capital in the future to develop or enhance our products, increase our manufacturing capacity or respond to future opportunities or competitive pressures. If we are required to raise additional funds, we may not be able to do so on favorable terms, or at all.

If we fail to successfully manage our exposure to the worldwide financial markets and currency fluctuations, our operating results could suffer.

During the first nine months of 2000, approximately 98% of our net sales were denominated in the U.S. dollar, with the remainder denominated in the German mark and the Italian lira. In addition, approximately 20% of our cost of sales and operating expenses were denominated in the German mark or the Italian lira and approximately \$4.8 million of our capital expenditures were denominated in the German mark. We currently do not engage in any hedging transactions. As a result, we are exposed to fluctuations in the exchange rates between these foreign currencies and the U.S. dollar and an increase in the value of these foreign currencies relative to the U.S. dollar could have a material adverse effect on our operating results. To reduce the impact of reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, we may need to establish hedging programs, which may not be available on commercially reasonable terms or at all.

Any acquisitions that we undertake could be difficult to integrate, disrupt our business, dilute stockholder value and harm our operating results and financial condition.

We expect to review opportunities from time to time to acquire or invest in other businesses and technologies that would complement our current products, expand the breadth of our markets or enhance our technical capabilities, or that may otherwise offer growth opportunities. From time to time, such acquisitions or investments may be required to remain competitive. If we make any future acquisitions, we could issue stock that would dilute existing stockholders' percentage ownership, incur substantial debt or assume contingent liabilities. Our experience in acquiring other businesses and technologies is limited. Potential acquisitions also involve numerous risks, including:

. problems assimilating the purchased operations, technologies or

products;

- . unanticipated costs associated with the acquisition;
- . diversion of management's attention from our core business;
- . adverse effects on existing business relationships with suppliers and customers;
- . risks associated with entering markets in which we have no or limited prior experience; and
- . potential loss of key employees of purchased organizations.

We cannot assure you that we would be successful in overcoming problems encountered in connection with such acquisitions, and our inability to do so could significantly harm our business.

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If we do not comply with various government export regulations in the countries in which we operate and in which our products are used, we could be subject to significant fines, penalties or other adverse consequences and our manufacturing operations and ability to satisfy purchase orders and achieve financial projections could be harmed.

Because our products can be used or adapted for military, weapons or other similar uses, our products are subject to U.S., German, Italian and Russian export control laws and regulations that regulate the export of products, including components, and disclosure of technical information to foreign countries and citizens. These laws and regulations may require licenses for the export of some of our products from one or more of the countries in which we are operating, as well as licenses for the disclosure of aspects of our technology to our employees who are employed in, but not citizens of, those countries. We cannot assure you that we will succeed in obtaining any of these licenses. Depending on the outcome of any pending request, additional applications for licenses and other approvals may be required. We cannot assure you that any of these additional applications will be approved.

If we do not comply with various environmental and other safety regulations, we could be subject to significant fines, penalties and forced shutdowns of our manufacturing operations.

We are subject to a variety of national and local laws and regulations concerning the storage, use, discharge and disposal of toxic, volatile or otherwise hazardous or regulated chemicals or materials used in our manufacturing and assembly processes. Further, we are subject to other safety, labeling and training regulations as required by local, state and federal law. We cannot assure you that the systems we have in place to monitor and maintain compliance with these regulations will be adequate.

The failure of our customers to sell products that incorporate our products due to industry cyclicality, adverse economic conditions, large inventory positions, limited marketing resources and other factors could negatively impact our net sales.

Our business is significantly dependent on capital expenditures by manufacturers in the telecommunications as well as the industrial products area. These areas are cyclical and have historically experienced periods of oversupply, resulting in significantly reduced demand for capital equipment, including the products manufactured and marketed by us. Our net sales are dependent in part upon the ability of our customers to develop and sell systems that incorporate our fiber amplifiers, Raman pump lasers and fiber lasers. In addition, our customers could experience financial or other difficulties that could adversely affect our operations and, in turn, our financial condition or results of operations.

Risks Related to This Offering

We expect to experience volatility in our share price, which could negatively affect your investment, and you may not be able to resell your shares at or above the offering price.

The market price of our common stock after the offering may vary from the offering price. If you purchase shares of common stock, you may not be able to resell those shares at or above the offering price. We expect that our common stock price will fluctuate significantly in the future due to:

- . any deviations in our net sales revenue, gross profit or net income or losses from levels expected by securities analysts;

- . our relatively limited operating history;
- . the rapid expansion of our business;
- . changes in financial estimates by securities analysts;

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- . changes in market valuations of other fiber optic companies and the high volatility of the fiber optic industry; and
- . future sales of our common stock or other securities.

In addition, the Nasdaq National Market has experienced volatility that has often been unrelated to the performance of particular companies. Future market fluctuations may cause our stock price to fall regardless of our performance.

We will have broad discretion to use the proceeds from this offering. If we do not use the proceeds effectively to develop and grow our business, your investment could suffer.

We intend to use a portion of the proceeds from this offering for the expansion of our manufacturing facilities, marketing and distribution activities, research and development activities and general corporate purposes. We may use the balance of the proceeds to acquire or invest in related businesses, products and technologies. Our management will have broad discretion in deciding how we use the net proceeds from this offering, including the uses for which we have provided estimated amounts in "Use of Proceeds." You will not have the opportunity to evaluate the economic, financial or other information on which we base our decisions regarding the use of the net proceeds from this offering and we may spend these proceeds in ways that do not increase our results of operations or market value.

Insiders will continue to have substantial control over us after this offering and could delay or prevent a change in our corporate control and cause our stock price to decline.

Upon completion of this offering and assuming no exercise of the underwriters' over-allotment option, our executive officers, directors and our existing principal stockholders who hold 5% or more of the outstanding common stock and their affiliates will beneficially own approximately 90% of our outstanding common stock based on shares outstanding as of December 31, 2000. As a result, these stockholders will be able to continue to exercise significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could delay or prevent an outside party from acquiring or merging with us and cause our stock price to decline. You should read "Principal Stockholders" for a full presentation of the equity ownership of these stockholders.

There may be sales of a substantial amount of our common stock after this offering that could cause our stock price to fall.

Our current stockholders hold a substantial number of shares, a significant portion of which they will be able to sell in the public market 180 days after the date of this prospectus. Sales of a substantial number of shares of our common stock after this offering could cause our stock price to fall. In addition, the sale of these shares could impair our ability to raise capital through the sale of additional stock. You should read "Shares Eligible for Future Sale" for a full discussion of the shares that may be sold in the public market in the future.

Provisions of our charter documents, Delaware law and change of control agreements may have anti-takeover effects that could prevent a change in control, which may cause our stock price to decline.

Provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable. These provisions include authorizing our board of directors to issue preferred stock without stockholder approval, limitations on shareholder action by written consent, and prohibiting cumulative voting in the election of directors. Certain provisions of Delaware law also may discourage, delay or prevent someone from acquiring or merging with us, which may cause the market price of our common stock to decline. You should read "Description of Capital Stock--Delaware Anti-Takeover Law and Certain Charter and Bylaw Provisions" for a full discussion of the charter and bylaw provisions and Delaware anti-takeover law.

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FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," contains forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. These risks and other factors include those listed under "Risk Factors" and elsewhere in this prospectus. In some cases, you can identify forward-looking statements by words such as "may," "will," "should," "could," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable words. In addition, these forward-looking statements include, but are not limited to, statements regarding the following:

- . the expansion of our manufacturing capacity;
- . improvement of our manufacturing efficiencies;
- . development and introduction of new products;
- . anticipated sources of future revenues;
- . the possibility of lower prices, reduced margins and loss of market share due to increased competition;
- . anticipated expenditures for research and development, sales and marketing and general and administrative expenses; and
- . the adequacy of our capital resources to fund our operations.

These statements are only predictions. Although we believe that the expectations reflected in the forward-looking statements are reasonable at this time, we cannot guarantee future results, levels of activity, performance or achievements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events.

USE OF PROCEEDS

We estimate our net proceeds from the sale of the 8,200,000 shares of common stock offered by us in this offering to be approximately \$112.4 million, based on an assumed initial public offering price of \$15.00 per share and after deducting the estimated underwriting discount and offering expenses. The net proceeds are expected to be approximately \$128.7 million if the underwriters' over-allotment option is exercised in full.

We intend to use the net proceeds of this offering for:

<TABLE>

<CAPTION>

Purpose -----	Amount ----- (approximately) <C>
<S>	
expansion of manufacturing facilities	\$80 million
sales and marketing activities	\$14 million
research and development activities	\$18 million
working capital and other general corporate purposes	Remainder

</TABLE>

If the opportunity arises, we may use a portion of the net proceeds from this offering to acquire or invest in related businesses, joint ventures, products and technologies. Except for the agreement in principle for IPG Laser to acquire a 51% interest in NTO IRE-POLUS, our Russian affiliate, we currently have no commitments or agreements for any material acquisition of, or investment in, any third party, or creation of any joint ventures. The estimated amounts set forth above and the timing of these expenditures will vary depending on a number of factors, including future revenue growth, if any, the amount of cash we generate from operations, the progress of our manufacturing, sales and marketing expansion efforts and our international market penetration. See "Risk Factors--We have broad discretion to use the proceeds from this offering. If we do not use the proceeds effectively to develop and grow our business, your investment could suffer." Pending any use of the net proceeds for the above purposes, we intend to invest the funds in short-term, interest-bearing, investment grade securities. For more information, see "Business--The IPG Strategy."

DIVIDEND POLICY

We have never paid dividends on our capital stock. We currently intend to retain future earnings to finance the growth and development of our business, and we do not anticipate paying any dividends in the foreseeable future. Our loan agreements include covenants which may restrict our ability to pay dividends. In addition, certain of the loans to our German subsidiary, IPG Laser, restrict the payment of dividends to IPG. For more information about these loans, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

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CAPITALIZATION

The following table sets forth our cash, debt, minority interests and capitalization as of September 30, 2000:

- . on an actual basis;
- . on a pro forma basis, giving effect to:
 - . the issuance of 2,806,000 shares of our common stock in connection with the acquisition of the remaining ownership of IPG Laser on October 4, 2000;
 - . the issuance, subsequent to September 30, 2000, of 1,000,000 shares of common stock for \$500,000 and options to purchase 2,000,000 shares of common stock at an exercise price of \$1.50 per share, reflecting a compensation charge of \$12.0 million and deferred compensation charge of \$22.0 million;
 - . the issuance, subsequent to September 30, 2000, of options to purchase 1,607,000 common shares at a weighted-average exercise price of \$3.25 per share to employees, consultants and members of the Board of Directors, reflecting a deferred compensation charge of \$14.7 million.
 - . the conversion of all outstanding shares of Series A preferred stock into 1,000,000 shares of common stock;
 - . the issuance of an additional 800,000 shares of Series B preferred stock at \$25.00 per share subsequent to September 30, 2000;
 - . the conversion of all outstanding shares of Series B preferred stock into 11,083,333 shares of common stock; and
- . on a pro forma as adjusted basis, giving effect to the sale of 8,200,000 shares of our common stock in this offering, at an assumed initial public offering price of \$15.00 per share and after deducting the estimated underwriting discount and estimated offering expenses, and our receipt and application of the net proceeds.

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You should read this table together with "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Capital Stock," our combined consolidated financial statements and the related notes and the other financial information in this prospectus.

<TABLE>
<CAPTION>

	September 30, 2000		
	Actual	Pro Forma	As Adjusted

	(In thousands, except per share data)		
<S>	<C>	<C>	<C>
Cash.....	\$52,999	\$ 73,499	\$185,869
	=====	=====	=====
Debt, including current portion.....	\$ 7,299	\$ 7,299	\$ 7,299
	-----	-----	-----
Minority interest.....	10	10	10
	-----	-----	-----
Convertible redeemable preferred stock--Series B, \$0.0001 par value; 3,800,000 shares authorized, 3,000,000 shares issued and			

outstanding at September 30, 2000 actual; no shares issued or outstanding at September 30, 2000 on a pro forma and pro forma as adjusted basis.....	62,389	--	--

Shareholders' equity:			
Preferred stock--\$0.0001 par value; 700,000 shares authorized, no shares issued or outstanding.....	--	--	--
Convertible preferred stock--Series A, \$0.0001 par value; 500,000 shares authorized, 500,000 shares issued and outstanding at September 30, 2000 actual; no shares issued or outstanding at September 30, 2000 on a pro forma and pro forma as adjusted basis.....	4,954	--	--
Common stock, \$0.0001 par value, 100,000,000 shares authorized, 67,961,868 shares issued and outstanding at September 30, 2000 actual; 100,000,000 shares authorized, 83,851,201 shares issued and outstanding at September 30, 2000 on pro forma basis and 500,000,000 shares authorized, 92,051,201 issued and outstanding at September 30, 2000 on a pro forma as adjusted basis.....	7	8	9
Additional paid-in capital.....	30,934	164,120	276,489
Warrants to issue common stock.....	12,400	15,707	15,707
Notes receivable from shareholders.....	(440)	(440)	(440)
Deferred compensation.....	(17,452)	(54,103)	(54,103)
Accumulated deficit.....	(11,362)	(23,362)	(23,362)
Accumulated other comprehensive income.....	(687)	(687)	(687)

Total shareholders' equity.....	18,354	101,243	213,613

Total capitalization.....	\$88,052	\$108,552	\$ 220,922
=====			

</TABLE>

The information provided in the above table excludes:

- . 5,126,532 shares of common stock issuable upon exercise of options outstanding at December 31, 2000 under our 2000 stock incentive plan, with a weighted-average exercise price of \$0.99 per share, 33,000 options exercised in December 2000 and 2,653,000 shares issuable upon exercise of options granted subsequent to December 31, 2000, with a weighted-average exercise price of \$2.06 per share;
- . 5,525,600 shares reserved for future issuance under our 2000 stock incentive plan; and
- . 3,166,667 shares of common stock issuable upon exercise of warrants outstanding at December 31, 2000 held by owners of our Series B preferred stock, assuming an exercise price of \$7.50 per share.

DILUTION

The pro forma net tangible book value of our common stock as of September 30, 2000 was approximately \$101.1 million, or \$1.21 per share. Pro forma net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the pro forma number of shares of common stock outstanding after giving effect to the pro forma adjustments described in "Capitalization." Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by investors in this offering and the pro forma net tangible book value per share of our common stock immediately after the offering. After giving effect to our sale of shares of common stock offered by this prospectus, at an assumed initial public offering price of \$15.00 per share, and after deducting the underwriting discount and estimated offering expenses payable by us, our pro forma net tangible book value would have been approximately \$213.4 million, or \$2.32 per share. This represents an immediate increase in pro forma net tangible book value of \$1.11 per share to existing stockholders and an immediate dilution in pro forma net tangible book value of \$12.68 per share to new investors purchasing shares of common stock in this offering. The following table illustrates this dilution.

<TABLE>	<C>	<C>
<S>		
Initial public offering price per share.....		\$15.00
Pro forma net tangible book value per share as of September 30,		

2000.....	\$1.21
Increase per share attributable to new investors.....	1.11

Pro forma net tangible book value per share after this offering.....	2.32

Dilution per share to new investors.....	\$12.68
	=====

</TABLE>

The following table summarizes, on a pro forma basis after giving effect to the pro forma adjustments described in "Capitalization," as of September 30, 2000:

- . the number of shares of common stock issued by us;
- . the total consideration paid to us;
- . the average price per share paid by existing stockholders; and
- . the average price per share paid by new investors, before deducting the estimated underwriting discount and offering expenses payable by us.

<TABLE>
<CAPTION>

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
<S>	<C>	<C>	<C>	<C>	<C>
Existing stockholders.....	83,851,201	91%	\$ 86,416	41%	\$ 1.03
New investors.....	8,200,000	9%	\$123,000	59%	\$15.00
Total.....	92,051,201	100%	\$209,416	100%	\$ 2.27
	=====	===	=====		

</TABLE>

The information in the above tables excludes the following:

- . 5,126,532 shares of common stock issuable upon exercise of options outstanding at December 31, 2000 under our 2000 stock incentive plan with a weighted average exercise price of \$0.99 per share, options to purchase 33,000 shares of common stock exercised in December 2000 and 2,653,000 shares of common stock issuable upon exercise of options granted subsequent to December 31, 2000 and prior to the date of this prospectus with a weighted average exercise price of \$2.06 per share;

- . 3,166,667 shares of common stock issuable upon exercise of warrants outstanding at December 31, 2000 at an exercise price of \$7.50 per share held by owners of our Series B preferred stock, assuming an initial public offering price of \$15.00 per share; and
- . up to 1,175,000 shares of common stock that may be issued by us pursuant to the underwriters' over-allotment option.

Assuming exercise of all outstanding options and warrants, pro forma net tangible book value per share at September 30, 2000 would be \$1.38, representing dilution of \$12.52 per share to new investors. For more information about dilution, see "Management--Stock Option Plan," "Description of Capital Stock" and the notes to our combined consolidated financial statements included in this prospectus.

SELECTED COMBINED CONSOLIDATED FINANCIAL DATA

We were incorporated on December 2, 1998 and at that date shared an affiliation through common ownership with IPG Laser and IPG Fibertech, collectively known as the IPG Group. In August 2000, the IPG Group was reorganized, resulting in IPG Laser becoming our wholly-owned subsidiary upon completion of the reorganization. Because IPG Laser and IPG Fibertech, the 80% owned subsidiary of IPG Laser, have been under common managerial, operational and shareholder control since inception, the transfers of interest are accounted for in the financial statements as a reorganization of companies

under common control in a manner similar to a pooling of interests. Our combined consolidated financial statements include the accounts of IPG Laser and IPG Fibertech. All intercompany transactions and balances have been eliminated. For purposes of presentation of the combined consolidated financial statements for the years ended December 31, 1997 and 1998, IPG Laser and IPG Fibertech, are referred to as the Predecessor.

We prepare our financial statements in accordance with accounting principles generally accepted in the United States. The selected combined consolidated financial data presented below as of December 31, 1998 and 1999 and for each of the three years in the period ended December 31, 1999 are derived from our audited combined consolidated financial statements included elsewhere in this prospectus. The selected combined consolidated financial data as of December 31, 1995, 1996 and 1997 and for the years ended December 31, 1995 and 1996 are derived from our unaudited combined consolidated financial statements that are not included in this prospectus. The unaudited combined consolidated financial statements have been prepared on the same basis as the audited combined consolidated financial statements and, in the opinion of our management, include all adjustments necessary for a fair presentation of the information set forth in such statements. Historical results are not necessarily indicative of results that may be expected for any future period.

The combined consolidated financial data as of September 30, 2000 and for the nine months ended September 30, 1999 and 2000 are derived from our unaudited combined consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited information on the same basis as the audited combined consolidated financial statements and have included all adjustments that we consider necessary for a fair presentation of our financial position and operating results for the interim periods. Our results of operations for the nine month period ended September 30, 2000 are not necessarily indicative of our results for the full fiscal year ended December 31, 2000.

You should read the Selected Combined Consolidated Financial Data set forth below in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our combined consolidated financial statements and the related notes included elsewhere in this prospectus.

<TABLE>
<CAPTION>

	For the year ended December 31,					For the nine months ended September 30,	
	1995	1996	1997	1998	1999	1999	2000
	(in thousands, except per share data)						
	Predecessor						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:							
Net sales.....	\$1,396	\$1,486	\$3,097	\$8,263	\$18,640	\$14,823	\$32,689
Cost of sales (1).....	628	930	2,436	5,560	9,688	6,882	12,610
Gross profit (1).....	768	556	661	2,703	8,952	7,941	20,079
Operating expenses:							
Sales and marketing (2).....	87	51	219	374	677	619	1,049
Research and development (3).....	187	305	127	682	1,477	1,036	1,127
General, administrative and other (4).....	270	431	276	1,000	2,712	2,006	3,946
Equity-based compensation.....	--	--	--	--	--	--	12,035
Total operating expenses.....	544	787	622	2,056	4,866	3,661	18,157
Operating income (loss).....	224	(231)	39	647	4,086	4,280	1,922
Interest income (expense), net.....	(35)	(60)	(119)	(208)	(303)	(231)	(77)
Other income (expense), net.....	(2)	106	108	(47)	273	40	475
Income (loss) before provision (benefit) for income taxes and minority interest.....	187	(185)	28	392	4,056	4,089	2,320
Provision (benefit) for income taxes.....	72	(96)	22	234	2,102	2,178	5,828
Minority interest.....	--	--	--	(4)	(3)	(5)	--
Net income (loss).....	115	(89)	6	154	1,951	1,906	(3,508)
Accretion of preferred stock.....	--	--	--	--	--	--	(169)
Net income (loss) available to common shareholders.....	\$ 115	\$ (89)	\$ 6	\$ 154	\$ 1,951	\$ 1,906	\$ (3,677)

Net income (loss) per share: (5)								
Basic	--	--	--	--	\$ 0.03	\$ 0.03	\$ (0.06)	
Diluted	--	--	--	--	\$ 0.03	\$ 0.03	\$ (0.06)	
Pro forma net loss per share - basic and diluted (5).....	--	--	--	--	--	--	\$ (0.05)	

</TABLE>

- (1) Excludes \$677 of equity-based compensation for the nine months ended September 30, 2000.
- (2) Excludes \$166 of equity-based compensation for the nine months ended September 30, 2000.
- (3) Excludes \$184 of equity-based compensation for the nine months ended September 30, 2000.
- (4) Excludes \$11,008 of equity-based compensation for the nine months ended September 30, 2000.
- (5) The calculation of net income (loss) per share and pro forma basic and diluted net loss per share is described in Note 3 to the combined consolidated financial statements.

<TABLE>
<CAPTION>

	December 31,					September 30, 2000
	1995	1996	1997	1998	1999	
	(in thousands)					
	Predecessor					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data:						
Cash and cash equivalents..	\$ 200	\$ 72	\$ 222	\$1,181	\$ 706	\$ 52,999
Working capital (deficiency).....	27	587	725	547	(775)	56,994
Total assets.....	1,186	2,186	3,456	8,819	12,800	102,977
Long-term debt, including current portion.....	762	1,597	2,483	4,716	4,646	7,299
Convertible redeemable preferred stock.....	--	--	--	--	--	62,389
Convertible preferred stock.....	--	--	--	--	--	4,954
Shareholders' equity.....	75	145	256	435	2,216	18,354

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ substantially from those anticipated in these forward-looking statements as a result of many factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. The following discussion should be read together with our combined consolidated financial statements and related notes thereto included elsewhere in this prospectus.

Overview

We design, manufacture and sell high performance fiber amplifiers, Raman pump lasers and fiber lasers for telecommunications and industrial applications. Our proprietary technology, materials science expertise and vertically integrated manufacturing operations enable us to meet the demands of our customers for cost-effective fiber amplifiers and lasers having high power output and reliable performance. Our telecommunications products are used in several segments of optical communications networks. Our industrial products are used for a variety of manufacturing, medical and aerospace applications.

Financial Statement Presentation

We were incorporated as a Delaware corporation on December 2, 1998 and began operations in the United States in 1999. In November 1994, our founding shareholder founded and incorporated a new company in Germany, IPG Laser GmbH. In 1998, IPG Fibertech S.r.l. was incorporated in Italy as an 80% owned subsidiary of IPG Laser. In August 2000, we restructured the ownership of several affiliated companies, acquiring 100% of IPG Laser and its 80% owned subsidiary, IPG Fibertech. For more detail regarding this restructuring, see "Transactions with Related Parties--History of IPG and Restructuring." In

addition, IPG Laser, our wholly-owned subsidiary, expects to acquire a 51% interest in our Russian affiliate, NTO IRE-POLUS, in the first half of 2001. NTO IRE-POLUS began its operations in 1991.

The combined consolidated financial statements and all financial data included throughout this prospectus include IPG Laser and IPG Fibertech. These combined consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States. All inter-company transactions and balances have been eliminated. The historical financial statements of IPG Laser and IPG Fibertech have been prepared in their local functional currencies and have been translated to U.S. dollars for purposes of financial reporting. For purposes of the preparation of the combined consolidated financial statements for the years ended December 31, 1997 and 1998, IPG Laser and IPG Laser's 80% owned subsidiary, IPG Fibertech, are referred to as the Predecessor. The combination of these financial statements, in the opinion of management, represents the results of our operations and financial condition as if the acquisition of IPG Laser and IPG Fibertech had been in place as of January 1, 1997. However, the results of our operations may have been different if we had managed these entities as one consolidated entity. As such, our historical results may not be indicative of future operations.

We currently manage our business as two segments: U.S. and Germany. We believe that these segments share similar economic characteristics and similarities in product, types of customers and methods of distribution. See Note 12 to our combined consolidated financial statements included elsewhere in this prospectus for a further discussion of our operating segments.

Net Sales

We derive revenues from fiber amplifiers and Raman pump lasers for the telecommunications industry, and fiber lasers for industrial applications. Telecommunications revenue represented 76.8% of our revenue for the nine months ended September 30, 2000.

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During 1999 and throughout 2000, we significantly expanded our sales and customer relationships. Customers who accounted for more than \$100,000 in net sales from us or our distributors for the eleven months ended November 30, 2000 included ADC, Agilent, Alcatel, Antares Laser Calient, Corning, Corvis, Hughes Space and Communications, JDS Uniphase, Lucent, Marconi, MIT Lincoln Labs, Molecular OptoElectronics, Nortel, Siemens, T.E.M. and TeraBeam in our telecommunications product line and Baasel Scheel Lasergraphics, DaimlerChrysler Aerospace, GSI Lumonics, Krause Danmark, Purup Escofot and Sunx in our industrial applications product line. However, we continue to derive a significant portion of our net sales from a limited number of companies. We had five customers that individually comprised more than 10% of our net sales in one or more of the periods in the three year period ended December 31, 1999 and in the nine month period ended September 30, 2000. The composition of our net sales to our largest customers has changed significantly during these periods due to the commencement of our U.S. operations in 1999, the significant growth in our net sales and the addition of new customers. We seek to continue to add new customers and to expand our relationships with existing customers. As our sales base grows, we anticipate that the composition of our net sales to our significant customers will continue to change. We have provided additional information about our dependence on a limited number of customers in "Risk Factors--We depend on a few key customers for a substantial portion of our sales revenue and the loss of any of these customers or a significant reduction or fluctuation in sales to these customers could significantly reduce our sales revenue or cause our results of operations to fluctuate."

As of September 30, 2000, we did not have any written commitments from our customers for deliveries to be made in 2001. Our sales are made on a purchase order basis rather than by long-term purchase commitments. As such, our customers may cancel or defer purchase orders without penalty on short term notice.

The average selling prices of our products generally decrease as the products mature, especially in the telecommunications industry. These decreases arise from factors such as increased competition, the introduction of new products, maintenance of market share and increases in unit volumes. In addition, we have in the past lowered our selling prices in order to establish new markets and niches where previously it was not economically feasible for customers to deploy our products. We cannot predict the timing and degree of these price declines.

Gross Profits

Our cost of sales consists primarily of raw materials and components, direct labor and an allocation of indirect labor and manufacturing overhead. We

are vertically integrated and currently manufacture a majority of the critical components for our products. Our vertical integration lowers our cost of sales. We currently maintain surplus inventory of key components sourced from outside vendors to provide an adequate supply and to be able to fill orders quickly for our customers. While we have not historically incurred any costs related to inventory obsolescence, this higher inventory may be subject to a greater risk of obsolete inventory in the future. Inventories which are considered obsolete will be written off when identified and charged to cost of sales. For more information, please refer to "Risk Factors--Our dependence on single or limited source suppliers for some of our key components and raw materials could adversely affect our results of operations."

Our gross profits are typically greater for high power telecommunications products. Our overall gross profits have increased over the last three years because of increased productivity and economies of scale. As we continue automation of our manufacturing processes in both our new and existing facilities and manufacture additional components in-house, we anticipate further economies and productivity gains. We expect, however, that these economies and productivity gains will only partially offset decreases in average selling prices. Additionally, the increase in manufacturing capacity is reflected in increased capital expenditures on property, plant and equipment which will result in increased depreciation expense in future periods. For more information, please refer to "Risk Factors--If we cannot reduce our manufacturing costs and introduce higher margin products to offset anticipated continued reductions in the average selling price of our products, we may experience reduced sales levels, reduced gross margins and loss of market share."

Operating Expenses

Sales and marketing. Sales and marketing expenses consist primarily of salaries and related personnel costs, travel expenses, expenses related to trade shows, exhibitions and other marketing events. One of our strategies is to expand our marketing operations significantly to increase market awareness and acceptance of our products and build sales from these efforts. In addition, we expect to expand our customer service and support organizations in order to maintain and support our customers. We expect to incur additional sales and marketing expenses in the future as we hire staff, establish an advertising program, print and distribute promotional material and supply sample products to potential new customers.

Research and development. Research and development expenses consist primarily of salaries and related personnel costs, test and prototype expenses related to the design of our products, and facilities costs. We use a common research and development platform for both our telecommunications and industrial products. Most costs related to product development are recorded as research and development expenses in the period in which they are incurred. However, the research and development costs of prototypes developed for customer-specific solutions are reported as cost of sales if those prototypes are sold. We expect that research and development expenses will increase significantly as we continue to enhance our existing products and expand new product development.

General, administrative and other. General, administrative and other expenses consist primarily of salaries and related personnel costs, recruiting expenses and costs associated with the infrastructure that supports our operations. We intend to create an information technology department that will implement and maintain an enterprise resource planning system for our worldwide operations. We anticipate that in addition to the cost of our new information technology department, general, administrative and other costs will also increase to support the expansion of our infrastructure and as a result of being a public company.

Equity-based compensation. Equity-based compensation represents the difference between the estimated fair value of the common stock underlying the options awarded and the exercise price of those options on the date the options were granted to our employees and the fair value of options awarded to non-employees. The deferred compensation charges related to options awarded to our employees are being amortized using the straight-line method over the vesting period of the options, which is generally four years. Deferred compensation related to options awarded to non-employees is being amortized in accordance with the requirements of FIN 28. In connection with the grant of stock options, we recorded deferred compensation of approximately \$29.5 million through September 30, 2000 and equity-based compensation expense of approximately \$12.0 million for the nine months ended September 30, 2000. Given the vesting periods of the awarded options, the \$29.5 million of deferred compensation will be recognized as follows: \$16.0 million in 2000, \$5.2 million in 2001, \$3.9 million in 2002, \$3.2 million in 2003 and \$1.2 million in 2004. Certain options awarded during 2000 require variable plan accounting, which requires that

equity-based compensation be remeasured at each reporting date. As such, our equity-based compensation charge may increase in future periods. Subsequent to September 30, 2000, we issued 1,000,000 shares of restricted common stock at a price of \$0.50 per share, which will result in a compensation charge of \$12.0 million in 2001, and granted 3,607,000 options to purchase common stock to employees, members of the Board of Directors and consultants which will result in aggregate deferred compensation expense of \$36.7 million, to be recognized through 2005.

Results of Operations

The following table sets forth for the periods indicated the percentage of net sales represented by the items included in our combined consolidated statements of operations for the years ended December 31, 1997, 1998 and 1999, and the nine month periods ended September 30, 1999 and 2000.

<TABLE>

<CAPTION>

	Year Ended December 31,			Nine Month Period Ended September 30,	
	1997	1998	1999	1999	2000

	Predecessor				

<S>	<C>	<C>	<C>	<C>	<C>
Net sales.....	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales(1).....	78.7%	67.3%	52.0%	46.4%	38.6%

Gross profit(2).....	21.3%	32.7%	48.0%	53.6%	61.4%

Operating Expenses:					
Sales and marketing(3).....	7.1%	4.5%	3.6%	4.2%	3.2%
Research and development(4).....	4.1%	8.3%	7.9%	7.0%	3.4%
General, administrative and other(5).....	8.9%	12.1%	14.6%	13.5%	12.1%
Equity-based compensation(6).....	0.0%	0.0%	0.0%	0.0%	36.8%

Total operating expenses.....	20.1%	24.9%	26.1%	24.7%	55.5%

Operating income	1.2%	7.8%	21.9%	28.9%	5.9%
Interest income (expense), net.....	(3.8%)	(2.5%)	(1.6%)	(1.6%)	(0.2%)
Other income (expense), net.....	3.5%	(0.6%)	1.5%	0.3%	1.4%

Income before provision for income taxes and minority interest.....	0.9%	4.7%	21.8%	27.6%	7.1%
Provision for income taxes.....	0.7%	2.8%	11.3%	14.7%	17.8%
Minority interest.....	0.0%	0.0%	0.0%	0.0%	0.0%

Net income (loss).....	0.2%	1.9%	10.5%	12.9%	(10.7%)

	=====	=====	=====	=====	=====

</TABLE>

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- (1) After allocation of \$677 equity-based compensation for the nine months ended September 30, 2000, the percentage of net sales would increase to 36.1%.
 - (2) After allocation of \$677 equity-based compensation for the nine months ended September 30, 2000, the percentage of net sales would decrease to 63.9%.
 - (3) After allocation of \$166 of equity-based compensation for the nine months ended September 30, 2000, the percentage of net sales would increase to 3.7%.
 - (4) After allocation of \$184 of equity-based compensation for the nine months ended September 30, 2000, the percentage of net sales would increase to 5.5%.
 - (5) After allocation of \$11,008 of equity-based compensation for the nine months ended September 30, 2000, the percentage of net sales would increase to 45.7%.
 - (6) Percentage of net sales would be 0.0% for the nine months ended September 30, 2000 after allocation of equity-based compensation.

Nine Months Ended September 30, 2000 Compared to Nine Months Ended September 30, 1999

Net sales. Net sales increased \$17.9 million, or 120.5%, to \$32.7 million for the nine months ended September 30, 2000 from \$14.8 million during the comparable period in 1999. This increase was due primarily to new orders for fiber amplifiers for free-space optical communications and, in part, to orders

for long-haul fiber amplifiers and Raman pump lasers and a growth in our industrial products sales. Our telecommunications products accounted for \$25.1 million, or 76.8%, of net sales for the nine months ended September 30, 2000 and \$11.4 million, or 76.8%, of net sales for the nine months ended September 30, 1999. Our industrial products accounted for the remainder of our net sales in both of these periods. We do not foresee a significant change in our product mix in the short term. During the nine months ended September 30, 2000, 71.2% of our net sales were in North America and 16.7% of our net sales were in Europe. Net sales to customers in North America increased \$14.0 million, or 152.3%, to \$23.3 million for the nine months ended September 30, 2000 from \$9.2 million during the comparable period in 1999 due to increased sales of optical communications products and the overall expansion of our customer base in the United States. We expect that our sales to North American customers will continue to comprise the significant majority of our worldwide sales.

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Gross Profits. Gross profits increased \$12.1 million, or 152.9%, to \$20.1 million for the nine months ended September 30, 2000 from \$7.9 million during the comparable period in 1999. This increase resulted from both an increase in net sales and the effects of increased productivity, economies of scale and volume component purchases.

Sales and marketing expenses. Sales and marketing expenses increased \$430,000, or 69.5%, to \$1.0 million for the nine months ended September 30, 2000 from \$619,000 during the comparable period in 1999. This increase in marketing expenses resulted principally from an increase in the number of sales and marketing personnel, resulting in an increase of approximately \$200,000, and an increase in expenditures for public relations and promotional materials totaling \$230,000.

Research and development expenses. Research and development expenses increased \$91,000, or 8.8%, to \$1.1 million for the nine months ended September 30, 2000 from \$1.0 million during the comparable period in 1999. This increase resulted from the hiring of additional research and development personnel and more research and development activities conducted by the existing staff.

General, administrative and other expenses. General, administrative and other expenses increased \$1.9 million, or 96.7%, to \$3.9 million for the nine months ended September 30, 2000 from \$2.0 million during the comparable period in 1999. The increase resulted principally from \$750,000 in additional costs related to additional hiring and higher salaries, and \$675,000 for legal, tax and accounting fees related to the reorganization in the third quarter of 2000.

Equity-based compensation expenses. During the nine months ended September 30, 2000, we issued options to purchase approximately 2.0 million shares of our common stock at a weighted-average exercise price of \$0.60 per share, resulting in deferred compensation of \$29.5 million. This deferred compensation will be amortized over the options' vesting periods, generally four years, and resulted in the recognition of \$12.0 million of equity-based compensation expense during the nine month period ended September 30, 2000. Of this amount, approximately \$11.5 million was attributable to our United States operating segment. Options to purchase our common stock issued during the comparable period in 1999 did not result in deferred compensation.

Interest income (expense), net. Net interest expense decreased \$154,000, or 66.7%, to \$77,000 for the nine months ended September 30, 2000 from \$231,000 during the comparable period in 1999. The decrease in interest expense was caused principally by the capitalization of approximately \$152,000 of interest expense during the nine months ended September 30, 2000 for construction projects in the United States and Germany, and the effect of interest income on the net proceeds from the private placements of Series A and Series B preferred stock.

Other income (expense), net. Other income increased \$435,000 to \$475,000 in the nine months ended September 30, 2000 from \$40,000 during the comparable period in 1999. Other income is primarily comprised of transaction exchange rate gains and losses from U.S. dollar denominated sales and cost of sales by our German and Italian subsidiaries.

Provision for income taxes. Provision for income taxes has increased \$3.7 million to \$5.8 million for the nine months ended September 30, 2000 from \$2.2 million during the comparable period in 1999, resulting in an effective tax rate in excess of 100% in 2000 and 53% in 1999. The increased effective tax rate reflects nondeductible equity based compensation which was recorded in 2000.

Net income. As a result of the foregoing factors, we had net income of \$1.9 million for the nine months ended September 30, 1999, compared to a net loss of \$3.5 million in the corresponding period in 2000. Our U.S. operations incurred a net loss of \$6.3 million, before intercompany eliminations, as

compared with net income of \$3.2 million for our German operations, principally as a result of equity-based compensation

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expense related to U.S. employees and, to a lesser extent, costs related to commencing operations in the United States. Excluding equity-based compensation, our net income would have been \$7.3 million in the nine months ended September 30, 2000, compared to net income of \$1.9 million in the corresponding period in 1999.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Net sales. Net sales increased \$10.4 million, or 125.6%, to \$18.6 million in 1999 from \$8.3 million in 1998. This increase was attributable primarily to an increase in the number of new customers and sales growth from existing customers, with fiber amplifiers for the access segment comprising a majority of our net sales. Our telecommunications products accounted for 77.2% of our net sales in 1999 and 72.1% in 1998. Net sales to North American customers accounted for approximately 61% of the increase in net sales, with the remainder resulting from growth at our German operations.

Gross Profits. Gross profits increased \$6.2 million, or 231%, to \$9.0 million for 1999 from \$2.7 million for 1998. This increase is principally due to increased sales during the period and an overall increase in the gross profit percentage from 32.7% to 48.0%. The increase in gross profit resulted from increased productivity and economies of scale and volume component purchases.

Sales and marketing expenses. Sales and marketing expenses increased \$303,000, or 81.0%, to \$677,000 in 1999 from \$374,000 in 1998. This increase resulted principally from increased senior management time devoted to sales and marketing efforts during 1999, and to a lesser extent, our increased attendance at trade shows and fairs.

Research and development expenses. Research and development expenses increased \$795,000, or 116.6%, to \$1.5 million in 1999 from \$682,000 in 1998. This increase resulted from the hiring of additional research and development personnel, the continued development of our existing technology platform and the development of new products for both telecommunications and industrial applications.

General, administrative and other expenses. General, administrative and other expenses increased \$1.7 million, or 171.2%, to \$2.7 million in 1999 from \$1.0 million in 1998. This increase resulted from start-up costs related to the formation of IPG Photonics in the United States, and approximately \$350,000 attributable to the hiring of additional management and administrative staff, such as our controller and vice president of corporate affairs.

Interest income (expense), net. Net interest expense increased \$95,000, or 45.7%, to \$303,000 in 1999 from \$208,000 in 1998 due to an overall increase in borrowings.

Other income (expense), net. Other income increased \$320,000 to \$273,000 in 1999 from net other expense of \$47,000 in 1998, reflecting primarily foreign currency gains arising from the appreciation of the U.S. dollar relative to the Deutsche mark in 1999.

Provision for income taxes. Provision for income taxes increased \$1.9 million to \$2.1 million in 1999 from \$234,000 in 1998 resulting in an effective tax rate of 53% in 1999 and 59.7% in 1998. This decreased tax rate reflects the contribution to total net income before taxes from our U.S. operations during 1999 where the tax rate is lower, coupled with a high statutory tax rate in Germany.

Net income. As a result of the foregoing factors, net income increased from \$154,000 in 1998 to \$2.0 million in 1999. Substantially all of this increase was attributable to our Germany operating segment, as we only commenced operations in the U.S. in 1999.

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Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Net sales. Net sales increased \$5.2 million, or 166.8%, to \$8.3 million in 1998 from \$3.1 million in 1997. This increase was primarily due to a large order from a new customer for use of our products in low density access networks and, to a lesser extent, increased sales of free-space optical communication products. Our telecommunications products accounted for 72.1% of our net sales in 1998 and 61.3% in 1997.

Gross Profits. Gross profits increased \$2.0 million, or 308.9%, to \$2.7 million for 1998 from \$661,000 for 1997. This increase resulted from increased sales during the period and an overall increase in the gross profit percentage from 21.3% to 32.7%. The increase in gross profit percentage resulted from increased productivity in manufacturing and assembly processes, the implementation and improvement of training programs for our assembly personnel and gains resulting from economies of scale, higher yields on component production and the improved quality of purchased components.

Sales and marketing expenses. Sales and marketing expenses increased \$155,000, or 70.8%, to \$374,000 in 1998 from \$219,000 in 1997. This increase resulted principally from increased senior management time devoted to sales and marketing efforts.

Research and development expenses. Research and development expenses increased \$555,000, or 437.0%, to \$682,000 in 1998 from \$127,000 in 1997. This increase resulted from additional resources being devoted to research and development for the development of new products, fibers and components.

General, administrative and other. General, administrative and other expenses increased \$724,000, or 262.3%, to \$1.0 million in 1998 from \$276,000 in 1997. This increase resulted from the general expansion of the business, including additions to our senior management team in Germany and hiring additional administrative personnel.

Interest income (expense), net. Net interest expense increased \$89,000, or 74.8%, to \$208,000 in 1998 from \$119,000 in 1997. This increase resulted from an increase in overall borrowings.

Other income (expense), net. Other expense increased \$155,000 to \$47,000 in 1998 from net other income of \$108,000 in 1997, reflecting foreign currency effects.

Provision for income taxes. Provision for income taxes increased \$212,000 to \$234,000 in 1998 from \$22,000 in 1997, resulting in an effective tax rate of 59.7% in 1998 and 78.6% in 1997.

Net income. As a result of the foregoing factors, net income increased to \$154,000 in 1998 from \$6,000 in 1997.

Liquidity and Capital Resources

From January 1, 1997 through September 30, 2000, our principal sources of funds were \$8.2 million from operations, \$6.4 million from net borrowings and \$80.0 million in gross proceeds from the sale in 2000 of our Series A and Series B preferred stock. Our working capital excluding cash was \$4.0 million and our cash on hand, net of \$12.6 million in restricted cash, was \$53.0 million at September 30, 2000. These amounts do not reflect the receipt of an additional \$20.0 million subsequent to September 30, 2000 as a result of the sale of additional shares of our Series B preferred stock.

Our liquidity requirements arise principally from the need to:

- . expand our manufacturing facilities;
- . increase our marketing and distribution activities;
- . increase our research and development activities; and
- . fund our working capital.

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As of December 31, 2000, we had approximately \$83.0 million in cash and short term money market investments, including the amounts held in a restricted cash account pursuant to our debt agreement. We expect to raise \$112.4 million from this offering, net of underwriting discounts and commissions and offering expenses. These funds, together with any cash from operations, will serve as the principal sources to fund our capital expenditures and working capital needs based upon our current business plan.

Cash Flow from Operating Activities

Net cash provided by operating activities totaled \$3.1 million for the nine months ended September 30, 1999 and \$1.8 for the nine months ended September 30, 2000. Net cash provided by operating activities totaled \$191,000, \$2.0 million and \$4.2 million for the years ended December 31, 1997, 1998 and 1999, respectively. Our net income before non-cash charges totaled approximately \$8.8 million in the first nine months of 2000. This amount was largely offset by a net use of cash of approximately \$7.0 million to fund

working capital, reflecting an increase in accounts receivable and inventory that was offset by increases in accrued expenses and income taxes payable. In December 2000, we entered into a purchase agreement with our laser diode chip supplier requiring minimum purchases by us of approximately \$66.7 million through December 31, 2002. Depending on future production levels, this arrangement could result in higher or lower costs for these components compared to historical costs.

Cash Flow from Investing Activities

Cash used in investing activities totaled \$3.4 million and \$9.9 million for the nine months ended September 30, 1999 and 2000, respectively. The increase resulted from expenditures on property, plant and equipment, including new manufacturing facilities. Cash used in investing activities totaled \$1.3 million, \$3.1 million and \$5.2 million for the years ended December 1997, 1998 and 1999, respectively. IPG Laser expects to acquire a 51% interest in NTO IRE-POLUS in exchange for a commitment to invest up to \$5.0 million in the company. Although we may use a portion of our cash resources to acquire additional technology or businesses that are complementary to our business, we have no current plans or commitments to do so. Based on our current business plan, we expect that our capital expenditures through the end of 2002 will consist primarily of:

- . approximately \$25.0 million for the acquisition of land and the construction of buildings in the United States and Germany;
- . approximately \$15.0 million for the automation and improvement of our manufacturing processes; and
- . approximately \$40.0 million for the acquisition of plant and equipment to furnish and fit the new facilities in the United States, Germany and Italy.

These amounts include \$11.8 million for the construction of a new manufacturing and administrative facility in the United States, all of which was contractually committed at September 30, 2000.

Cash Flow from Financing Activities

Cash used in financing activities totaled \$11,000 for the nine months ended September 30, 1999, while cash provided by financing activities totaled \$60.3 million for the nine months ended September 30, 2000. Cash provided by financing activities totaled \$1.3 million, \$2.0 million, and \$585,000 for the years ended December 31, 1997, 1998 and 1999, respectively. Cash generated by financing activities in 2000 was primarily due to the gross proceeds from the sale of shares of Series A preferred stock of \$5.0 million and the gross proceeds from

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the sale of shares of Series B preferred stock and common stock warrants of \$75.0 million through September 30, 2000. An additional \$20.0 million was raised from the sale of Series B preferred stock subsequent to September 30, 2000. As part of the restructuring of the IPG Group, we acquired IPG Laser, requiring the payment of approximately \$9.9 million to certain stockholders. As part of the initial restructuring transaction, we issued 2,300,000 shares of our common stock to one stockholder. The completion of this restructuring in October 2000 resulted in the issuance of an additional 2,806,000 shares of our common stock.

We have several construction loans and revolving credit facilities with banks in the United States and Germany. As of November 30, 2000, we owed \$12.2 million under these loans and facilities and had additional borrowing availability of \$26.9 million. Borrowings under these loans and facilities have been used principally to finance our expansion and for working capital purposes. Borrowings under these loans and credit facilities mature through 2006, are secured by substantially all of our assets and bore interest at a weighted average rate of 4.56% as of November 30, 2000. These loans and facilities cross-default to each other and contain restrictive financial and operating covenants, including covenants requiring us to maintain a specified ratio of total debt to tangible capital and a debt service coverage ratio. Most of our German loans also restrict our ability to pay dividends from IPG Laser to IPG Photonics. Based upon our current financial condition and results of operations, we do not expect that these financial ratios and restrictions will materially restrict our operations. Subsequent to September 30, 2000, we placed \$12,560,000 in a restricted overnight investment account which is available to our lender to offset our obligations under the U.S. revolving credit facilities.

We believe that the net proceeds from this offering, along with the cash raised in the third and fourth quarters of 2000 in private equity financings,

our cash flows from operations and borrowings available under our credit facilities will provide us with sufficient liquidity to meet our current and anticipated financial obligations, committed capital expenditures and other liquidity needs through 2001. However, our future growth, including potential acquisitions, may require additional funding. If cash generated from operations is insufficient to satisfy our long-term liquidity requirements, we may need to raise capital through additional equity or debt financing or additional credit facilities. If additional funds are raised through the issuance of securities, these securities could have rights, preferences and privileges senior to holders of common stock, and the terms of any debt facility could impose restrictions on our operations. The sale of additional equity or debt securities could result in additional dilution to our stockholders, and additional financing may not be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain this additional financing, we may be required to reduce the scope of our planned product development, marketing efforts and facilities expansion which could harm our business, financial condition and operating results. For further discussion of the effect of the failure to obtain additional capital, you should read "Risk Factors--Our ability to grow may be limited if we need, but are unable to raise, additional capital to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements."

Qualitative and Quantitative Risk Disclosures about Market Risk

Interest Rate Sensitivity

We currently maintain our funds primarily in money market funds. We do not have any derivative financial instruments. We plan to invest a significant portion of our existing cash, together with net proceeds from the offering, in interest bearing, investment grade securities, with maturities of less than twelve months.

Our long-term indebtedness in the United States is subject to periodic interest rate adjustments, while our debt in Germany is comprised primarily of fixed-rate instruments. The interest accruing on some of these fixed rate loans is lower than current market rates due to government subsidy programs.

We do not believe that our investments, future investments or our indebtedness, in the aggregate, will have significant exposure to interest rate risk.

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Exchange Rate Sensitivity

Due to our international operations, we are subject to fluctuations based upon changes in the exchange rates between the U.S. dollar and the other currencies in which we collect revenues or pay expenses. In particular, the value of the Deutsche mark, which has an exchange rate that is fixed to the euro, the common currency of the European Union, affects our operating results. Approximately 2% of our sales and approximately 20% of our cost of sales and our operating expenses in the first nine months of 2000 were denominated in currencies other than the U.S. dollar, principally the Deutsche mark. Our cost of sales and operating expenses are not necessarily incurred in the currency in which revenue is generated. As a result, we are required from time to time to convert currencies to meet our obligations. These currency conversions are subject to exchange rate fluctuations, and changes to the value of the Deutsche mark or the euro relative to the U.S. dollar could adversely affect our business and results of operations.

In addition, IPG Laser's financial statements are prepared in Deutsche marks and translated to U.S. dollars for reporting purposes. As a result, even when foreign currency expenses substantially offset revenues in the same currency, our net income may be diminished, or net loss increased, when reported in U.S. dollars in our combined consolidated financial statements. The historical effects of foreign exchange gains and losses have been discussed above under "--Results of Operations." We do not believe that a 10% increase or decrease in the exchange rate of the U.S. dollar to the Deutsche mark or euro would have a significant impact upon our financial position or results of operations.

We have historically not utilized any derivative instruments or other measures to protect us against foreign currency exchange rate fluctuations. We will continue to analyze our exposure to currency exchange rate fluctuations and may engage in financial hedging techniques in the future to attempt to minimize the effect of these potential fluctuations; however, exchange rate fluctuations may adversely affect our financial results in the future.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board, or the FASB, issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. During June 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities, Deferral of the Effective Date of FASB Statement No. 133, to defer the effective date of SFAS No. 133. SFAS No. 133 will now be effective for IPG Photonics beginning January 1, 2001. Because we do not utilize derivative instruments for hedging purposes or interest rate management, we believe that the adoption of SFAS No. 133 will not have a significant impact on our financial condition or results of operations.

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BUSINESS

We design, manufacture and sell high performance fiber amplifiers, Raman pump lasers and fiber lasers for telecommunications and industrial applications. Our proprietary technology, materials science expertise and vertically integrated manufacturing operations enable us to meet the demands of our customers for cost-effective fiber amplifiers and lasers with high power output and reliable performance. Our telecommunications products are used throughout optical communications networks. Our largest telecommunications customers in 2000 were Alcatel, Lucent, Marconi, Siemens and TeraBeam Networks. Our industrial products are used for a variety of manufacturing, medical and aerospace applications. Our largest industrial customers in 2000 were GSI Lumonics, Purup Escofot and Sunx.

Industry Background

Fiber optic technologies have advanced significantly over the last several years. These technologies have led to the recent development of cost-effective fiber amplifiers and fiber lasers that have enabled significant breakthroughs in telecommunications networks and industrial applications.

Telecommunications

The rapid growth in the worldwide volume of data, voice and video traffic is placing unprecedented stress on existing communication networks. According to Ryan, Hankin & Kent, Internet traffic is projected to increase from 0.4 million terabytes, or trillions of bytes, per month at the end of 1999 to over 15 million terabytes per month in 2003. With the increasing demands on communication networks for data transmission capacity, or bandwidth, telecommunications service providers have sought technological solutions to upgrade and expand their networks to provide greater bandwidth at reduced costs. Most existing communications networks were originally designed to convey voice traffic by means of electronic signals over copper wires. In comparison to electronic signals transmitted over copper wires, optical signals traveling at the speed of light through thin glass fibers can carry a significantly higher rate of data more efficiently over far greater distances.

The fiber optic communication market can be divided into three segments, each of which requires customized equipment solutions. These are the long-haul, metropolitan and access segments. The long-haul segment of the optical network transmits data over large geographical areas, typically over 100 miles, and connects major city centers or traffic hubs. The metropolitan segment of the optical network connects telecommunications switching stations, or exchanges, which receive, identify and route incoming signals to other exchanges within a metropolitan area. The access segment of the optical network carries signals from exchanges to the junction boxes at the curbside and from there to office complexes or directly to both business and residential end-users and enables enterprises and communication providers to interconnect various network systems. The access segment consists of high density urban systems, low density suburban systems and free space optical networks. Free space optical networks typically can be used to transmit light waves from building to building over relatively short distances, typically less than three miles, without the use of optical fiber. The following graphic depicts the communication network market segments:

[We will insert here a diagram that graphically shows the long-haul, metropolitan and access segments of optical communications networks.]

Telecommunications service providers first deployed optical communication technology in the long-haul segment, and are now deploying new fiber optic technologies not only in this segment, but also in the metropolitan and access segments. Although there have been significant increases in bandwidth in the long-haul segment of the communications network, bandwidth limitations and capacity bottlenecks still exist in the metropolitan and access segments. Until recently, the adoption of fiber optic technologies in the metropolitan segment has been limited in part by the lack of low cost, high performance optical

amplifiers. These amplifiers are now being offered by a number of manufacturers.

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In fiber optic networks, optical signals are transmitted at specified wavelengths within specified ranges, or bands. Most fiber optic networks use the C band of the optical spectrum. As the need for bandwidth increases, companies in the optical communications industry are seeking to expand into new bands for use in fiber optic communications, such as the L band and the S band, as illustrated in the chart below.

[We will insert here a diagram that shows the useable portions of the optical spectrum.]

In early fiber optic systems, optical signals were transmitted over each fiber using only one wavelength. In more recent fiber optic systems, an innovative technology, called wavelength division multiplexing, or WDM, allows optical signals of different wavelengths to be transmitted simultaneously through a single fiber. As signals travel through the fiber they have a tendency to be dispersed in the fiber. To protect against multiple signals dispersing into each other, the wavelengths used to transmit signals are separated from each other by a minimum number of unused wavelengths, forming a buffer in which signals are not transmitted. Technological advances, such as dense wavelength division multiplexing, or DWDM, have led to narrower channel widths, or spacing, thereby increasing the number of signals that can be carried by each fiber. Further advances in this technology are expected. Bandwidth increases can also be generated by increasing the rate at which data is transmitted, also known as modulation speed. The increasing use of DWDM, continued narrowing of channels and increases in modulation speeds have made fiber optic amplification more complex and critical.

Development of the fiber amplifier has been a critical enabler of the implementation of DWDM technology in communications networks. The distance that an optical signal can be transmitted is limited by losses in signal strength, or attenuation, caused by absorption and scattering of light in the fiber, as well as by losses to the signal as it passes through optical components in the network, or insertion loss. Prior to the invention and deployment of the fiber amplifier in optical networks, optical signal strength could only be regenerated by conversion of the optical signal to an electronic signal for amplification, followed by reconversion to an optical signal. The equipment used to convert optical signals to electronic signals, known as opto-electronic regenerators, is expensive to procure, install and maintain. On the other hand, fiber amplifiers with high power and high performance allow transmission of optical signals over longer distances without conversion. A common measurement of performance is the ratio of the strength of signals being transmitted in an optical fiber to the amount of noise, referred to as the signal to noise ratio. In addition, a fiber amplifier can handle a wide variety of transmission speeds and networking protocols, allowing for upgrades of the network without replacement of the amplifier. Fiber amplifiers are also capable of amplifying multiple wavelengths at the same time, making them far more cost-effective for DWDM applications. The two most common types of optical amplifiers are erbium-doped fiber amplifiers, or EDFAs, and Raman amplifiers.

EDFAs use the light from semiconductor laser diode modules to introduce, or pump, optical energy into doped fiber, resulting in signal amplification as the signals pass through the doped fiber. Doped fibers are fibers in which small quantities of rare earth ions and other elements are introduced. Multiclad fibers consist of layers of various glass compositions, some of which are doped with rare earth ions and other elements. Multiclad fiber is designed to optimize the absorption and transfer of energy from laser diode modules to the input signals. Ryan, Hankin & Kent estimates that revenue from the sale of erbium gain modules, the component of EDFAs in which amplification is achieved, was \$641 million in 1999 and will increase to \$4.2 billion in 2004, representing a compound annual growth rate of 45.3%.

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Two types of laser diodes that are used in EDFAs: single mode and multimode. Compared to single mode diodes, multimode diodes have a larger surface area from which light is emitted, resulting in higher output power with lower power density, substantially improved reliability and longer lifetime expectancy. Two types of fiber are used for transmission: multimode and single mode. Multimode fiber is more efficient with a greater capacity to collect light energy than single mode fibers, while single mode fiber generally experiences less signal attenuation and distortion. These characteristics make multimode fiber significantly more efficient for long distance transmission of signals and high data transmission rates. We believe that a majority of the fiber currently deployed in communications systems is single mode fiber.

Technological advances have made it possible to pump single mode fiber with multimode diodes, which we believe is optimal for many applications.

In addition to EDFAs, other significant innovations are being introduced to improve the amplification of optical signals in DWDM networks. A significant example is the introduction of Raman pump lasers, which are used to pump optical energy into the transmission fiber itself to amplify the optical signal, a process called Raman amplification. By achieving amplification throughout the transmission fiber rather than boosting the signal at one point, Raman amplification results in greater signal integrity. Currently, Raman technology has been deployed on a limited basis in the long-haul and ultra long-haul systems. Ryan Hankin & Kent estimates that sales of Raman gain modules will grow from approximately \$18.0 million in 2000 to approximately \$1.0 billion in 2004 representing a compound annual growth rate of 173.1%. The use of Raman amplification to complement EDFAs allows for greater spacing between amplifiers resulting in greater network efficiency. However, due to limitations in flexibility and applications, Raman amplification will continue to be a complementary technology to EDFAs rather than a disruptive one.

Industrial

Light emitted by a laser can be harnessed for numerous industrial applications, including marking, material processing, printing, micro-machining, medicine, instrumentation, optical storage, inspection, measurement and control, bar-coding and scanning. The characteristics of industrial lasers enable manufacturers to cut, weld, etch, polish, mark and measure without physical contact in many applications, permitting higher processing speeds, greater precision and lower overall manufacturing costs than conventional manufacturing processes. Consequently, manufacturers and others have significantly increased their use of lasers for industrial and other commercial applications. The global industrial laser market had total revenues in 1999 of approximately \$1.7 billion according to Laser Focus World, a leading industry publication, and is growing at a rate of 30-35% per year.

Most industrial lasers in use today are based on gas or solid state technologies. Lasers are categorized by the different modes by which they deliver light energy. In continuous wave lasers, the laser beam has a stable average power. In pulsed beam lasers, the laser delivers short pulses of light. Historically, pulsed beam lasers have been used in industrial applications where very high peak power is required. The most common conventional industrial lasers are known as YAG lasers. Conventional lasers, however, have significant shortcomings. Integration of conventional lasers systems into industrial applications is complex and expensive, requiring free-standing cooling systems, a high power electrical supply and significant installation space. The complexity of these lasers requires specially trained personnel to operate and maintain them. Conventional lasers are large and operate from fixed positions requiring complex optics for beam delivery. In addition, limitations on the lasers themselves, such as inefficient conversion of electrical power to light, poor beam quality and limited life expectancy continue to reduce their functionality.

Many users are replacing conventional lasers with fiber lasers in industrial applications. They offer cost-effective alternatives to conventional laser technologies because of their lower operating costs, smaller size, higher reliability, greater efficiency, service-free operation and their ability to use conventional electrical outlets. For example, fiber lasers provide significantly better beam quality with precision micro-dot capability making them particularly useful for marking and other applications. In addition to these qualities, the flexible fiber delivery and portability of fiber lasers allow for their use in applications for which conventional lasers cannot be used, such as underwater welding and industrial cleaning.

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Challenges Faced by our Customers

Our customers purchase optical components and modules which allow them to focus on designing systems that satisfy the growing performance demands of telecommunications service providers, such as AT&T, WorldCom, Deutsche Telekom, Sprint and Bell South. In addition, specific technological complexities of the long-haul, metropolitan and access segments require customized optical solutions.

Our telecommunications customers have the following needs:

- Higher Power Amplifiers. In the long-haul segment, higher dense wavelength division multiplexing, or DWDM, channel counts require higher power. In the access segment, our customers require high power multiple output fiber amplifiers to power networks which bring fiber closer to the ultimate user, or fiber-to-the-curb applications, and cable television systems which use both analog digital signals with many end users. Emerging applications, such as free-space optical

communications require amplifiers with greater and variable power output which can respond automatically to different weather conditions.

- . Greater Bandwidth and Transmission Rates. The high costs of building and operating new telecommunications networks provides incentive to maximize the data that can be sent through new networks as well as over existing fiber networks. Telecommunications systems integrators are continually looking for optical amplifiers that incorporate a wider range of the useable optical spectrum, operate over more narrowly spaced channels and at higher data transmission rates, or modulation speeds.
- . High Reliability. Telecommunications service providers seek more reliable optical components to decrease the likelihood of system downtime. There is a strong demand for optical amplifiers that are designed and built to operate without maintenance for a decade or longer under various climactic conditions and have a lower risk of technological obsolescence.
- . Superior Performance. Telecommunications networks must maintain high signal to noise ratios as signals pass through amplifiers to increase the distance between amplifiers and to eliminate the need to use opto-regenerators. Some telecommunications systems integrators also require polarization-maintaining amplifiers. If the components of an optical signal are not kept aligned, or polarized, these components will travel at different speeds through an optical fiber and upon arrival the optical signal will be distorted.
- . Economically-Priced Low Power Amplifiers. Telecommunications service providers seek cost-efficient, low power amplifiers to eliminate bandwidth bottlenecks in the metropolitan and access segments. Both metropolitan wavelength division multiplexing, or WDM, and networks which bring fiber inside the building to the desk of the ultimate user, or fiber-to-the-desk applications require a large number of fiber amplifiers driving the need for decreased amplifier costs.
- . Scalable and High Capacity Production. Telecommunications systems integrators demand that manufacturers of new customized optical amplification products scale their production more rapidly to deliver high volumes of quality products with shorter delivery times.

Our industrial customers have the following needs:

- . Performance. Industrial customers require lasers that generate high quality light beams at several different wavelengths and that allow for precise control of numerous operating specifications, including operating wavelength, power output, pulse rate, pulse duration and beam width.
- . Lower Total Cost of Ownership. Industrial customers desire high power lasers that are less expensive to purchase and maintain, and have longer life and greater reliability.
- . Flexible Use and Ease of Integration. Industrial customers demand lasers that can be easily and flexibly integrated into their production processes, and that are easy to use, with no service requirements. Additionally, industrial customers require portable fiber lasers for new applications.

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The IPG Solution

We design, manufacture and sell high performance fiber amplifiers and Raman pump lasers for telecommunications applications and high power fiber lasers for various industrial applications. Our fiber amplifiers and Raman pump lasers cost-effectively address the needs of telecommunications customers by enabling transmission over a broader range of the useable optical spectrum with a higher signal to noise ratio and improved reliability at high power outputs. We also supply high power fiber lasers with high beam quality, high efficiency and lower device cost that can be more easily integrated into industrial production processes than conventional lasers.

The success of our solution is based upon the following key attributes:

- . Advanced Technology Platform. Our state-of-the-art products are based on our innovative proprietary technology platform. We believe that our design of critical specialty components, such as doped fibers and specialty couplers, together with our innovative approach in combining these components, allows us to cost-effectively create fiber amplifiers and fiber lasers that operate over a broader range

of the optical spectrum, with higher power output, superior performance and greater reliability. For example, we have developed a pumping technology that allows us to efficiently use a greater number of diodes in our fiber amplifiers, thereby producing higher output power than achievable through traditional techniques. A key element of this technology is our ability to pump our proprietary single mode fibers with multimode diodes.

- . Materials Science Expertise. Our expertise in non-radiative energy transfer between rare earth ions in solid state materials is the basis for the proprietary doping techniques used in manufacturing our multicladd fibers for our fiber amplifiers and fiber lasers. Use of these proprietary fibers facilitates our innovative pumping technology and allows us to provide a wide variety of innovative fiber devices in numerous customizable configurations.
- . Simplified Integrated Design. The simplified integrated product design used in our fiber amplifiers and fiber lasers employs fewer components than the products of our competitors. Our multi-disciplinary scientific teams design our products to decrease the complexity and cost of manufacturing, testing time, integration and the time needed to develop new products. It also improves yield, increases product reliability and allows quicker ramp-up of new production.
- . Vertically Integrated Manufacturing. We design and manufacture a significant majority of the critical specialty components and modules used in our products. In addition, we perform all of our manufacturing and assembly in-house, including manufacturing of specialty fibers, the energy source for the amplifiers, called laser diodes modules, and the components, which the amplification of the optical signal occurs, called gain blocks. These are all critical components to our products. Our in-house manufacturing helps us increase the performance, facilitates and accelerates new product development, provides us with an assured supply of the high power fiber optic components used in our products, lowers our total cost and increases product reliability. As a result of this vertically integrated manufacturing, we can better meet the needs of our telecommunications customers and industrial users by quickly providing them with new and customized fiber optic devices.
- . Quality-Driven Manufacturing. We test and qualify all of our components and assemblies, as well as our finished products, to assure reliability and performance. For example, we test our laser diodes for up to 1,000 hours under high stress conditions before we install them in our fiber amplifiers and fiber lasers and employ a testing database for assessing the operational lifetime of principal components. With a large in-house testing facility, we are able to quickly scale our production output while continuing to assure high quality for new products.

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The IPG Strategy

Our objective is to be the leading supplier of fiber amplifiers, Raman pump lasers and fiber lasers to our telecommunications and industrial customers. Key elements of our strategy include:

- . Extend Our Existing Technology Leadership. Dr. Valentin P. Gapontsev, our founder, leads our scientific team, more than 30 of whom hold Ph.D. degrees, in the development of new technologies to differentiate our products and extend our competitive advantage. Our multi-disciplinary technical expertise has enabled us to develop proprietary pumping techniques and multicladd fiber designs. Our key technological innovations have allowed us to become a leader in the design of fiber amplifiers, Raman pump lasers and industrial fiber lasers. For example, we believe that we are the only manufacturer of EDFAs with power output greater than five watts and we believe we sold the first commercially available Raman pump laser. We plan to extend our technological leadership through continued enhancement of our existing technologies and the development of new technologies that enable optical networks to use higher data transmission rates and a broader range of the optical spectrum to achieve increased bandwidth.
- . Expand and Enhance Our Existing Line of Products. We plan to expand and enhance our broad product line. By offering a broad array of products, we are able to serve numerous customers across all segments of the telecommunications market. Our current development efforts are focused on the introduction of cost-effective, low power fiber amplifiers for the metropolitan and access markets, the extension of

our Raman technology and the introduction of fiber amplifiers that cover a broader range of the optical spectrum. We also intend to leverage our technological expertise in fiber lasers to extend our product line into new industrial applications.

- . Expand Our Manufacturing Capacity and Reduce Costs. We plan to significantly increase our manufacturing capacity in the United States, Germany and Italy over the immediate and long term. Also, we intend to continue to invest in automation of component manufacturing and device assembly and testing to reduce manufacturing costs and increase product quality. Our simplified product design should allow us to employ a higher degree of automation, thereby improving productivity. We intend to manufacture additional critical components that we currently purchase from third parties in order to lower costs, ensure component quality and assure supply.
- . Expand Our Sales and Marketing Efforts. We plan to expand our sales and marketing efforts for our telecommunications and industrial products, including the hiring of marketing executives with significant experience in the fiber optics industry. We also plan to open two additional sales offices in the United States in 2001, and to increase our worldwide distributor network. We believe that we have significant opportunities to target new customers, and to strengthen our relationships and increase our sales to existing customers.
- . Provide Our Customers With a High Degree of Technical and Engineering Support for Customization. Our experienced staff of multi-disciplinary scientists and engineers works closely with our customers at the conceptual stage of the product development cycle to quickly customize our products or create new products that meet our customers' specific requirements. We will continue to utilize this knowledge and approach to respond more effectively with products that meet our customers' needs.
- . Acquire Strategic Businesses and Technologies. We intend to pursue strategic acquisitions of businesses and technologies that can provide us with key intellectual property, strategic products and highly qualified personnel to rapidly increase our technological expertise and expand the breadth of our product portfolio. Currently, we have no commitments or agreements for any material acquisition of, or investment in, any third party. We will explore joint ventures in other countries, where appropriate, to take advantage of improved cost structures and local partners who will help in developing new markets for our products.

Products

Our products are classified in two major groups: high-performance fiber amplifiers, Raman pump lasers and fiber lasers for telecommunications applications, and high-power fiber lasers for industrial applications. These products are based upon a common technology platform and are manufactured using a set of substantially similar key components.

Optical Amplification Products For Telecommunications Applications

We design and manufacture a full range of fiber amplifiers and Raman pump lasers with varying output power and wavelengths that enhance data transmission in optical networks. We believe our line of fiber amplifiers and Raman pump lasers offers the best commercially available output power and performance, including wavelength range, reduced dispersion, polarization maintenance, signal to noise ratio, reliability under high stress operating conditions and electrical efficiency. The power output from the products in this line ranges from 10 milliWatts to 15 Watts. Our amplifiers operate across the C and L bands and we are testing products for the S band as well as the superwide band, which encompasses the majority of the C and L bands. Our product line of over 80 fiber amplifiers and Raman pump lasers, for use in single channel WDM and DWDM networks, are customized and optimized pursuant to the customers' price-performance criteria for a variety of telecommunications applications. The following table sets forth the various categories and specifications by which our products are defined and compared by our customers. This table demonstrates the breadth of our product line.

<TABLE>
<CAPTION>

Single Channel/WDM	DWDM
Wavelength	Wavelength

Markets Served	Spectral Range	Range	Power	Range	Power
<S>	<C>	<C>	<C>	<C>	<C>
EDFAs					
Long-Haul	C band	1528-1567 nm	10 mW-2 W	1528-1564 nm	10 mW-1 W
	L band	1565-1620 nm	10 mW-2 W	1565-1605 nm	10 mW-1 W
	Superwide band (Testing)	1530-1610 nm	100 mW-2 W	1530-1600 nm	10 mW-500 mW
Metropolitan Access	L band	1565-1620 nm	10 mW-200 mW	N/A	N/A
	C band	1533-1567 nm	10 mW-1 W	N/A	N/A
	L band	1565-1620 nm	20 mW-1 W	N/A	N/A
Access-Free-Space Optical Communications	C band	1535-1567 nm	300 mW-15 W	1538-1567 nm	500 mW-10 W
	L band	1565-1620 nm	100 mW-10 W	1565-1605 nm	100 mW-5 W
Polarization Maintaining Amplifiers	C and L bands	1528-1620 nm	10 mW-10 W	1528-1620 nm	10 mW-10 W
Raman Pump Lasers					
Long-Haul		1240-1500 nm	500 mW-10 W	1240-1500 nm	500 mW-10 W

Legend: nm = nanometer; mW = milliwatt; and W = Watt.

Long-Haul Networks

Our high power erbium-doped fiber amplifiers, or EDFAs, and Raman pump lasers provide the minimal signal distortion, high power output and reliability and the low power consumption needed for applications, such as submarine systems and high capacity long-haul optical communications systems. We believe that our Raman pump lasers comply with requirements established by Telcordia Technologies (formerly Bellcore), an engineering and administrative services consortium that establishes industry standards and specifications for the

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telecommunications, wireless and fiber optic industries, but we have not received qualification. The Telcordia requirements relate to the environmental, electrical and optical testing for fiber optic transmitters and receivers, to ensure that they offer the high reliability required for critical applications. Our Raman pump lasers are offered in various wavelengths and output powers which may be selected by our customers. We offer products that operate across the current optical spectrum used for optical long-haul communication with high power and a high signal to noise ratio. In addition, we sell EDFAs, fiber lasers and tunable fiber lasers for designing and testing DWDM optical systems. We also produce polarization-maintaining EDFAs that offer high signal to noise ratios over greater distances.

Metropolitan Networks

We provide low-power EDFAs for both single channel and WDM applications for the metropolitan market segment. This market segment is growing rapidly, with emphasis shifting from single channel systems to WDM systems. The design of our products in this area as well as our manufacturing flexibility should allow us to respond to the dynamics of this market segment.

Access Networks

We offer digital WDM EDFAs, analog EDFAs with multiple outputs and EDFAs utilizing multiple channels over multiple fibers for use in the local access segment, including hybrid analog and digital cable networks, fiber-to-the-curb and fiber-to-the-home networks that provide high speed data, voice and video transmission in one cable. Our high power EDFAs with multiple outputs provide cost-effective connectivity to a greater number of end-users reducing the number of amplifiers previously needed to supply high bandwidth requirements in access networks.

Free-Space Optical Networks

We provide products for building to building data transmission up to 10 gigabits per second over distances of up to three miles without the use of a fiber optic cable connecting the buildings. We provide eye-safe high power EDFAs, transmitters and subsystems for deployment in both point-to-point and point-to-multipoint free-space optical networks. Our products offer a wide range of power outputs that automatically adjust to ensure reliable signal transmission through adverse weather conditions, such as fog and rain. In addition, free space optical technology has potential applications for satellite-based communications. In this regard, we have developed polarization-maintaining fiber amplifiers that can be used in sophisticated optical satellite networks.

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We design and manufacture high power, continuous wave and pulsed fiber lasers for industrial applications. This product line includes lasers with a high pulse repetition rate, high electrical efficiency, low cost, small size, a mobile and flexible delivery system and reliable service-free operation. We believe that we are the sole manufacturer of many kinds of commercially available fiber lasers for numerous industrial applications. Our products are customized and optimized pursuant to the customers' price/performance criteria. The following table sets forth the various categories and specifications by which our products are defined and compared by our customers.

<TABLE>
<CAPTION>

Markets Served	Product	Pulsed/Continuous Wave (CW)	Spectral Range	Power
Marking	Ytterbium-doped fiber laser	Both	1.04 um-1.15 um	5 W-50 W
High Speed Printing	Ytterbium-doped fiber laser	Both	1.07 um-1.10 um	10 W-20 W
Material Processing	Ytterbium-doped fiber laser	Both	1.06 um-1.12 um	5 W-100 W
	Erbium-doped fiber laser	CW	1.54 um-1.57 um	1 W-50 W
Micromachining	Ytterbium-doped fiber laser	Both	1.05 um-1.12 um	1 W-10 W
	Erbium-doped fiber laser	CW	1.54 um-1.57 um	1 W-10 W
	Raman fiber lasers	Pulsed	1.10 um-1.25 um	1 W-5 W
Optical Sensory/ Measurement	Tunable Erbium-doped fiber laser	CW	1.53 um-1.61 um	100 mW-10 W
	Tunable Ytterbium-doped fiber laser	CW	1.04 um-1.10 um	100 mW-10 W
	Single-frequency Ytterbium-doped fiber laser	CW	1.05 um-1.10 um	1 W-5 W
Laboratory/Medical	Ytterbium-doped fiber laser	Both	1.02 um-1.12 um	500 mW-50 W
	Erbium-doped fiber laser	Both	1.53 um-1.62 um	20 mW-10 W
	Raman fiber laser	CW	1.15 um-1.50 um	500 mW-10 W
	Fiber-pigtailed laser diode systems	CW	0.97 um	5 W-20 W

</TABLE>

Legend: um = micrometer; W = Watt; mW = milliWatt; and MOPFA = master oscillator power fiber amplifier.

Marking

Lasers are used to precisely mark a wide variety of surfaces at high speed without contact by changing the surface structure of the material. We produce high-energy pulsed ytterbium-doped fiber lasers, as well as continuous wave fiber lasers with external modulation, that are substantially faster, more precise, more reliable, smaller and more cost-effective than conventional gas and solid state lasers. Our fiber lasers have high beam quality and micro-dot marking capability that enables accurate identification and retrieval of marked items in automated assembly lines.

High-Speed Printing

High-speed laser plate and film writing systems enable printers to write high-resolution color images directly from computer files onto a printing press plate or onto film, thus resulting in significant time and cost savings for commercial printers. We believe our product is the first to provide operating modulation bandwidth of up to 200 MHz. Our ytterbium-doped fiber lasers also offer features such as high beam quality, electro-optical efficiency, compact size, durability and ease of integration in new or existing printing systems where the laser component can be easily replaced.

Material Processing

Lasers are used in a variety of material processing applications, including welding, cutting, drilling, soldering and heat treating. Our fiber lasers offer the high-power and portability necessary for complex tasks such as diamond cutting and underwater repair of pipelines, hulls of ships or other marine installations, and, we believe, enable several new applications.

Micromachining

Our fiber lasers are used in systems by semiconductor manufacturers to repair defective or redundant circuits in memory chips with precise laser pulses. Our lasers can also be used for micromachining for the precise trimming of components in printed circuit boards and in the manufacture of

semiconductors. Our fiber lasers provide a wide range of operating wavelengths, high levels of precision, high power and reliability needed for these applications.

Optical Sensory and Measurement

We sell fiber lasers for light detection and ranging, known as lidar, tunable lasers, single frequency lasers and specialty lasers for various sensory and measurement applications. These applications include obstacle-warning, 3-D optical radar, range finding, imaging and sensing for the aviation industry and pollution and atmospheric data measurement, data on road traffic flow, velocity control and security installations.

Laboratory and Medical Applications

We provide a wide range of fiber lasers and other optical products for use in various medical applications, such as medical imaging, surgery, microsurgery, therapy and dentistry. We believe our fiber lasers outperform conventional lasers for medical applications, combining a wide choice of operating wavelengths, compact size, flexible fiber delivery, precise control and tunability. Another benefit of these lasers is ease of use by doctors and reduced patient trauma.

Research and Development

We have assembled a team of scientists and engineers with specialized experience and extensive knowledge in fiber optic amplifiers and fiber lasers, and in manufacturing process design. Our research and development team includes over 30 scientists who hold Ph.D. degrees and over 50 additional scientists and engineers. We undertake research and development at our facilities in Sturbridge, Massachusetts and Burbach, Germany and through a contractual relationship with NTO IRE-POLUS in Fryazino, Russia.

We are developing new lines of fiber amplifiers using fibers doped principally with rare earth ions other than erbium. Some of these are currently being tested. Other products under development include Raman amplifiers, and a variety of industrial lasers such as green lasers and picosecond lasers among others. Our future success depends on our ability to continue to extend our existing technological leadership and to develop new products that maintain technological competitiveness. We work closely with our telecommunications and

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industrial customers to monitor changes in the marketplace and to develop new products to address their needs. For example, our fiber amplifiers and free-space optical transmitters are the only products of their kind to be qualified for use by Bosch Telecom and Motorola after extensive tests for Teledesic, a global satellite project, which is currently awaiting funding. We plan to focus our product development activities on improving our existing products, customizing products to client specifications and developing innovative new products. We plan to direct part of our resources to fundamental research in related fields to maintain our technological leadership.

We have entered into an Assignment, Research and Development Agreement with NTO IRE-POLUS to assist in the development of fiber amplifiers, fiber lasers and other associated products. Under this agreement, NTO IRE-POLUS performs research and development related to these products exclusively for us and has agreed not to perform services involving the development of intellectual property relating to the products listed in the agreement for any other person or entity other than IPG Photonics, IPG Laser or IPG Fibertech. NTO IRE-POLUS has a limited, non-exclusive right to use the developed products as well as the technology and intellectual property resulting from these products for products not involving telecommunications or products sold exclusively to the other parties to this agreement, in the countries that comprised the former Soviet Union. This agreement terminates upon the mutual agreement of us and NTO IRE-POLUS. NTO IRE-POLUS is affiliated with us via common ownership. For more information, see "--Transactions with Related Parties--Transactions with NTO IRE-POLUS."

Customers

We sell our products to customers located in the U.S., Europe and Asia. The following is a list of customers who have purchased more than \$100,000 of our products from us or our distributors from January 1, 2000 through November 30, 2000 broken down by telecommunications and industrial customers in alphabetical order:

- . Telecommunications: ADC, Agilent, Alcatel, Antares Laser, Calient, Corning, Corvis, Hughes Space and Communications, JDS Uniphase, Lucent, Marconi, MIT Lincoln Labs, Nortel, Optical Crossing, Siemens, T.E.M. and TeraBeam.

. Industrial: Baasel Scheel Lasergraphics, DaimlerChrysler Aerospace, GSI Lumonics, L.O.T. Oriel, Molecular OptoElectronics, Purup Escofot and Sunx.

In 1999, Marconi and Alcatel were our only customers that accounted for 10% or more of our total net revenues, with 40% and 10%, respectively. In the nine months ended September 30, 2000, TeraBeam Networks and Marconi were the sole customers who accounted for more than 10% of our sales, representing approximately 40% and 20%, respectively. From time to time, we may in the future provide exclusivity for our products to our customers.

Manufacturing

We manufacture our products and components at our facilities in the United States, Germany and Italy. Further, we source certain components from NTO IRE-POLUS. Our Oxford, Massachusetts facility, due to be completed in the first quarter of 2001, will manufacture our entire range of products. We produce the majority of our critical specialty components internally, such as, specialty fiber couplers, isolators, spectral filters, polarizers, collimators and optical terminators. Additionally, our vertically integrated manufacturing operations include pre-form doping, specialty fiber drawing, laser diode module production and gain block assembly. We also manufacture our own test instruments, diode test racks, assembly tools and machines according to our own designs.

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Facilities

In the United States, we rent a 25,000 square foot facility that is used for sales and administration, manufacturing and research and development and contains 9,000 square feet of dust-free work environment. The lease is renewable in June 2001 for a period of one year. In the first quarter of 2001 we expect to complete the first phase of our new facility in Oxford, Massachusetts, which will consist of two buildings aggregating 72,000 square feet located on a 76 acre campus. Within these two buildings 10,000 square feet will be class 10,000 clean rooms and 32,000 square feet will be dust-free manufacturing rooms. The second phase of the Oxford facility includes an additional 120,000 square feet and we expect to commence its construction in 2001 shortly after completion of the first phase. A portion of the proceeds of this offering will be used to fund this second phase. When completed, the Oxford facility will become our world headquarters.

In Germany, we own a facility with approximately 23,000 square feet of manufacturing and research and development space. We are currently expanding the manufacturing capacity of our German facilities to add 24,000 square feet. This facility is expected to be completed in the first quarter of 2001. We are currently seeking land in Burbach to build additional facilities over the next several years. A portion of the proceeds of this offering will be used to expand this facility.

In Italy, we rent a 3,000 square foot facility used for product assembly, manufacturing and testing and we plan to lease up to an additional 15,000 square feet of space in 2001. Our current lease for this facility expires on December 31, 2002.

Our facilities in the United States and Germany are subject to security interests held by our lenders. We believe that our existing facilities and those nearing completion are adequate to meet our needs for the foreseeable future.

Quality

We test and qualify 100% of our internally manufactured and purchased components and finished goods and we plan to maintain this standard going forward. We currently have in-house testing facilities that use our internally manufactured testing equipment for assessing the operational lifetime of laser diodes. We test each laser diode upon receipt from the manufacturer for up to 1,000 hours, under the high stress conditions of elevated temperature and output optical power. We assign each laser diode to an appropriate application based on its performance during the test. We maintain a database and history of each laser diode chip and module tested. Currently, this database includes 40,000,000 real-time device hours of laser diode test data. We test all finished products for 200 hours for various performance criteria. In addition, we manufacture a substantial majority of our critical components in our various facilities in order to closely monitor our quality standards. We expect that increased automation will also contribute to an increase in the quality of our products.

We have established a quality management system to assure that the products we manufacture meet or exceed industry standards. This system is based on ISO 9000 standards. Our German facility has been ISO 9001 certified since

Supply

Various outside suppliers provide us with raw materials and components. For some of these raw materials and components, we depend on a single or limited number of suppliers, but we are seeking additional suppliers in order to prevent interruptions or delays. We cannot assure you that we will obtain any additional sources of supply. We attempt to maintain surplus inventory to overcome shipping delays or supply interruptions and, to date, we have generally been able to obtain sufficient supplies in a timely manner.

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Pursuant to a non-exclusive purchase agreement with SDL that terminates on December 31, 2002, we have agreed to purchase \$66.7 million of laser diode chips that meet our specifications. We have agreed to pay SDL specified amounts if we fail to purchase required amounts each quarter and over the life of the contract to compensate SDL for its investment in equipment needed to meet our quantity requirements for laser diode chips. Other than our agreement with SDL, we do not have long-term agreements with our suppliers for any components.

Sales, Marketing and Technical Support

We have one U.S. and two European sales offices. We plan to increase our sales and marketing staff and open two more offices in the U.S. and one in the U.K. within the next twelve months. In this regard, Dr. Vincent Au-Yeung joined us as our Executive Vice President of Strategic Marketing in January 2001. We are continuing to seek marketing executives with significant experience in the fiber optic industry.

In the telecommunications industry, our product specialists and engineers work with our customers to customize our products to their needs. Because the telecommunications industry is primarily comprised of a small number of large companies, our senior management has been responsible for our sales and marketing effort to these customers. Typically, these customers purchase a small quantity of our products on a trial basis for six to nine months before they place larger orders. Compared to orders for our telecommunications products, orders for our industrial products tend to be smaller and the sales cycle tends to be faster. We currently use a number of distributors worldwide to help expand our sales and market penetration for both telecommunications and industrial customers. In addition, we believe the high level of technical support we offer provides us with a competitive advantage. We derive approximately 5% of our revenue from sales made through distributors and 95% from direct sales.

Our marketing efforts are focused on increasing awareness of our products and our brand name through our participation in major world trade fairs, conferences and exhibitions. We also publish papers in scientific journals and industry publications from time to time.

Competition

Our markets are highly competitive. In the telecommunications industry, we believe that our principal competitors are major manufacturers of fiber amplifiers, fiber lasers and related components. These manufacturers include Alcatel Optronics, Corning, JDS Uniphase, Lucent Microelectronics, Nortel, SDL, MPB, and Furakawa. JDS Uniphase and SDL have recently announced their agreement to merge. Our principal competitors in the industrial laser area include Coherent, SDL, Spectra-Physics and Optocom.

Most of our competitors have substantially greater financial, engineering and manufacturing resources as well as greater name recognition. Some of our customers compete with us and some may begin to compete with us. In addition, some of our customers have been or could be acquired by, or enter into strategic relations with, our competitors. We anticipate that further consolidation will occur in our industry, thereby possibly increasing competition in our target markets.

We believe the principal competitive factors of the markets in which we operate are:

- . product price, features, functionality and reliability;
- . performance characteristics;
- . introduction of new and enhanced products before competitors;
- . product line breadth;
- . compliance with emerging industry trends and standards;

- . service and support;
- . manufacturing capacity and reliance upon outside suppliers;
- . ability to respond to emerging technologies;
- . brand recognition; and
- . access to new customers.

We believe we compete favorably with our competitors with respect to the foregoing factors. However, we cannot assure you that we will be able to compete successfully in the future.

Regulatory Matters

In most countries where our products are sold, our products must comply with the regulations of one or more governmental entities. These regulations often are complex and vary from country to country. Depending upon the country and the relevant product, the applicable regulations may require product testing, approval, registration, marking, operating specifications and safety features. All of these countries control exports of certain lasers and laser-based items, including both physical commodities and technology. Depending upon the technical specifications of the item and the country of destination, the export may require the issuance of a license by the relevant government or may be authorized without a license under general regulations.

Most of our current products can be exported to most destinations without the need for a license. This situation may change as we develop new and more sophisticated products or if one or more countries in which we operate alter their export control regulations.

In particular, some of our products are subject to U.S., German, Italian and Russian export control laws and regulations governing the export of products and components and the disclosure of technical information to foreign countries and citizens. These laws and regulations require licenses for the export of some of these products to, and disclosure of our technology in, some countries, including Russia. In addition, in some countries, including the United States, these laws and regulations require licenses for the disclosure of our technology to some of our employees who are not citizens of those respective countries. We believe that we have the necessary licenses to conduct our business as presently conducted. However, these laws and regulations could change with little or no advance notice, such that items not now requiring licenses could thereafter require licenses. We have determined what we believe to be the proper classifications for all goods and technology that we export from the United States and elsewhere and believe them to be reasonable and proper. There always is the possibility, however, that if the U.S. government were to review these classifications, the U.S. government could determine that some or all are incorrect and would require export licensing for items that the company believes not to require licenses. Such action on the part of the U.S. government could prevent transfers of goods and technology while licenses are applied for and obtained, in some cases prevent specified transfers altogether, and result in penalties for past exports of misclassified items. If any or all of our classifications were not honored by the U.S. government, our manufacturing operations may be impaired, and we may face additional adverse consequences due to these laws and regulations.

In addition, our fiber lasers and other optical products are sometimes incorporated into medical devices that are subject to approval or oversight by the Food and Drug Administration and comparable regulatory bodies in other jurisdictions. Typically, our customer, the medical device manufacturer, has the responsibility to obtain required FDA and similar approval.

Environmental Regulations

We are subject to a variety of national and local laws and regulations concerning the storage, use, discharge and disposal of toxic, volatile, or otherwise hazardous or regulated chemicals or materials used in our

manufacturing and assembly processes. Further, we are subject to other safety, labeling and training regulations as required by local, state and federal law. We believe that we are in substantial compliance with these regulatory requirements.

Intellectual Property

We rely on a combination of trade secret law, contractual restrictions, trademark law and copyright law to establish and protect our proprietary rights in our technology and intellectual property. Historically, we have chosen to rely upon trade secrets and contractual restrictions, as opposed to patents, to protect our rights because of our limited resources. However, with the additional resources from this offering, we intend to reevaluate our strategy with respect to protecting our intellectual property portfolio and analyze whether we will use our additional resources to pursue patent applications. If we do, we believe that the related expense should not be material. We require our key employees and consultants to execute non-disclosure and proprietary rights agreements. These agreements acknowledge our exclusive ownership of all intellectual property developed by the individual during the course of his or her work with us and require that all proprietary information disclosed to the individual remain confidential. We believe that our design and manufacturing processes make it difficult and expensive, although not impossible, for others to reverse engineer our products. We have applied for registration of our IPG, IPG Photonics and IPG Laser names and marks in the Patent and Trademark Office and will apply in trademark offices elsewhere in jurisdictions where we have facilities. We intend, where appropriate, to enforce our intellectual property rights if infringement or misappropriation occurs.

The steps taken by us to protect our intellectual property may not prove sufficient to prevent misappropriation of our technology, deter independent third-party development of similar technologies or prevent reverse engineering of our products. In addition, we may have no legal recourse against those who successfully reverse engineer our products without misappropriation of our technology or violation of contractual or other legal prohibitions. The loss of the ability to use our technology could require us to obtain the rights to use substitute technology, which could be more expensive or offer lower quality or performance, and therefore could harm our business. In some cases, we may not be able to obtain such rights. Moreover, the fiber optic components and fiber laser industries are characterized by the existence of a large number of patents and frequent litigation based on allegations of patent infringement. Third-parties could claim infringement by us with respect to current or future technology.

Employees

As of December 31, 2000, we had 202 full-time employees. A total of 72 employees were in the U.S. and the remainder are employed in Europe. None of our employees are represented by a labor union. We have not experienced any work stoppages and we consider our relations with our employees to be good.

Legal Proceedings

We are not currently involved in any material legal proceedings, nor do we know of any pending material legal proceedings in which we may be involved.

MANAGEMENT

Directors, Executive Officers and Key Employees

Our directors, executive officers and key employees are:

<TABLE>
<CAPTION>

Name	Age	Positions with IPG
Valentin P. Gapontsev, Ph.D. . .	61	Chairman of the Board of Directors and Chief Executive Officer
Hon. John H. Dalton.....	58	President and Director
Eugene Shcherbakov, Ph.D.	53	Managing Director of IPG Laser and Director
Vincent Au-Yueng, Ph.D.	47	Executive Vice President, Strategic Marketing
Timothy P. V. Mammen.....	31	Chief Financial Officer and Vice President
Angelo P. Lopresti.....	37	Vice President, General Counsel and Secretary
John Geagea.....	46	Chief Operating Officer
Benjamin Peng-Chih Li.....	38	Chief Technology Officer

Denis Gapontsev, Ph.D.	28	Vice President, Research and Development and Director
Dennis Leonard.....	38	Director of Manufacturing
Stefano Cecchi, Ph.D.	44	Managing Director of IPG Fibertech
Peter V. Mammen.....	68	Treasurer
Paolo Sinni.....	49	Controller
Valentin Fomine, Ph.D.	45	Department Head of IPG Laser
Igor Samartsev.....	37	Director of Research and Development of IPG Laser
Nicholai Platonov, Ph.D.	44	Principal Scientist, Department Head of IPG Photonics
Robert A. Blair.....	54	Vice Chairman of the Board of Directors
Michael C. Child.....	46	Director
William F. Krupke, Ph.D.	63	Director

VALENTIN P. GAPONTSEV, Ph.D. has been our Chief Executive Officer and Chairman of the Board of Directors since inception. Dr. Gapontsev founded the IPG Group with the creation of NTO IRE-POLUS, and has been President and Managing Director since its inception. Dr. Gapontsev has over thirty years of experience in the field of non-radiative energy transfer in rare earth ions and solid state materials and is the author of numerous scientific articles. In 1994, he founded IPG Laser, and in 1997, he founded IPG Fibertech. Dr. Gapontsev holds a Ph.D. degree in Physics from the Moscow Institute of Physics and Technology.

HON. JOHN H. DALTON has served as our President and as a member of our Board of Directors since September 2000. Mr. Dalton was appointed Secretary of the Navy by President Clinton in 1993 and served in that capacity until 1998. He served as Chairman of the Board of Directors and Chief Executive Officer of EPCAD Systems, a metal technology firm, from October 1999 until June 2000. He has been a member of the Boards of Directors of Transtechnology Corporation since April 1999; Fresh Del Monte Produce Inc. since May 1999; and Niagara Mohawk Holdings Inc. since June 1999. Mr. Dalton graduated with distinction from the U.S. Naval Academy and earned an M.B.A degree from the Wharton School of the University of Pennsylvania. He holds an honorary Doctor of Laws degree from Trinity College.

EUGENE SHCHERBAKOV, Ph.D. has served as the Managing Director of IPG Laser since August 2000 and has been a member of our Board of Directors since September 2000. Dr. Shcherbakov served as the Technical Director of IPG Laser from 1995 to August 2000. From 1983 to 1995, Dr. Shcherbakov was a senior scientist in fiber optics and head of the optical communications laboratory at the General Physics Institute, Russian Academy of Science in Moscow. Dr. Shcherbakov graduated from the Moscow Physics and

Technology Institute with an M.S. in Physics. In addition, Dr. Shcherbakov attended the Russian Academy of Science in Moscow, where he received a Ph.D. in Quantum Electronics from its Lebedev Physics Institute and a Dr.Sci. degree in Laser Physics from its General Physics Institute.

VINCENT AU-YEUNG, Ph.D. has been our Vice President of Strategic Marketing since January 2001. Prior to joining us, Dr. Au-Yeung was the Vice President of E-Tek Dynamics Inc., a company involved in the design and manufacture of passive components and modules for fiber optic systems, and served as the General Manager of its E-Tek Kaifa Business Unit since August 1999. He had been the President of Kaifa Technology, Inc., a company he founded in 1985 that focused on the production of fiber optic components, until its acquisition by E-Tek Dynamics Inc. in 1999. Dr. Au-Yeung received his Ph.D. degree in Engineering from Princeton University and his M.B.A. degree from the University of Santa Clara.

TIMOTHY P. V. MAMMEN has been our Chief Financial Officer since July 2000 and a Vice President since November 2000. Previously, Mr. Mammen served as the Group Finance Director and General Manager of UK Operations for IP Fibre Devices Ltd. since May 1999. Mr. Mammen was Finance Director and General Manager of United Partners Plc, a commodities trading firm, from 1995 to 1999. Mr. Mammen received an Upper Second B.Sc. Honours degree in International Trade and Development from the London School of Economics and Political Science and is a Chartered Accountant and a member of the Institute of Chartered

ANGELO P. LOPRESTI has been our General Counsel, Secretary and one of our Vice Presidents since January 2001. Prior to joining us, Mr. Lopresti was a partner at Winston & Strawn, a law firm, from 1999 to 2001, where he focused his practice in securities and technology law, and mergers and acquisitions. He was also a partner at Hertzog, Calamari & Gleason, a law firm, from 1998 to 1999 and an associate from 1991 to 1998. Mr. Lopresti holds a B.A. in Economics from Trinity College and a J.D. from the New York University School of Law.

JOHN GEAGEA has been our Chief Operating Officer since June 2000. From 1987 to 2000, Mr. Geagea worked for Italtel S.p.a., a telecommunications company, in various capacities, including as Director of Russian Operations from 1994 to 1996, Director of the Socrates Project from 1996 to 1998, Director of International Industrial Activities from 1998 to 1999 and Director of Contracts Management from 1999 to 2000. Mr. Geagea holds a B.S. in Computer Engineering from the University of Illinois (Urbana-Champaign) and an M.S. in Electrical Engineering from the Illinois Institute of Technology.

BENJAMIN PENG-CHIH LI has been our Chief Technology Officer since July 2000. From 1991 to 1999, Mr. Li served as a Section Manager at SDL, Inc., a manufacturer of fiber optic components. He holds an M.S. in Electrical Engineering from the State University of New York at Stony Brook.

DENIS GAPONTSEV, Ph.D. has been our Vice President of Research and Development since August 2000 and has been a member of our Board of Directors since September 2000. From 1994 to 1996, Dr. Gapontsev worked as a scientist at NTO IRE-POLUS. He worked at IP Fibre Devices Ltd. from 1996 to 1998 and at IPG Laser GmbH from 1999 to 2000. In these positions he researched fiber lasers and Raman fiber lasers. Dr. Gapontsev holds a B.S. and an M.S. in Physics from the Moscow Physics and Technology Institute and a Ph.D. from the University of London.

DENNIS LEONARD has been our Director of Manufacturing since March 2000. Mr. Leonard was the Director of Manufacturing of Specialty Optics at Lucent Technologies (formerly SpecTran Specialty Optics Company), a corporation that produces fibers for communication, from 1997 to 2000. From 1993 to 1997, Mr. Leonard was the Director of Manufacturing of Laser Imaging Equipment at Gerber Systems Corporation, a corporation that develops and manufactures laser imaging systems. He holds a B.S. degree in Mechanical Engineering from Worcester Polytechnic Institute and an M.B.A. degree from Rensselaer Polytechnic Institute.

STEFANO CECCHI, Ph.D. has been the Managing Director of IPG Fibertech since its inception in December 1997. From 1992 to 1997, Dr. Cecchi managed the development and production of optical amplifiers

and conducted research projects on components for fiber optic communications at Italtel S.p.a. He holds a Ph.D. degree in Quantum Optics from the National Institute of Optics of the University of Florence and conducted post doctoral scientific research on lasers and non-linear spectroscopy in Italy and abroad.

PETER V. MAMMEN has been our Treasurer since December 1998 and has been an adviser to the IPG Group since 1996. From 1989 to 1996, Mr. Mammen was Marketing Consultant to Francis Shaw & Company of Manchester, U.K. He holds a B.A. in Humanities from the University of Madras.

PAOLO SINNI has been our Secretary since August 2000 and our Controller since January 1999. He was the Controller of Technical Communications Corporation from 1993 to 1996, of Melles Griot, Inc. from 1996 to 1997 and of SpecTran Specialty Optics Company from 1997 to 1999. Each of these companies is in the fiber optics industry. Mr. Sinni holds a B.S.B.A. in Accounting from Nichols College.

VALENTIN FOMINE, Ph.D. has been a Department Head of IPG Laser since 1998 and previously as an Optical Engineer at NTO IRE-POLUS since 1990. Dr. Fomine received his Ph.D. specializing in radiophysics from the Institute of Radio Engineering and Electronics at the Russian Academy of Sciences. He received his undergraduate education at the Department of General Physics of Saratov State University, Russia.

IGOR SAMARTSEV has been the Director of Research and Development of IPG Laser since 1997 and has been employed as a scientist with NTO IRE-POLUS since 1990. He is a graduate of Chelyabinsk Physical Mathematical School and received a First Class degree from the Moscow Physical Technical Institute.

NICHOLAI PLATONOV, Ph.D. has been our Principal Scientist of IPG Photonics since October 2000. Dr. Platonov served as a scientist at IPG Laser from 1998 to 2000 and at NTO IRE-POLUS from 1996 to 1998. Dr. Platonov was a research scientist at the Institute of Radio Engineering and Electronics of the

Russian Academy of Sciences from 1979 to 1996. He received his Ph.D. from the Institute of Radio Engineering and Electronics of the Russian Academy of Sciences and received his undergraduate degree from the Moscow Physical Technical Institute.

ROBERT A. BLAIR has been Vice Chairman of our Board of Directors since September 2000 and Chairman of our National Advisory Board since February 2000. He is currently the President of the Blair Law Firm P.C. Mr. Blair was an equity partner at Manatt, Phelps & Phillips, a law firm, from 1995 to 1999. He is a trustee under Winkler Trusts, which are the primary source of equity for, and owners of, real estate ventures developed by The Mark Winkler Company. Mr. Blair is managing partner of several real estate partnerships and has been a manager/principal in cellular telephone ventures. Mr. Blair holds a B.A. in Mathematics from The College of William and Mary and a J.D. from the University of Virginia School of Law.

MICHAEL C. CHILD has been a member of our Board of Directors since September 2000. Mr. Child has been employed by TA Associates, Inc., a venture capital investment firm, since July 1982 where he currently serves as a Managing Director. In addition, he has served as a member of the Board of Directors of Finisar Corporation, a producer of fiber optic subsystems and network performance test systems, since November 1998 and Fargo Electronics Inc., a developer, manufacturer and supplier of plastic card printers, since July 2000. Mr. Child holds a B.S. in Electrical Engineering from the University of California at Davis and an M.B.A. from the Stanford Graduate School of Business.

WILLIAM F. KRUPKE, Ph.D. has been a member of our Board of Directors since November 2000. Since May 2000, Dr. Krupke has been the President of Applied Lasers, a company which provides consulting services related to laser technology and applications, and he has served as a consultant to various companies that concentrate in those fields. From 1972 to 1999, Dr. Krupke served as Technical Manager for Lawrence Livermore National Laboratories, which provides research and development for the United States Department of Energy, and Deputy Associate Director of the laboratory's Laser Directorate. He received a B.S. degree in Physics from Rensselaer Polytechnic Institute and M.S. and Ph.D. degrees in Physics from the University of California at Los Angeles.

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Our Chief Executive Officer, President, Chief Financial Officer, Treasurer and Secretary are elected by the Board of Directors. All other executive officers are elected by the Board of Directors or appointed by the Chief Executive Officer and all officers serve at the discretion of the Board of Directors. Each of our officers and directors, other than non-employee directors, devotes his full time to the affairs of IPG Photonics.

Our Chairman of the Board and Chief Executive Officer, Dr. Valentin P. Gapontsev, is the father of Dr. Denis Gapontsev, our Vice President of Research and Development and a director. Our Treasurer, Peter V. Mammen, is the father of our Chief Financial Officer, Timothy P.V. Mammen. There are no other family relationships among any of our directors, officers or key employees.

Composition of our Board Of Directors

Our Board of Directors is currently fixed at seven directors. Michael Child was elected to serve on our Board of Directors pursuant to an agreement entered into in August 2000 in connection with the sale of our Series B preferred stock. This agreement will terminate upon the closing of this offering. At each annual meeting of stockholders, the successors to directors whose terms are to expire will be elected to serve from the time of election and qualification until the next annual meeting following their election. Our nonemployee directors devote such time to our affairs as is necessary to discharge their duties.

Board Committee

The audit committee of our Board of Directors recommends the appointment of our independent auditors, reviews our internal accounting procedures and financial statements and consults with and reviews the services provided by our independent auditors, including the results and scope of their audit. The audit committee currently consists of Messrs. Blair and Child, and Dr. Krupke.

Compensation Committee Interlocks and Insider Participation

Our entire Board of Directors determines executive compensation. The following directors are also executive officers and participated in deliberations of the Board of Directors concerning executive compensation: Drs. Valentin Gapontsev, Eugene Shcherbakov and Denis Gapontsev, and Mr. Dalton. Dr. Valentin Gapontsev served as managing director of IP Fibre Devices and NTO IRE-POLUS. For more information, please see "Transactions With Related

Parties--Intercompany Transactions", "--Other Transactions with NTO IRE-POLUS" and "--Other Transactions with IP Fibre Devices."

Director Compensation

Our directors are reimbursed for expenses incurred in connection with attending board and committee meetings but are not compensated for their services as board or committee members. In November 2000, we granted options to purchase 100,000 shares of common stock to each of Dr. Krupke and Mr. Child under our 2000 stock incentive plan at an exercise price of \$3.75 per share. The options vest equally over a period of four years. For more information, see "--Stock Option Plan."

National Advisory Board

The National Advisory Board, or NAB, of the Company is currently composed of eight individuals. The purpose of the NAB is to provide us with advice on our business and strategy. The NAB meets from three to four times a year. Members of the NAB are reimbursed for travel and other expenses incurred in attending meetings, but are not compensated for attending meetings or for advisory services that they provide to us. Hon. John H. Dalton, Robert Blair and Dr. William Krupke are members of the NAB, and Mr. Blair is its Chairman. Each individual was granted options to purchase 100,000 shares of common stock having an exercise price of \$0.50 per share. Messrs. Dalton, Blair and Krupke joined the NAB prior to becoming an officer or director of IPG Photonics, and Messrs. Dalton and Blair exercised their options in full in 2000. Dr. Krupke exercised his option for 30,000 shares in 2000.

Executive Compensation

Summary Compensation Table

The following table sets forth information regarding compensation received during the years ended December 31, 1999 and 2000 by our Chairman of the Board and Chief Executive Officer and each of our four other executive officers whose total salary and bonus earned during the Company's last fiscal year exceeded \$100,000.

<TABLE>
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Name and Principal Position	Year	Annual Compensation		Long Term Compensation	
		Salary	Bonus	Securities Underlying Options	Other Compensation
<S>	<C>	<C>	<C>	<C>	<C>
Dr. Valentin P. Gapontsev Chairman of the Board and Chief Executive Officer....	2000	\$397,039 (1)	\$100,000	--	--
	1999	\$229,280 (1)	\$88,023	--	--
Hon. John H. Dalton President (2).....	2000	\$73,077	--	800,000	\$1,731 (3)
Dr. Eugene Shcherbakov Managing Director of IPG Laser.....	2000	\$164,068 (4)	--	--	--
	1999	\$124,993	--	--	--
Timothy P. V. Mammen Chief Financial Officer and Vice President (5).....	2000	\$138,500	--	100,000	--
John Geagea Chief Operating Officer (6).....	2000	\$100,000	--	800,000	\$28,737 (7)

</TABLE>

(1) Includes \$10,000 and \$5,872 paid to Dr. Gapontsev by NTO IRE-POLUS during the years ended December 31, 2000 and 1999, respectively.

(2) Hon. John H. Dalton joined as our President in September 2000. Includes options for 100,000 shares granted prior to Mr. Dalton's employment for service on the National Advisory Board. For a description of the National Advisory Board, please see "Management--National Advisory Board."

(3) Represents our contribution to Mr. Dalton's 401(k) plan account.

(4) Includes \$2,900 paid to Dr. Shcherbakov by NTO IRE-POLUS during the year ended December 31, 2000.

(5) Mr. Mammen was hired as our Chief Financial Officer in July 2000, but his

salary includes compensation paid by IP Fibre Devices Ltd. during 2000 for services performed on behalf of our business.

(6) Mr. Geagea was hired as our Chief Operating Officer in June 2000.

(7) Represents our \$2,769 contribution to Mr. Geagea's 401(k) plan account and a relocation allowance of \$25,968.

Option Grants in the Last Fiscal Year

The following table contains information regarding the number and value of stock options granted during the fiscal year ended December 31, 2000 to our five most highly compensated executive officers set forth in the Summary Compensation Table above. Neither Dr. Gapontsev nor Dr. Shcherbakov was granted stock options during that fiscal year.

<TABLE>

<CAPTION>

Name	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees During Period (1)	Exercise Price per Share (2)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Appreciation for Option Term (3)	
					5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Hon. John H. Dalton.....	100,000	2.05%	\$0.50	03/17/10	2,403,000	3,841,000
	600,000	12.31%	\$1.00	08/01/10	14,118,000	22,746,000
	100,000	2.05%	\$3.75	11/28/10	2,078,000	3,516,000
Timothy P. V. Mammen....	100,000	2.05%	\$3.75	11/28/10	2,078,000	3,516,000
John Geagea.....	800,000	16.42%	\$0.50	06/18/10	19,224,000	30,728,000

</TABLE>

(1) The percentage of total options granted is based on an aggregate of 4,870,000 options granted by us during the year ended December 31, 2000.

(2) The options were granted at an exercise price equal to the fair market value of our common stock determined in good faith by our Board of Directors. The options granted to Messrs. Mammen and Geagea, and 100,000 of the options granted to Mr. Dalton, fall under our 2000 incentive compensation plan, vest 25% approximately one year from the date of grant and 25% on each anniversary of the first vesting date thereafter. We granted 600,000 options granted to Mr. Dalton under our 2000 incentive compensation plan which vested 25% upon the date of grant and the remainder vest in the following proportions on each anniversary of the date of grant, respectively: 25%, 20%, 20% and 10%. We granted 100,000 options granted to Mr. Dalton outside of our 2000 incentive compensation plan for his service on the National Advisory Board which vested immediately upon the date of grant.

(3) The potential realizable value is based on the assumption that our common stock appreciates at specified annual rates, compounded annually, from the date of grant until the expiration of the ten-year term. These numbers are calculated based on Securities and Exchange Commission requirements and do not reflect our projections or estimates of future stock price growth. Potential realizable values are computed by:

--multiplying the number of shares of common stock underlying each option by the assumed initial public offering price of \$15.00 per share;

--assuming that the aggregate stock value derived from that calculation compounds at the annual specified rate shown in the table until the expiration of the options; and

--subtracting from that result the aggregate option exercise price.

Actual gains, if any, on stock option exercises and common stock holdings are dependent on the time of such exercise and the future performance of our common stock.

Aggregated Option Exercises in the Last Fiscal Year and Fiscal Year End Option Values

The following table provides summary information with respect to our five

most highly compensated executive officers set forth in the Summary Compensation Table above and who hold stock options. As of December 31, 2000, all options granted to such officers were granted under our 2000 incentive compensation plan with the exception of 100,000 options granted to Hon. John H. Dalton on March 17, 2000 for his service on the National Advisory Board. Neither Dr. Gapontsev nor Dr. Shcherbakov hold stock options.

<TABLE>
<CAPTION>

Name	Shares Acquired		Number of Securities Underlying Unexercised Options/SARs at Fiscal Year-End		Value of Unexercised In-the-Money Options/SARs at Fiscal Year-End (1)	
	Upon Exercise	Value Realized (1)	Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Hon. John H. Dalton.....	100,000	1,450,000	--	--	--	--
	150,000	2,100,000	--	450,000	--	6,300,000
	--	--	--	100,000	--	1,125,000
Timothy P. V. Mammen....	--	--	25,000	575,000	362,500	8,012,500
John Geagea.....	--	--	--	800,000	--	11,600,000

</TABLE>

(1) There was no public trading market for our common stock as of December 31, 2000. Accordingly, these values have been calculated on the basis of the assumed initial public offering price of \$15.00 per share, less the applicable exercise price.

Employment Agreements

On September 1, 1995, IPG Laser entered into an employment contract with Dr. Valentin P. Gapontsev, our Chief Executive Officer and Chairman of the Board of Directors. The agreement provides for Dr. Gapontsev's employment, for no specific term, as Managing Director of IPG Laser. Under the current terms of the agreement, Dr. Gapontsev receives annual compensation of DM 476,000, or approximately \$229,000 at December 31, 2000, as well as use of a company car and company housing. In 2000, Dr. Gapontsev received an additional \$250,000 in compensation from IPG Photonics.

Our employment agreement with Hon. John H. Dalton provides for his employment from September 1, 2000 to August 31, 2004 as our President at a base annual salary of \$250,000 per year, subject to an annual increase at our discretion. The agreement provides that during his employment with us and for a period of two years after, Mr. Dalton will not enter into any business activity that is competitive with any of our business activities. Pursuant to his agreement, we granted Mr. Dalton options to purchase 600,000 shares of our common stock, at an exercise price of \$1.00 per share, vesting over a four-year period. The agreement automatically renews for successive one-year periods if not terminated thirty days before the end of its current term. In the event of our termination of Mr. Dalton's employment on or after September 1, 2001 other than for cause, Mr. Dalton is entitled to the equivalent of twelve month's salary and benefits. In the event of such a termination, all of Mr. Dalton's options that are scheduled to vest on the next anniversary date following notice of termination will vest upon termination.

Under the current terms of our agreement with Dr. Shcherbakov, he receives an annual salary of DM 392,000, or approximately \$189,000 at December 31, 2000. Either IPG or Dr. Shcherbakov may terminate the agreement after the third year of the term upon six months notice.

Our employment agreement with John Geagea provides for his employment from June 1, 2000 to June 1, 2002 as our Chief Operating Officer at a base annual salary of \$200,000 per year, subject to an annual increase at our discretion. In addition, we granted Mr. Geagea options to purchase 800,000 shares of our

common stock at an exercise price of \$0.50 per share, vesting over a four-year period. The agreement automatically renews for successive one-year periods if not terminated thirty days before the end of its current term. In the event of our termination of Mr. Geagea's employment with less than 180 days notice, other than for cause, Mr. Geagea is entitled to the equivalent of 180 days of salary and benefits continuation.

In November 2000, we entered into an employment agreement with Vincent Au-Yeung that provides for his at-will employment as our Executive Vice President for Strategic Marketing at a base annual salary of \$200,000 and an

annual bonus of up to 25% of this annual salary. Pursuant to the agreement, Dr. Au-Yeung purchased 1,000,000 shares of our common stock at \$0.50 per share. Dr. Au-Yeung borrowed \$1,157,000 from us to pay applicable taxes in connection with his purchase of 1,000,000 shares of our common stock. The loan bears interest at 5.6%, is full recourse to Dr. Au-Yeung and is secured by 1,000,000 shares of common stock. The note is to be repaid with the proceeds from the sales of any of the 1,000,000 shares purchased by him. This loan matures in January 2006 and must be repaid sooner if he terminates employment. We have the right to repurchase these shares if Dr. Au-Yeung terminates his employment prior to July 19, 2001. We have also granted to Dr. Au-Yeung an option to purchase 500,000 shares of our common stock at an exercise price of \$1.50 per share. The option vests on the earlier of October 1, 2001 or the date on which we first achieve \$200,000,000 of gross revenue. We have also granted Dr. Au-Yeung an additional option for 1,500,000 shares at an exercise price of \$1.50 per share, which vests monthly in equal installments over thirty-six months and vests entirely on the date we first achieve \$400,000,000 of gross revenue. In the event of our termination of Dr. Au-Yeung's employment with less than 180 days notice, other than for cause, Dr. Au-Yeung is entitled to the equivalent of 180 days of salary and benefits continuation.

Non-Competition Agreements

In connection with the sale of our Series B preferred stock in August 2000, we entered into non-competition agreements with Drs. Valentin P. Gapontsev, Denis Gapontsev, Eugene Shcherbakov and other scientists. We intend to execute similar non-competition agreements with our scientific personnel in the future. The agreements prohibit the employees from engaging in any way with or in a business that is competitive with any member of the IPG Group for one year from termination of employment with us. The agreements also provide that the employee may not solicit other employees from IPG Photonics, IPG Laser or IPG Fibertech within the later of 18 months after termination of employment or two years after signing and also provide for assignment of all inventions and nondisclosure of proprietary information.

Stock Option Plan

Our 2000 Incentive Compensation Plan was adopted by the Board of Directors and approved by the stockholders in April 2000. As amended in November 2000, the plan authorizes us to issue up to 15,000,000 shares of common stock. The Board of Directors currently administers the plan, but may transfer its administration to the Compensation Committee. The plan allows grants of incentive stock options to our employees, including officers and employee directors, and employees of our "affiliates" within the meaning of Section 424 of the Internal Revenue Code of 1986. In addition, the plan allows grants of nonstatutory stock options, restricted stock, stock appreciation rights, performance shares and units, and cash awards to our employees, nonemployee directors, and independent contractors, and also to employees, nonemployee directors and independent contractors of IPG Photonics or other entities deemed affiliated with IPG Photonics by the Board of Directors. The plan has a term of ten years, unless terminated sooner by the Board of Directors.

The plan provides the exercise price of incentive stock options granted under the plan must not be less than the fair market value of a share of the common stock on the date of grant, and imposes certain additional statutory requirements. In the case of nonstatutory stock options and other awards, the exercise price (or issuance price) must generally not be less than the fair market value of a share of the common stock on the date of grant, unless the Board of Directors in its sole discretion and due to special circumstances determines otherwise on the date of grant. A maximum of 4,000,000 shares of common stock may be awarded under the

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plan to any one individual in any calendar year. The Board of Directors has the discretion to determine vesting schedules, exercise requirements and potential forfeiture of all awards granted under the plan. The plan provides that in connection with a "change in control" (as defined in the plan), the Board of Directors may, in its sole discretion, provide that an award may be assumed by the entity taking control or may be substituted by a similar award under such entity's compensation plan. Alternatively, in connection with a change in control, the plan allows the Board of Directors to accelerate the vesting of outstanding options or other awards or to cash out outstanding options and other awards, subject to certain limitations.

As of December 2000, nonstatutory stock options had been granted and restricted stock issued to employees of IPG Photonics and affiliated entities under the plan. As of December 2000 under the plan, (i) 694,868 shares of common stock had been issued upon exercise of nonstatutory stock options, (ii) 500,000 shares of restricted common stock had been issued and (iii) nonstatutory stock options to purchase 5,126,532 shares of common stock, with a weighted average exercise price of \$0.99, were outstanding. In November 2000,

we increased the size of the plan from 7,500,000 shares to 15,000,000 shares and as of December 2000 5,525,600 shares of common stock remained available for future grants.

401(k) Plan

The IPG Photonics Corporation 401(k) Retirement Plan became effective on March 1, 1999 and covers all of our eligible employees. Our 401(k) plan is intended to be a qualified retirement plan under the Internal Revenue Code. All contributions to the plan by eligible employees or by us, and the investment earnings thereon, are not taxable to such employees until withdrawn, and any contributions we may make are expected to be deductible by us when made. Our eligible employees may elect to reduce their current compensation and have the amount of such reduction contributed to our plan. We make matching contributions in an amount equal to 50% of each employee's contribution to the 401(k) plan, subject to a maximum of 6% of such employee's annual compensation.

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TRANSACTIONS WITH RELATED PARTIES

Other than the compensation agreements and other arrangements described in "Management," and the transactions described below, for the last three full fiscal years there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we are or will be a party:

- . in which the amount involved exceeded or will exceed \$60,000, and
- . in which any director, executive officer, holder of more than 5% of our common stock on an as-converted basis or any member of their immediate family has or will have a direct or indirect material interest.

We believe that each of the transactions described below are on terms no less favorable than could have been obtained from unaffiliated third parties. All future transactions between us and any director or executive officer will be subject to approval by a majority of the disinterested members of our board of directors.

History of IPG Photonics and Restructuring

In November 1994, our founding shareholder, Dr. Valentin Gapontsev, formed a new company in Germany, IPG Laser GmbH. He also subsequently formed IPG Fibertech S.r.l. in Italy. We were incorporated as a Delaware corporation on December 2, 1998 and began operations in the United States in 1999. Prior to August 2000, IPG Laser, IPG Fibertech and our company were operated under the common control and management of Dr. Gapontsev. Fifty-percent of IPG Laser was owned by IP Fibre Devices, an affiliate of Dr. Valentin Gapontsev, and 50% was owned directly by Dr. Gapontsev. IPG Laser owned 80% of IPG Fibertech.

We entered into three agreements as of August 24, 2000 in connection with the restructuring of IPG Laser and IPG Fibertech. The restructuring was undertaken to streamline and simplify our organizational structure, to make our operations more easily financeable and to consolidate the ownership of our material property and technology under our direct control. The restructuring was also a condition to the Series B preferred stock financing. As a result of the restructuring, IPG Laser and IPG Fibertech became our subsidiaries under our direct control.

The first agreement relating to the restructuring was between IPG Photonics and IP Fibre Devices, in which IP Fibre Devices sold 50% of the total issued and outstanding shares of IPG Laser to IPG Photonics in exchange for \$7.5 million in cash and 2,300,000 shares of our common stock. Dr. Gapontsev is the Managing Director and majority shareholder of IP Fibre Devices. The second agreement was between IPG Photonics and Dr. Gapontsev, in which Dr. Gapontsev sold 4% of the total issued and outstanding shares of IPG Laser to IPG Photonics in exchange for \$2.4 million in cash. The third agreement was an option agreement in which Dr. Gapontsev granted IPG Photonics the option to purchase the remaining 46% of the total issued and outstanding share capital of IPG Laser from Dr. Gapontsev in exchange for 2,806,000 shares of our common stock. On October 4, 2000, we exercised this option and now own 100% of the issued and outstanding shares of IPG Laser. We also indirectly control IPG Laser's 80%-held subsidiary, IPG Fibertech. The remaining 20% of IPG Fibertech is owned by Stefano Cecchi, its Managing Director.

IPG Photonics and IPG Laser, focus on the design, manufacture and sale of high performance fiber amplifiers, Raman pump lasers and fiber lasers for telecommunications and industrial applications. IP Fibre Devices is a holding company with no significant operations and served as a distributor of our products in the United Kingdom until December 31, 2000. Our operations have remained substantially unchanged as a result of the restructuring, however, the

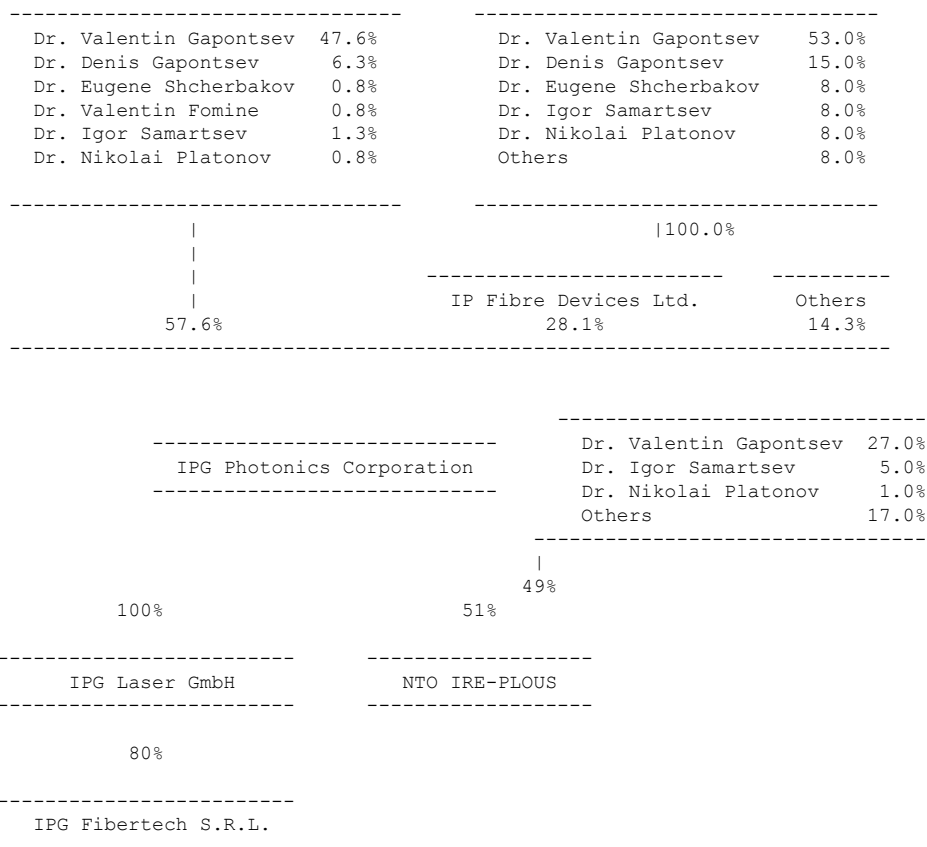
expansion of our U.S. operations since 1999 has helped expand our sales and customer base.

Following the restructuring, IPG Laser reached an agreement in principle to acquire a 51% interest in NTO IRE-POLUS, a Russian affiliate of Dr. Gapontsev that provides us with research and development services. NTO IRE-POLUS is expected to add to our research and development capabilities. See "-- Other Transactions with NTO IRE-POLUS."

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Dr. Valentin Gapontsev is our Chairman of the Board and Chief Executive Officer and, as of December 31, 2000, directly owned 45.6% of our common stock. As of this date, IP Fibre Devices directly owned 28.1% of our common stock and Dr. Valentin Gapontsev directly owned 53.0% of IP Fibre Devices' ordinary shares. Based on these shareholdings, Dr. Gapontsev beneficially owned in the aggregate 72.5% of our shares of common stock directly through his ownership of IPG Photonics and indirectly through his control of IP Fibre Devices, excluding shares held by his son, Dr. Denis Gapontsev. The following chart presents the overlap in ownership of IPG Photonics, its subsidiaries and affiliated parties by common members of management at December 31, 2000, without giving effect to the offering, and giving effect to the closing of the proposed investment by IPG Laser in NTO IRE-POLUS:

[FLOW CHART]



Intercompany Transactions

Prior to the restructuring, we entered into various transactions with other companies under the common control and management of Dr. Valentin Gapontsev. These companies included IP Fibre Devices, IPC Inc., IP Fibre Optics Ltd., VPG Laser Components GmbH and NTO IRE-POLUS. Historically, our transactions with these companies occurred in the ordinary course of business and consisted primarily of intercompany sales and purchases of raw materials and components included in our cost of sales. The following is a table summarizing these transactions for the years ended December 31, 1997, 1998 and 1999, and for the nine months ended September 30, 2000 (in thousands). Amounts reported as operating expenses represent management charges from IP Fibre Devices. Interest expense represents amounts incurred on intercompany borrowings.

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<TABLE>
<CAPTION>

	Years ended December 31,			Nine months ended September 30, 2000
	1997	1998	1999	
<S>	<C>	<C>	<C>	<C>
Net sales.....	\$ 811	\$ 1,103	\$ 655	\$ 789
Purchases.....	1,533	2,133	2,095	3,108
Operating expenses.....	--	32	106	138
Interest income (expense), net.....	(10)	(10)	(17)	--

</TABLE>

Other Transactions with NTO IRE-POLUS

In connection with our restructuring in August 2000, we entered into an agreement regarding intellectual property with NTO IRE-POLUS. Pursuant to the agreement, NTO IRE-POLUS has agreed to provide us and our subsidiaries, on an exclusive basis, with research and development services relating to fiber amplifiers, fiber lasers and other associated products as well as all intellectual property incorporated in or relating to these products. Under this agreement, we are required to pay NTO IRE-POLUS's direct and overhead costs, plus a fee of 10%, for its research and development services. For a complete description of this arrangement, see "Business--Research and Development."

On October 3, 2000, we agreed to loan \$1,000,000 to NTO IRE-POLUS. These funds will be used for working capital and capital expenditures to assist NTO IRE-POLUS in providing us components and equipment. This loan bears interest at an annual rate of 7.0% and has a term of six months from the date the money is transferred to NTO IRE-POLUS.

IPG Laser has agreed in principle to acquire a 51% interest in NTO IRE-POLUS in exchange for IPG's commitment to invest up to \$5.0 million in NTO IRE-POLUS, subject to and in accordance with NTO IRE-POLUS's future business plans. The proceeds of the investment are to be used by NTO IRE-POLUS solely for equipment purchases and the development of additional manufacturing capacity. The transaction is subject to satisfaction of usual and customary closing conditions, as well as the approval of the Russian Ministry for Anti-Monopoly Policy. While we believe that these conditions will be satisfied and the acquisition will be consummated in the first half of 2001, we cannot assure you that the acquisition will be completed on the terms currently contemplated or at all.

Other Transactions with IP Fibre Devices

In the past, we have sold products to IP Fibre Devices which resells those products to its customers in the United Kingdom. Effective January 1, 2001, we terminated our distribution relationship with IP Fibre Devices and we now sell our products directly to customers in the United Kingdom through a wholly-owned subsidiary that was recently formed. Currently, we sublease office space from, and share general and administrative expenses with, IP Fibre Devices at an aggregate estimated annual expense to us of approximately \$250,000.

TeraBeam Agreements

We sell a significant amount of our products to TeraBeam. In April 1998, IP Fibre Devices entered into an agreement with TeraBeam providing for the sale of free-space optical point-to-multipoint fiber amplifiers with an output power of one Watt or greater. From July 1998 to August 1998, IPG Laser sold \$185,370 worth of products to TeraBeam in exchange for \$135,370 in cash and 571,428 shares of TeraBeam common stock. Pursuant to a partnering agreement executed with TeraBeam in April 1998, TeraBeam issued in August 1998 1,561,144 shares of its common stock to IP Fibre Devices in consideration of a discount on products sold to TeraBeam. This partnering agreement terminated in 1999. From November 1999 to February 2000, we sold an aggregate of \$2.0 million of our products to TeraBeam. TeraBeam paid us \$1.6 million in cash and issued 865,924 shares of TeraBeam common stock to IP Fibre Devices. In connection with this transaction, IP Fibre Devices issued a note to us in the principal amount of \$396,656. This note was repaid with accrued interest, totaling \$32,000, in October 2000. In connection with the 1998 agreement with TeraBeam, TeraBeam granted

Dr. Valentin Gapontsev options to purchase 100,000 shares of common stock of TeraBeam for his services on the Technical Advisory Board of TeraBeam. All of such options have been exercised. In February 2000, Peter V. Mammen, our treasurer, purchased 120,000 shares of TeraBeam at an aggregate purchase price of \$60,000. We and our affiliates own approximately 2.1% of the outstanding

common stock TeraBeam.

Intercompany Loans

In January 1999, we issued IP Fibre Devices a note in the principal amount of \$175,000 that accrued interest at the rate of 5% per annum. IPG Photonics entered into an agreement with IP Fibre Devices in which IP Fibre Devices agreed to pay an additional \$18,000 to us and convert the note and accrued interest, totaling \$182,000, into 20,000,000 shares of our common stock. The total consideration paid by IP Fibre Devices was \$200,000, or approximately \$0.01 per common share. The common stock was issued to IP Fibre Devices in January 2000. Because of the elements of common control, the shares of common stock were not recorded at fair value and have been treated as founders shares.

In November 1997, IPG Laser issued IP Fibre Devices a note in the principal amount of DM 156,000, or \$70,100, which accrued interest at 5% per annum. The note and accrued interest were repaid in full to IP Fibre Devices in March 2000.

Dr. Valentin Gapontsev

On August 13, 2000, Dr. Valentin Gapontsev borrowed DM 200,000, or approximately \$94,000, from IPG Laser, at an annual interest rate of 8%. This loan was repaid in full on November 30, 2000. Dr. Gapontsev has personally guaranteed \$5.2 million of our outstanding obligations as of September 30, 2000. In connection with one guaranty, Dr. Gapontsev granted a security interest in all of his securities and accounts held by one of the lenders. Dr. Gapontsev, as our principal stockholder, provided these guarantees without any compensation.

Dr. Denis Gapontsev

On May 30, 2000, IPG Laser agreed to purchase land and a house adjacent to our Burbach facility from Dr. Denis Gapontsev, one of our directors and our Vice President of Research and Development. IPG Laser assumed the mortgages on the land having a value of DM 900,000, or \$404,500, and paid Dr. Gapontsev DM 184,000, or \$82,700. Prior to the sale, IPG Laser had been leasing the land and house from Dr. Gapontsev since December 28, 1998 for DM 9,000, or \$4,000, per month.

Robert A. Blair

As of October 4, 1999, we entered into an agreement with Robert A. Blair, our Vice Chairman of the Board of Directors, for legal services and non-legal consulting services in connection with strategic business advice and other matters. Pursuant to this agreement, Mr. Blair received options to purchase 400,000 shares of our common stock at an exercise price of \$0.50 per share and the right to purchase, as of March 2000, 500,000 shares of our common stock at a price of \$0.50 per share. We also entered into an agreement with Mr. Blair as of February 3, 2000 for him to serve as Chairman of our National Advisory Board. Pursuant to this agreement, he received options to purchase 100,000 shares of our common stock at a price of \$0.50 per share. In March 2000, Mr. Blair transferred options to purchase 20,000 shares to family members and exercised the remainder of his 480,000 options. He subsequently also acquired the 500,000 shares of our common stock at a purchase price of \$0.50 per share. He purchased these shares by payment of \$50,000 cash and promissory notes with face amounts totaling \$440,000. The first note bears interest at an annual rate of 6.8% and the second note bears interest at 6.01%. These notes become payable in March 2005 and November 2005, respectively.

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Series A and Series B Stock Purchase Agreements

On March 30, 2000, Hon. John Dalton, our President, purchased an aggregate of 10,000 shares of our Series A preferred stock for an aggregate purchase price of \$100,000. Mr. Dalton purchased these shares prior to becoming our president and on the same terms as other unrelated parties. Holders of Series A preferred stock are entitled to certain registration rights. See "Description of Capital Stock--Preferred Stock" and "Description of Capital Stock--Registration Rights" for a description of our Series A preferred stock and its rights and preferences. Upon completion of this offering, the 10,000 shares of Series A preferred stock held by Mr. Dalton will convert into 20,000 shares of our common stock.

On August 30, 2000 and August 31, 2000, TA Associates Inc., together with affiliated entities, purchased an aggregate of 2,000,000 shares of our Series B preferred stock and related warrants to purchase 1,666,667 shares of our common stock at an exercise price of \$7.50 per share the aggregate purchase price for the warrants and shares was \$50,000,000. Holders of Series B preferred stock

are entitled to elect a director to our board of directors as well as redemption rights not enjoyed by holders of common stock or Series A preferred stock. Mr. Child, one of our directors, is Managing Director of TA Associates, Inc. Please see "Description of Capital Stock--Preferred Stock" and "Description of Capital Stock--Registration Rights" for a description of our Series B preferred stock and its rights. For a description of the warrants we sold to TA Associates and its affiliates, please see "Description of Capital Stock--Warrants." Upon completion of this offering, the 2,000,000 shares of Series B preferred stock held by TA Associates and its affiliates will convert into 5,833,333 shares of our common stock, assuming an offering price of \$15.00 per share.

Indemnification

We have entered into indemnification agreements with each of our directors. Such indemnification agreements require us to indemnify our directors to the fullest extent permitted by Delaware law. For a description of the limitation of our directors' liability and our indemnification of officers, see "Indemnification of Directors and Executive Officers and Limitation of Liability."

Employment Agreements

We have entered into employment arrangements, compensation arrangements and severance arrangements with certain of our executive officers. For more information regarding these arrangements, see "Management--Employment Agreements" and "--Executive Compensation." For information regarding stock options, see "Management--Stock Option Plan."

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INDEMNIFICATION OF DIRECTORS AND EXECUTIVE OFFICERS AND LIMITATION OF LIABILITY

As permitted by the Delaware General Corporation Law, we have adopted provisions in our certificate of incorporation which provide that our directors shall not be personally liable for monetary damages to IPG Photonics or its stockholders for a breach of fiduciary duty as a director, except liability for:

- . a breach of the director's duty of loyalty to us or our stockholders;
- . acts or omissions not in good faith or which involve intentional misconduct or a known violation of law;
- . an act related to our unlawful stock repurchase or payment of a dividend under Section 174 of the Delaware General Corporation Law; or
- . transactions from which the director derived an improper personal benefit.

These limitations of liability do not apply to liabilities arising under the federal securities laws and do not affect the availability of equitable remedies such as injunctive relief or rescission. Our certificate of incorporation also authorizes us to indemnify our officers, directors and other agents to the fullest extent permitted under the Delaware General Corporation Law.

As permitted by the Delaware General Corporation Law, our bylaws provide that:

- . we are required to indemnify our directors and officers to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions;
- . we are required to advance expenses, as incurred, to our directors and officers in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions; and
- . the rights provided in the bylaws are not exclusive.

We have entered into separate indemnification agreements with each of our directors which are broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements require us, among other things, to indemnify our directors against liabilities that may arise by reason of their status or service as directors, other than liabilities arising from willful misconduct. These indemnification agreements also require us to advance any expenses incurred by the directors as a result of any proceeding against them as to which they could be indemnified and to obtain directors' and officers' insurance.

At present, there is no pending litigation or proceeding involving any of our directors, officers, employees or agents where indemnification by us is sought. In addition, we are not aware of any threatened litigation or proceeding which may result in a claim for indemnification.

We intend to maintain directors' and officers' liability insurance if available on reasonable terms.

PRINCIPAL STOCKHOLDERS

The following table sets forth information known to us regarding the beneficial ownership of our common stock as of December 31, 2000, and as adjusted to reflect the sale of the common stock offered hereby, by:

- . each stockholder who is known by us to beneficially own more than 5% of common stock;
- . our Chairman and our four other most highly compensated executive officers;
- . each of our directors; and
- . all of our executive officers and directors as a group.

<TABLE>
<CAPTION>

Stockholder -----	Beneficial Ownership Prior to Offering (1)	Percent Owned Prior to Offering	Percent Owned After Offering
<S>	<C>	<C>	<C>
Dr. Valentin P. Gapontsev (2).....	60,106,000	73%	66%
Hon. John H. Dalton.....	270,000	*	*
Dr. Eugene Shcherbakov (3).....	600,000	*	*
Timothy P. V. Mammen (4).....	125,500	*	*
John Geagea.....	0	*	*
Dr. Denis Gapontsev (5).....	5,000,000	6	5
Dr. William F. Krupke (6).....	25,000	*	*
Robert A. Blair.....	980,000	1	1
Michael C. Child (7).....	13,087	*	*
Vincent Au-Yeung.....			
IP Fibre Devices Ltd.....	22,300,000	27	24
Entities affiliated with TA Associates, Inc (8).....	7,499,987	9	8
All directors and executive officers as a group (9 persons).....	76,619,877	90	80

</TABLE>

* represents less than 1%

- (1) The number of shares beneficially owned and the percentage of share outstanding are based on (a) 82,884,201 shares outstanding as of December 31, 2000 and assuming the conversion of 4,300,000 shares of our Series A and Series B preferred stock based upon an assumed offering price of \$15.00 and (b) 91,084,201 shares outstanding after completion of this offering, assuming no exercise of the underwriters' over-allotment option. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. All shares of common stock subject to options and warrants exercisable within 60 days following December 31, 2000 are deemed to be outstanding and beneficially owned by the person holding those options for the purpose of computing the number of shares beneficially owned and the percentage of ownership of that person. They are not, however, deemed to be outstanding and beneficially owned for the purpose of computing the percentage ownership of any other person. Except as indicated in the other footnotes to the table and subject to applicable community property laws, based on information provided by the persons named in the table, these persons have sole voting and investment power with respect to all shares of the common stock shown as beneficially owned by them. Unless otherwise noted below, the address of each of the individuals named above is c/o IPG Photonics Corporation, P.O. Box 519, 660 Main Street, Sturbridge, MA 01566.
- (2) Excludes shares beneficially owned by Dr. Denis Gapontsev, for which Dr. Valentin Gapontsev disclaims beneficial ownership. Includes all shares beneficially owned by IP Fibre Devices, of which Dr. Valentin Gapontsev owns 53% of its ordinary shares.
- (3) Excludes shares beneficially owned by IP Fibre Devices of which Dr. Shcherbakov owns 8% of its ordinary shares, for which he disclaims beneficial ownership.

- (4) Includes 125,000 shares of common stock issuable upon exercise of options that are exercisable within sixty days of September 30, 2000. Excludes shares beneficially owned by Peter Mammen, for which Timothy Mammen disclaims beneficial ownership.
- (5) Excludes shares beneficially owned by Dr. Valentin Gapontsev, for which Dr. Denis Gapontsev disclaims beneficial ownership. Excludes shares beneficially owned by IP Fibre Devices of which Dr. Denis Gapontsev owns 15% of its ordinary shares, for which he disclaims beneficial ownership.
- (6) Includes 25,000 shares of common stock beneficially owned by Dr. Krupke under a stock option granted to him for service as a member of our National Advisory Board.
- (7) Mr. Child disclaims beneficial ownership of all shares held by affiliates of TA Associates, Inc. of which Mr. Child is a Managing Director, except to the extent of 13,086 shares of common stock in which he has an ownership interest through TA Investors LLC.
- (8) Includes 2,998,326 shares held, and 856,667 shares beneficially owned under a warrant issued to, by TA IX, L.P., 1,399,997 shares held, and 400,000 shares beneficially owned under a warrant issued to, by TA/Advent VIII L.P., 1,296,397 shares, and 370,400 shares of common stock beneficially owned under a warrant issued to, held by TA/Atlantic and Pacific IV L.P., 50,633 shares held, and 14,467 shares beneficially owned under a warrant issued to, by TA Executives Fund, LLC and 87,966 shares held, and 25,133 shares beneficially owned under a warrant issued to, by TA Investors LLC. TA IX, L.P., TA/Advent VIII L.P., TA/Atlantic and Pacific IV L.P., TA Executives Fund LLC and TA Investors LLC are part of an affiliated group of investment partnerships. The general partner of TA/Advent VIII L.P. is TA Associates VIII LLC. In such capacity, TA Associates, Inc., through an executive committee, exercises sole voting and investment power with respect to all shares held of record by the named investment partnerships; individually, no stockholder, director or officer of TA Associates, Inc., is deemed to have or share such voting or investment power. The address of TA Associates, Inc. is 125 High Street, High Street Tower, Suite 2500, Boston, MA 02110.

DESCRIPTION OF CAPITAL STOCK

Presently we are authorized to issue 100,000,000 shares of common stock and 5,000,000 shares of preferred stock. Upon the commencement of this offering, we will be authorized to issue 505,000,000 shares, \$0.0001 par value per share comprised of 500,000,000 shares of common stock and 5,000,000 shares of preferred stock.

The following description of the material terms of our capital stock is only a summary. You should refer to our certificate of incorporation and bylaws as in effect upon the closing of this offering, which are included as exhibits to the registration statement of which this prospectus forms a part.

Common Stock

As of December 31, 2000, and assuming the conversion of all outstanding shares of preferred stock into common stock, there were 82,884,201 shares of common stock outstanding which were held of record by approximately 80 stockholders. There will be 91,084,201 shares of common stock outstanding (assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options after September 30, 2000) after giving effect to the sale of our common stock in this offering. We currently have reserved 15,000,000 shares of stock under our 2000 stock incentive plan of which there were outstanding options to purchase 5,126,532 shares of common stock as of December 31, 2000. See "Management--Stock Option Plan" for a description of our stock plan.

The holders of our common stock are entitled to one vote per share held of record on matters submitted to a vote of the stockholders. Our amended and restated certificate of incorporation does not provide for cumulative voting in the election of directors. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by our board of directors out of funds legally available for that purpose. In the event of our liquidation, holders of our common stock are entitled to share ratably in our remaining net assets, subject to payment or provision for payment of our debts and other liabilities and prior distribution rights of preferred stock, if any, then outstanding. Holders of our common stock have no

preemptive or other subscription or conversion rights. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of common stock are fully paid and non-assessable and the shares of common stock to be issued upon the completion of this offering will be fully paid and non-assessable.

Preferred Stock

Upon the closing of this offering, all 500,000 shares of our Series A preferred stock outstanding will be converted on a two-for-one basis into an aggregate of 1,000,000 shares of common stock. Upon the closing of this offering, all 3,800,000 shares of our Series B preferred stock will convert into common stock at a conversion price based upon the initial public offering price (after underwriting commissions and discounts) in the offering. If such price meets or exceeds (i) \$21.88 per share, in the case of an offering which closes on or after January 1, 2001 and prior to March 31, 2001, (ii) \$25.00 per share, in the case of an offering which closes after April 1, 2001 and prior to December 31, 2001, (iii) \$28.13 per share, in the case of an offering which closes after January 1, 2002 and prior to August 31, 2002 or (iv) \$31.25 per share in the case of an offering which closes after August 31, 2002, each share of Series B preferred stock converts into two shares of common stock. If the initial offering price (after underwriting commissions and discounts) is less than the amounts specified above, then the Series B preferred stock will convert at a conversion price equal to the initial public offering price divided by (i) 1.75, in the case of an offering which closes on or after January 1, 2001 and prior to March 31, 2001, (ii) 2.00, in the case of an offering which closes after April 1, 2001 and prior to December 31, 2001, and (iii) 2.25, in the case of an offering which closes after August 31, 2002; provided that in no event will the conversion price be reduced to less than \$5.00 per share. Based upon an assumed offering price of \$15.00 per share, the 3,800,000 shares of Series B preferred stock convert into 11,083,333 shares of common stock.

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Our board of directors has the authority, without action by the stockholders, to provide for the designation and issuance of preferred stock in one or more series, to establish the number of shares to be included in each such series and to fix the designations, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions of each such series. The rights, preferences and privileges of each series of preferred stock may be greater than the rights of our common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of our common stock until the board of directors determines the specific rights of the holders of any preferred stock that may be issued. However, the effects might include, among other things:

- . restricting dividends on the common stock;
- . diluting the voting power of the common stock;
- . impairing the liquidation rights of the common stock; and
- . delaying or preventing a change in our control without further action by the stockholders.

We have no present plans to issue any additional shares of preferred stock.

Warrants

There are outstanding warrants to purchase an aggregate of 3,166,667 shares of common stock assuming an offering price of \$15.00 per share. These warrants were granted in August, October and December 2000 to a group of private investors in connection with the sale of our Series B preferred stock. These warrants entitle the holders to purchase an aggregate of \$23.8 million worth of our common stock. The exercise price will equal 50% of the public offering price or \$7.50, assuming an offering price of \$15.00. They are exercisable upon the sale of all of our assets or stock or an underwritten initial public offering of our common stock. The warrants expire on August 30, 2007, unless earlier exercised.

Registration Rights

Under our two agreements regarding registration rights with holders of shares of our convertible preferred stock (12,083,333 shares assuming conversion of all outstanding shares of Series A and Series B preferred stock), the holders of these shares are entitled to certain registration rights regarding these shares. The registration rights provide that if we propose to register any securities under the Securities Act of 1933, either for our own account or for the account of other security holders exercising registration rights, such holders are entitled to notice of the registration and are

entitled to include shares of their common stock in the registration. This right is subject to conditions and limitations, including the right of the underwriters in an offering to limit the number of shares included in the registration. The holders of Series A preferred stock may require us to file one, and holders of Series B preferred stock may require us to file up to two, registration statements under the Securities Act at our expense with respect to their shares. We are required to use our commercially reasonable best efforts to effect the registrations, subject to conditions and limitations. Furthermore, the holders of shares of our Series B preferred stock that will convert into common stock upon completion of the offering may require us to file additional registration statements on Form S-3, subject to conditions and limitations.

Delaware Anti-Takeover Law And Certain Charter And Bylaw Provisions

Certain provisions of Delaware law and our amended and restated certificate of incorporation and bylaws could make more difficult the acquisition of our company by means of a tender offer, a proxy contest or otherwise and the removal of incumbent officers and directors. These provisions, summarized below, may discourage certain types of coercive takeover practices and inadequate takeover bids and encourage persons seeking to acquire control of our company to first negotiate with our company. We believe that the benefits of increased protection of our company's potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure our company outweigh the disadvantages of discouraging such

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proposals because, among other things, negotiation of such proposals could result in an improvement of their terms.

We will be subject to Section 203 of the Delaware General Corporation Law regulating corporate takeovers which prohibits a Delaware corporation from engaging in any business combination with an "interested stockholder," unless:

- . prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- . the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (a) shares owned by persons who are directors and also officers, and (b) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- . on or subsequent to the date of the transaction, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Except as otherwise specified in Section 203, an "interested stockholder" is defined to include (a) any person that is the owner of 15% or more of the outstanding voting securities of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the date of determination and (b) the affiliates and associates of any such person.

Our certificate of incorporation and bylaws do not provide for cumulative voting in the election of directors. The authorization of undesignated preferred stock makes it possible for the board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of our company. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of our company.

Transfer Agent And Registrar

The transfer agent and registrar for our common stock is Continental Stock Transfer & Trust Company.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has not been a public market for our common stock. Future sales of substantial amounts of our common stock in the public market, or the possibility of these sales could adversely affect the trading

price of the common stock.

Upon completion of this offering, we will have outstanding 92,084,201 shares of common stock, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options to purchase common stock after September 30, 2000. Of these shares, the 8,200,000 shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by our "affiliates," as defined in Rule 144 under the Securities Act, which would be subject to the limitations and restrictions described below.

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The remaining 83,884,201 shares of common stock outstanding upon completion of this offering will be "restricted securities" as defined in Rule 144. These securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act, which are summarized below. Sales of these restricted securities in the public market, or the availability of these shares for sale, could adversely affect the trading price of our common stock.

Holders of approximately of these restricted securities, including all of our officers and directors and the entities affiliated with them and all of our significant stockholders, have entered into lock-up agreements providing that, subject to limited exceptions, they will not sell, directly or indirectly, any common stock without the prior consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated for a period of 180 days from the date of this prospectus.

All of these restricted securities will be eligible for sale in the public market, subject in some cases to the volume limitations and other restrictions of Rule 144, beginning 180 days after the date of this prospectus upon expiration of the lock-up agreements described above.

Shares issued upon exercise of options granted by us prior to the date of this prospectus will be available for sale in the public market under Rule 701 of the Securities Act. Rule 701 permits resales of these shares in reliance upon Rule 144 but without compliance with various restrictions, including the holding period requirement, imposed under Rule 144. In general, under Rule 144, beginning 90 days after the date of this prospectus, a person (or persons whose shares are aggregated) who has beneficially owned restricted securities for at least one year would be entitled to sell within any three-month period a number of shares not to exceed the greater of (1) one percent of the then outstanding shares of common stock or (2) the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a Form 144 with respect to the sale. Sales under Rule 144 are also subject to manner of sale and notice requirements, as well as to the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been an affiliate at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years is entitled to sell the shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

Upon consummation of this offering, we will have reserved an aggregate of 15,000,000 shares of common stock for issuance pursuant to our 2000 stock incentive plan. As of December 31, 2000, options to purchase an aggregate of 5,126,532 shares of common stock were outstanding under our stock option plan. We intend to file registration statements on Form S-8 under the Securities Act approximately 90 days after the date of this prospectus to register all of such reserved shares of common stock issued or reserved for issuance under our stock option plan. Such common stock issued under the foregoing plans, after the filing of related registration statements, will be freely tradable in the public market, subject in the case of the holders to the Rule 144 limitations applicable to our affiliates, lock-up agreements with the underwriters and vesting restrictions imposed by us.

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SUMMARY OF FEDERAL INCOME AND ESTATE TAX
CONSEQUENCES OF OWNERSHIP AND DISPOSITION
OF COMMON STOCK BY NON-U.S. HOLDERS

The following is a summary of certain United States federal income and estate tax consequences of the ownership and disposition of our common stock by non-U.S. holders. As used herein, "non-U.S. holder" means any person or entity that holds our common stock, other than:

- . an individual citizen or resident of the U.S.;
- . a corporation or partnership created or organized in or under the laws of the U.S., or of any state of the U.S. or the District of Columbia, other than any partnership treated as foreign under U.S. Treasury Regulations;
- . an estate the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source; or
- . in general, a trust if a court within the U.S. is able to exercise primary supervision over the administration of the trust and if one or more U.S. persons have the authority to control all substantial decisions of the trust.

The summary is based on provisions of the U.S. Internal Revenue Code of 1986, as amended, existing, temporary and proposed U.S. Treasury Regulations promulgated thereunder and administrative and judicial interpretations of each, all as of the date hereof and all of which are subject to change, possibly on a retroactive basis. This summary is for general information only. It does not address aspects of U.S. federal taxation other than income and estate taxation. This summary does not discuss all the tax consequences that may be relevant to a non-U.S. holder in light of the holder's particular circumstances, for instance, insurance companies, tax-exempt organizations, pension funds, broker-dealers, and financial institutions. In addition, this summary does not address any state, local, or foreign tax considerations that may be relevant to a non-U.S. holder's decision to purchase shares of our common stock.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES, AS WELL AS OTHER U.S. FEDERAL, STATE, AND LOCAL TAX CONSEQUENCES, AND THE NON-U.S. TAX CONSEQUENCES, TO THEM OF OWNING AND DISPOSING OF SHARES OF OUR COMMON STOCK.

Income Tax

Dividends

We do not have a present intention to pay dividends on shares of our common stock. If we were to pay dividends, however, dividends paid to a non-U.S. holder generally will be subject to withholding of U.S. income tax at the rate of 30% of the gross amount of the dividend, or such lower rate as may be prescribed by an applicable income tax treaty.

If dividends we pay are effectively connected with a non-U.S. holder's conduct of a trade or business in the U.S., the 30% withholding tax generally will not apply, and the non-U.S. holder generally will be subject to tax on such dividends on a net basis (the gross amount less allowable deductions) in the same manner as holders who are U.S. persons, provided the non-U.S. holder files appropriate IRS forms with us. If an income tax treaty applies, dividends which are effectively connected with the holder's conduct of a U.S. trade or business must also be attributable to such holder's U.S. permanent establishment or fixed base in order to be taxable on a net basis. An additional branch profits tax of 30%, or such lower rate as may be prescribed by an applicable income tax treaty, may apply if the non-U.S. holder is a corporation.

Under current U.S. Treasury Regulations, in determining whether a holder is eligible for the benefits of an income tax treaty, dividends paid to an address in a foreign country are presumed to be paid to a resident of that country, absent knowledge to the contrary. However, under new U.S. Treasury Regulations generally effective for dividend payments made after December 31, 2000, a non-U.S. holder desiring to claim the benefits of an applicable tax treaty must satisfy certification and other requirements and must provide us with a taxpayer identification number unless an exception applies. In addition, under these new Treasury Regulations, in the case of common stock held by a foreign partnership, this certification requirement may be applied to the partners, and not the partnership, and the partnership must provide certain information, including a U.S. taxpayer identification number. These new regulations also provide look-through rules for tiered partnerships. A non-U.S. holder that is eligible for a reduced rate of U.S. withholding tax pursuant to a tax treaty may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Disposition of Our Common Stock

Generally, non-U.S. holders will not be subject to U.S. federal income tax, or withholding thereof, in respect of gain recognized on a disposition of our common stock unless:

- . the gain is effectively connected with the holder's conduct of a trade or business within the U.S., or if a tax treaty applies, is attributable to a permanent establishment or fixed base of the holder

in the U.S.; in any such case gain will be subject to regular graduated U.S. income tax rates and the branch profits tax described above may also apply if the non-U.S. holder is a corporation;

- . in the case of a non-U.S. holder who is a non-resident alien individual and holds our common stock as a capital asset, the holder is present in the U.S. for 183 or more days in the taxable year of the sale and other conditions are met;
- . we are or have been a "United States real property holding corporation" for U.S. federal income tax purposes and certain other conditions are met; we do not believe we are or have been a United States real property holding corporation and do not expect to become one in the future; or
- . the holder is subject to tax pursuant to U.S. federal income tax provisions applicable to certain U.S. expatriates.

Estate Tax

If an individual non-U.S. holder owns, or is treated as owning, our common stock at the time of his or her death, such stock would generally be includable in the individual's gross estate for U.S. federal estate tax purposes. In such case, our common stock may be subject to U.S. federal estate tax imposed on the estates of nonresident aliens, in the absence of a contrary provision contained in an applicable estate tax treaty.

Backup Withholding and Information Reporting

Dividends

Generally, we must report annually to the IRS and to each non-U.S. holder the amount of dividends that we paid to a holder, and the amount of tax that we withheld on those dividends. This information may also be made available to the tax authorities of a country in which the non-U.S. holder resides or is established.

Under current law, dividends paid on our common stock to a non-U.S. holder at an address outside the U.S. are generally exempt from backup withholding tax, imposed at a 31% rate, and U.S. information reporting requirements, but not from regular withholding tax as discussed above. Backup withholding tax and information reporting generally will apply to dividends paid to a non-U.S. holder at an address in the U.S. if the holder fails to establish an exemption or to furnish other information. Under the Treasury Regulations that are applicable to dividends paid after December 31, 2000, a non-U.S. person must generally provide proper

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documentation establishing the person's non-U.S. status to a withholding agent in order to avoid backup withholding tax.

Broker Sales

Payments of proceeds from the sale of our common stock by a non-U.S. holder made to or through a U.S. office of a broker are generally subject to both information reporting and backup withholding tax unless the holder certifies its non-U.S. status under penalties of perjury or otherwise establishes entitlement to an exemption. Payments of proceeds from the sale of our common stock by a non-U.S. holder made to or through a non-U.S. office of a broker generally will not be subject to information reporting or backup withholding. However, payments made to or through certain non-U.S. offices, including the non-U.S. offices of a U.S. broker and foreign brokers with certain types of relationships to the U.S., are generally subject to information reporting, but not backup withholding, unless the holder certifies its non-U.S. status under penalties of perjury or otherwise establishes entitlement to an exemption.

Backup withholding is not an additional tax. A non-U.S. holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

Non-U.S. holders should consult their tax advisors regarding the application of information reporting and backup withholding in their particular situation, including the availability of an exemption from such requirements and the procedures for obtaining such an exemption, as well as the effect of

UNDERWRITING

General

We intend to offer the shares in the U.S. and Canada through the U.S. underwriters and elsewhere through the international managers. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Robertson Stephens, Inc., CIBC World Markets Corp., U.S. Bancorp Piper Jaffray Inc. and Wit SoundView Corporation are acting as U.S. representatives of the U.S. underwriters named below. Subject to the terms and conditions described in a U.S. purchase agreement among us and the U.S. underwriters, and concurrently with the sale of shares to the international managers, we have agreed to sell to the U.S. underwriters, and the U.S. underwriters severally have agreed to purchase from us, the number of shares listed opposite their names below.

<TABLE>
<CAPTION>

U.S. Underwriters -----	Number of Shares -----
<S>	<C>
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Robertson Stephens, Inc.	
CIBC World Markets Corp.....	
U.S. Bancorp Piper Jaffray Inc.....	
Wit SoundView Corporation.....	

Total.....	=====

</TABLE>

We have also entered into an international purchase agreement with the international managers for sale of the shares outside the U.S. and Canada for whom Merrill Lynch International, Robertson Stephens, Inc., CIBC World Markets Corp., U.S. Bancorp Piper Jaffray Inc. and Wit SoundView Corporation are acting as lead managers. Subject to the terms and conditions in the international purchase agreement, and concurrently with the sale of shares to the U.S. underwriters pursuant to the U.S. purchase agreement, we have agreed to sell shares to the international managers, and the international managers severally have agreed to purchase shares from us. The initial public offering price per share and the total underwriting discount per share are identical under the U.S. purchase agreement and the international purchase agreement.

The U.S. underwriters and the international managers have agreed to purchase all of the shares sold under the U.S. and international purchase agreements if any of these shares are purchased. If an underwriter defaults on its obligations under the U.S. or international purchase agreement, the U.S. and international purchase agreements provide that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreements may be terminated. The closings for the sale of shares to be purchased by the U.S. underwriters and the international managers are conditioned on one another. We have agreed to indemnify the U.S. underwriters and international managers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the U.S. underwriters and international managers may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreements, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The U.S. representatives have advised us that the U.S. underwriters propose initially to offer the shares to the public at the initial public offering price on the cover page of this prospectus and to dealers at that price

less a concession not in excess of \$ per share. The U.S. underwriters may

allow, and dealers may reallocate, a discount not in excess of \$ per share to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the U.S. underwriters and international managers of their over-allotment options.

<TABLE>

<CAPTION>

<S>	Per Share Without Option With Option		
	<C>	<C>	<C>
Public offering price.....	\$	\$	\$
Underwriting discount.....	\$	\$	\$
Proceeds, before expenses, to IPG Photonics.....	\$	\$	\$

</TABLE>

The expenses of the offering, not including the underwriting discount, are estimated at \$1,000,000 and are payable by us.

Over-Allotment Options

We have granted options to the U.S. underwriters to purchase up to additional shares at the public offering price less the underwriting discount. The U.S. underwriters may exercise these options for 30 days from the date of this prospectus solely to cover any over-allotments. If the U.S. underwriters exercise these options, each will be obligated, subject to conditions contained in the purchase agreements, to purchase a number of additional shares proportionate to that U.S. underwriter's initial amount reflected in the above table.

We have also granted options to the international managers, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares to cover any over-allotments on terms similar to those granted to the U.S. underwriters.

Intersyndicate Agreement

The U.S. underwriters and the international managers have entered into an intersyndicate agreement that provides for the coordination of their activities. Under the intersyndicate agreement, the U.S. underwriters and the international managers may sell shares to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the intersyndicate agreement, the U.S. underwriters and any dealer to whom they sell shares will not offer to sell or sell shares to persons who are non-U.S. or non-Canadian persons or to persons they believe intend to resell to persons who are non-U.S. or non-Canadian persons, except in the case of transactions under the intersyndicate agreement. Similarly, the international managers and any dealer to whom they sell shares will not offer to sell or sell shares to U.S. persons or Canadian persons or to persons they believe intend to resell to U.S. or Canadian persons, except in the case of transactions under the intersyndicate agreement.

Reserved Shares

At our request, the underwriters have reserved for sale, at the initial public offering price, up to ten percent of the shares offered by this prospectus for sale to some of our employees and business associates. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not orally confirmed for purchase within one day of the pricing of this offering will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

No Sales of Similar Securities

We and our executive officers and directors and all of our significant stockholders have agreed, with exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch. Specifically, we and these other individuals have agreed not to directly or indirectly:

- . offer, pledge, sell or contract to sell any common stock;
- . sell any option or contract to purchase any common stock;

- . purchase any option or contract to sell any common stock;
- . grant any option, right or warrant for the sale of any common stock;
- . lend or otherwise dispose of or transfer any common stock;
- . request or demand that we file a registration statement related to the common stock; or
- . enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock, whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Quotation on the Nasdaq National Market

We expect the shares to be approved for quotation on the Nasdaq National Market, subject to notice of issuance, under the symbol "IPGP."

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the U.S. representatives and lead managers. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- . the valuation multiples of publicly traded companies that the U.S. representatives and the lead managers believe to be comparable to us;
- . our financial information;
- . the history of, and the prospects for, our company and the industry in which we compete;
- . an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues;
- . the present state of our development; and
- . the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

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The underwriters do not expect to sell more than 5% of the shares being offered in this offering to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit the underwriters and selling group members from bidding for or purchasing our common stock. However, the U.S. representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may make short sales of the common stock. Short sales involve the sale by the underwriters at the time of the offering of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the over-allotment options. The U.S. representatives may close out any covered short position by either exercising the over-allotment options or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the U.S. representatives will consider, among other things, the price of shares available for purchase in the open market as compared to the public offering price at which they may purchase the shares through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The U.S. representatives must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the U.S. representatives are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Similar to other purchase transactions, the purchases by the U.S.

representatives to cover syndicate short positions may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than it would otherwise be in the absence of these transactions.

The U.S. representatives may also impose a penalty bid on underwriters and selling group members. This means that if the U.S. representatives purchase shares in the open market to reduce the underwriters' short position or to stabilize the price of such shares, they may reclaim the amount of the selling concession from the underwriters and selling group members who sold those shares. The imposition of a penalty bid may also affect the price of the shares in that it discourages resales of those shares.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the U.S. representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Distribution

Neither we nor the U.S. underwriters will rely on third party providers to comply with the prospectus delivery requirements. All purchasers will receive a printed version of the final prospectus.

Merrill Lynch will be facilitating Internet distribution for this offering to certain of its Internet subscription clients. Merrill Lynch intends to allocate a limited number of shares for sale to its online brokerage clients. An electronic prospectus is available on the web site maintained by Merrill Lynch. Other than the prospectus in electronic format, the information on the Merrill Lynch web site relating to this offering is not a part of this prospectus.

A prospectus in electronic format is being made available on an Internet web site maintained by Wit SoundView Corporation's strategic partner, E*Trade Securities, Inc. Other than the prospectus in electronic format, the information on any U.S. underwriter's web site and any information contained in any other web site

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maintained by an U.S. underwriter is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved or endorsed by us or any U.S. underwriter in its capacity as underwriter and should not be relied upon by investors.

Other Relationships

Merrill Lynch KECALP L.P. 1999, KECALP Inc., KECALP Inc., as Nominee for Merrill Lynch KECALP International L.P. 1999, ML IBK Positions, Inc. and Merrill Lynch Taurus 2000 Fund L.P., entities which are affiliated with Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the underwriters, beneficially own an aggregate of 600,000 shares of Series B preferred stock, which convert into 1,749,996 shares of common stock and warrants to purchase 500,000 shares of common stock assuming an offering price of \$15.00.

Bayview 2000, L.P., an entity which is affiliated with Robertson Stephens, one of the underwriters, beneficially owns an aggregate of 80,000 shares of Series B preferred stock, which convert into 233,333 shares of common stock, and warrants to purchase 66,667 shares of common stock assuming an offering price of \$15.00.

LEGAL MATTERS

Selected legal matters in connection with the offering of common stock are being passed upon for us by Winston & Strawn, New York, New York. Selected legal matters in connection with the offering are being passed upon for the underwriters by Brown & Wood llp, New York, New York.

EXPERTS

The combined consolidated financial statements of IPG Photonics and related companies as of and for the year ended December 31, 1999, included in this prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing in this prospectus and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of IPG Laser as of December 31, 1998 and for each of the two years in the period ended December 31, 1998,

included in this prospectus have been audited by Deloitte & Touche GmbH, independent auditors, as stated in their report appearing in this prospectus and have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, with respect to the shares to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC. For further information about us and the shares to be sold in this offering, please refer to the registration statement. Statements contained in this prospectus as to the contents of any contract, agreement or other document referred to, are not necessarily complete, and in each instance please refer to the copy of the contract, agreement or other document filed as an exhibit to the registration statement, each statement being qualified in all respects by this reference.

You may read and copy all or any portion of the registration statement or any reports, statements or other information we file with the SEC at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, DC 20549, and at the Regional Offices of the SEC located at Suite 1400, Northwestern Atrium Center, 500 West Madison Street, Chicago, Illinois 60661-2551 and Room 1400, 13th Floor, 7 World Trade Center, New York, New York 10048. Copies of such material are also available by mail from the Public Reference Branch of the SEC at 450 Fifth Street, N.W., Washington, DC 20549 at prescribed rates.

Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms. You can also find our SEC filings at the SEC's website at <http://www.sec.gov>.

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REPORT OF INDEPENDENT AUDITORS

The accompanying combined consolidated financial statements give effect to the completion of a 2-for-1 stock split described in the last paragraph of Note 7 which will take place prior to the effective date of the offering. The following report is in the form which will be furnished by Deloitte & Touche LLP upon the completion of the stock split and assuming that no other material events have occurred that would affect the accompanying combined consolidated financial statements or require disclosure therein.

"To the Board of Directors and Shareholders of IPG Photonics Corporation:

We have audited the accompanying combined consolidated balance sheet of IPG Photonics Corporation and related companies as of December 31, 1999, and the related combined consolidated statements of operations, shareholders' equity and cash flows for the year then ended. The combined consolidated financial statements include the accounts of IPG Photonics Corporation and two related companies, IPG Laser GmbH and IPG Fibertech S.r.l. These companies are

under common ownership and common management. These financial statements are the responsibility of the companies' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined consolidated financial position of IPG Photonics Corporation and related companies as of December 31, 1999, and the results of their combined consolidated operations and their combined consolidated cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Boston, Massachusetts

December 6, 2000 (, 2001 as to the last paragraph of Note 7) "

Deloitte & Touche LLP

Boston, Massachusetts

January 24, 2001

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REPORT OF INDEPENDENT AUDITORS

The accompanying consolidated financial statements give effect to the completion of a 2-for-1 stock split described in the last paragraph of Note 7 which will take place prior to the effective date of the offering. The following report is in the form which will be furnished by Deloitte & Touche GmbH upon the completion of the stock split and assuming that no other material events have occurred that would affect the accompanying consolidated financial statements or require disclosure therein.

"To the Board of Directors and Shareholders of IPG Laser GmbH:

We have audited the accompanying consolidated balance sheet of IPG Laser GmbH and subsidiary (a German corporation) as of December 31, 1998, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the two years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of IPG Laser GmbH and subsidiary as of December 31, 1998, and the results of their consolidated operations and their consolidated cash flows for each of the two years in the period ended December 31, 1998, in conformity with accounting principles generally accepted in the United States of America.

Duesseldorf, Germany

December 6, 2000 (, 2001 as to the last paragraph of Note 7) "

Deloitte & Touche GmbH

Duesseldorf, Germany

January 24, 2001

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COMBINED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

<TABLE>
<CAPTION>

	September 30, 2000			
	December 31, 1998	December 31, 1999	Actual	Pro forma
	Predecessor		(unaudited)	
<S>	<C>	<C>	<C>	<C>
Assets:				
Current assets:				
Cash and cash equivalents.....	\$1,181	\$ 706	\$ 52,999	
Accounts receivable, net of allowances of \$18, \$10 and \$117.....	1,763	1,642	11,590	
Due from affiliates.....	463	221	753	
Inventories.....	467	2,341	7,184	
Deferred tax assets.....	--	86	163	
Prepaid expenses and other assets.....	355	332	1,212	
	-----	-----	-----	
Total current assets.....	4,229	5,328	73,901	
Restricted cash.....			12,560	
Non-marketable investment securities.....	50	43	38	
Deferred tax assets.....	52	--	1,117	
Property, plant and equipment, net.....	4,488	7,207	15,177	
Other assets.....	--	222	184	
	-----	-----	-----	
Total assets.....	\$8,819	\$12,800	\$102,977	
	=====	=====	=====	
Liabilities and shareholders' equity:				
Current liabilities:				
Current portion of long-term debt.....	\$ 21	\$ 225	\$ 1,982	
Accounts payable.....	2,210	3,266	4,210	
Due to affiliates.....	946	463	471	
Accrued expenses and other liabilities.....	315	472	2,310	
Income taxes payable.....	145	1,677	7,934	
Deferred tax liabilities.....	45	--	--	
	-----	-----	-----	
Total current liabilities.....	3,682	6,103	16,907	
Long-term debt.....	4,695	4,421	5,317	
	-----	-----	-----	
Deferred income taxes.....	--	50	--	
	-----	-----	-----	
Commitments and contingencies (See Note 9).....	--	--	--	
Minority interest.....	7	10	10	
	-----	-----	-----	
Convertible redeemable preferred stock--Series B, \$0.0001 par value; 3,800,000 shares authorized, 3,000,000 shares issued and outstanding at September 30, 2000 actual; no shares issued or outstanding at September 30, 2000 pro forma.....	--	--	62,389	\$ --
	-----	-----	-----	-----
Shareholders' equity:				
Preferred stock--\$0.0001 par value; 700,000 shares authorized, no shares issued or outstanding.....	--	--	--	--
Convertible preferred stock--Series A, \$0.0001 par value; 500,000 shares authorized, 500,000 shares issued and outstanding at September 30, 2000 actual; no shares issued or outstanding on a pro forma basis at September 30, 2000.....	--	--	4,954	--
Common stock, \$.0001par value, 100,000,000 shares authorized, 43,600,000 shares issued and outstanding at December 31, 1999; 67,961,868 shares issued and outstanding at September 30, 2000 actual; 100,000,000 shares authorized, 77,711,868 shares issued and outstanding at September 30, 2000 pro forma.....	--	4	7	8
Additional paid-in capital.....	312	310	30,934	98,276
Warrants to issue common stock.....	--	--	12,400	12,400
Notes receivable from shareholders.....	--	--	(440)	(440)
Deferred compensation.....	--	--	(17,452)	(17,452)
Retained earnings (accumulated deficit).....	135	2,086	(11,362)	(11,362)
Accumulated other comprehensive (loss).....	(12)	(184)	(687)	(687)
	-----	-----	-----	-----
Total shareholders' equity.....	435	2,216	18,354	\$ 80,743
	-----	-----	-----	=====
Total liabilities and shareholders' equity.....	\$8,819	\$12,800	\$102,977	
	=====	=====	=====	

</TABLE>

See notes to combined consolidated financial statements.

COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)

<TABLE>
<CAPTION>

	For the year ended December 31,			For the nine months ended September 30,	
	1997	1998	1999	1999	2000
	Predecessor			(unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Net sales.....	\$3,097	\$8,263	\$18,640	\$14,823	\$32,689
Cost of sales(1).....	2,436	5,560	9,688	6,882	12,610
Gross profit(1).....	661	2,703	8,952	7,941	20,079
Operating expenses:					
Sales and marketing(2).....	219	374	677	619	1,049
Research and development(3).....	127	682	1,477	1,036	1,127
General, administrative and other(4).....	276	1,000	2,712	2,006	3,946
Equity-based compensation.....	--	--	--	--	12,035
Total operating expenses.....	622	2,056	4,866	3,661	18,157
Operating income.....	39	647	4,086	4,280	1,922
Interest income (expense), net.....	(119)	(208)	(303)	(231)	(77)
Other income (expense), net.....	108	(47)	273	40	475
Income before provision for income taxes and minority interests.....	28	392	4,056	4,089	2,320
Provision for income taxes.....	22	234	2,102	2,178	5,828
Minority interest.....	--	(4)	(3)	(5)	--
Net income (loss).....	6	154	1,951	1,906	(3,508)
Accretion of preferred stock.....	--	--	--	--	(169)
Net income (loss) available to common shareholders.....	\$ 6	\$ 154	\$ 1,951	\$ 1,906	\$(3,677)
Net income (loss) per share:					
Basic.....	--	--	\$ 0.03	\$ 0.03	\$(0.06)
Diluted.....	--	--	\$ 0.03	\$ 0.03	\$(0.06)
Pro forma net loss per share--basic and diluted.....	--	--	--	--	\$(0.05)

</TABLE>

- (1) Excludes \$677 of equity-based compensation for the nine months ended September 30, 2000.
- (2) Excludes \$166 of equity-based compensation for the nine months ended September 30, 2000.
- (3) Excludes \$184 of equity-based compensation for the nine months ended September 30, 2000.
- (4) Excludes \$11,008 of equity-based compensation for the nine months ended September 30, 2000.

See notes to combined consolidated financial statements.

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COMBINED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share and per share data)

<TABLE>
<CAPTION>

	Convertible Preferred Stock Series A		Common Stock		Additional Paid-in Capital	Warrants to Issue Common Stock	Notes Receivable from Shareholders	Deferred Compensation	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss)
	Number of Shares	Value	Number of Shares	Par Value						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

Balance at January 1, 1997 (Predecessor)...	--	\$ --	--	\$--	\$ 183	\$ --	\$ --	\$ --	\$ (25)	\$ (13)
Contributions from shareholders....	--	--	--	--	129	--	--	--	--	--
Comprehensive income:										
Net income.....	--	--	--	--	--	--	--	--	6	--
Translation adjustments....	--	--	--	--	--	--	--	--	--	(24)
Total comprehensive loss.....	--	--	--	--	--	--	--	--	--	--

Balance at December 31, 1997 (Predecessor)...	--	--	--	--	312	--	--	--	(19)	(37)
Comprehensive income:										
Net income.....	--	--	--	--	--	--	--	--	154	--
Translation adjustments....	--	--	--	--	--	--	--	--	--	25
Total comprehensive income	--	--	--	--	--	--	--	--	--	--

Balance at December 31, 1998 (Predecessor)...	--	--	--	--	312	--	--	--	135	(12)
Comprehensive income:										
Net income.....	--	--	--	--	--	--	--	--	1,951	--
Translation adjustments....	--	--	--	--	--	--	--	--	--	(172)
Total comprehensive income.....	--	--	--	--	--	--	--	--	--	--
Common stock issued.....	--	--	43,600,000	4	(2)	--	--	--	--	--

Balance at December 31, 1999.....	--	--	43,600,000	4	310	--	--	--	2,086	(184)
Comprehensive income:										
Net loss.....	--	--	--	--	--	--	--	--	(3,508)	--
Translation adjustments....	--	--	--	--	--	--	--	--	--	(503)
Total comprehensive loss.....	--	--	--	--	--	--	--	--	--	--
Common stock issued to IP Fibre Devices Ltd. In satisfaction of \$200,000 note payable and accrued interest.....	--	--	20,000,000	2	198	--	--	--	--	--
Common stock issued for notes receivable from stockholders at \$0.50 per share.....	--	--	880,000	1	439	--	(440)	--	--	--
Issuance of Series A shares at \$10.00 per share, net of issuance costs totaling \$63....	500,000	4,937	--	--	--	--	--	--	--	--
Warrants to issue common stock attached to Series B preferred stock.....	--	--	--	--	--	12,400	--	--	--	--
Accretion of Series A										

Preferred Stock.....	--	17	--	--	(17)	--	--	--	--	--
Accretion of Series B Preferred Stock.....	--	--	--	--	(152)	--	--	--	--	--
Distributions to shareholders....	--	--	2,300,000	--	--	--	--	--	(9,940)	--
Equity-based compensation awarded.....	--	--	--	--	29,487	--	--	(29,487)	--	--
Amortization of equity-based compensation....	--	--	--	--	--	--	--	12,035	--	--
Cash proceeds from exercise of stock options...	--	--	1,181,868	--	669	--	--	--	--	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance at September 30, 2000 (unaudited).....	500,000	\$4,954	67,961,868	\$ 7	\$30,934	\$12,400	\$ (440)	\$ (17,452)	\$ (11,362)	\$ (687)
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

<CAPTION>

	Total	Other Comprehensive Income (Loss)
<S>	<C>	<C>
Balance at January 1, 1997 (Predecessor)...	\$ 145	
Contributions from shareholders....	129	
Comprehensive income:		
Net income.....	6	\$ 6
Translation adjustments.....	(24)	(24)
	-----	-----
Total comprehensive loss.....	--	\$ (18)
	-----	=====
Balance at December 31, 1997 (Predecessor)...	256	
Comprehensive income:		
Net income.....	154	\$ 154
Translation adjustments.....	25	25
	-----	-----
Total comprehensive income	--	\$ 179
	-----	=====
Balance at December 31, 1998 (Predecessor)...	435	
Comprehensive income:		
Net income.....	1,951	\$ 1,951
Translation adjustments.....	(172)	(172)
	-----	-----
Total comprehensive income.....	--	\$ 1,779
	-----	=====
Common stock issued.....	2	

Balance at December 31, 1999.....	2,216	
Comprehensive income:		
Net loss.....	(3,508)	\$ (3,508)
Translation		

adjustments.....	(503)	(503)

Total comprehensive loss.....	--	\$ (4,011)
		=====
Common stock issued to IP Fibre Devices Ltd. In satisfaction of \$200,000 note payable and accrued interest.....	200	
Common stock issued for notes receivable from stockholders at \$0.50 per share.....	--	
Issuance of Series A shares at \$10.00 per share, net of issuance costs totaling \$63....	4,937	
Warrants to issue common stock attached to Series B preferred stock.....	12,400	
Accretion of Series A Preferred Stock.....	--	
Accretion of Series B Preferred Stock.....	(152)	
Distributions to shareholders....	(9,940)	
Equity-based compensation awarded.....	--	
Amortization of equity-based compensation....	12,035	
Cash proceeds from exercise of stock options...	669	

Balance at September 30, 2000 (unaudited).....	\$18,354	
		=====

</TABLE>

See notes to combined consolidated financial statements.

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COMBINED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

<TABLE>
<CAPTION>

	For the year ended December 31,			For the nine months ended September 30,	
	1997	1998	1999	1999	2000
	Predecessor			(unaudited)	
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Cash flows from operating activities:					
Net income (loss).....	\$ 6	\$ 154	\$ 1,951	\$ 1,906	\$ (3,508)
Adjustment to reconcile net income (loss) to net cash provided by operating					

activities:					
Depreciation and amortization.....	250	716	1,518	1,015	1,524
Deferred income taxes.....	(4)	43	(29)	(27)	(1,244)
Equity-based compensation...	--	--	--	--	12,035
Minority interest.....	--	4	3	5	--
Changes in assets and liabilities that provided (used) cash:					
Accounts receivable.....	(751)	(852)	(55)	(1,025)	(10,568)
Due to (from) affiliates, net.....	483	234	(439)	(374)	(346)
Inventories.....	(19)	(296)	(1,982)	(1,666)	(5,427)
Prepaid expenses and other assets.....	83	(218)	(20)	(61)	(1,088)
Accounts payable.....	143	1,848	1,401	677	1,592
Accrued expenses and other liabilities.....	(8)	268	211	581	1,568
Income taxes payable.....	8	109	1,645	2,096	7,219
	-----	-----	-----	-----	-----
Net cash provided by operating activities.....	191	2,010	4,204	3,127	1,757
	-----	-----	-----	-----	-----
Cash flows from investing activities:					
Purchase of property, plant and equipment.....	(1,292)	(3,080)	(5,135)	(3,391)	(9,898)
Other.....	--	2	--	--	--
	-----	-----	-----	-----	-----
Net cash used in investing activities.....	(1,292)	(3,078)	(5,135)	(3,391)	(9,898)
	-----	-----	-----	-----	-----
Cash flows from financing activities:					
Proceeds from long-term borrowings.....	1,151	2,049	600	--	1,822
Principal payments on borrowings.....	(13)	(81)	(15)	(11)	(832)
Cash placed into restricted investment account.....	--	--	--	--	(12,560)
Net proceeds from line of credit agreements.....	--	--	--	--	1,750
Capital contributions from shareholders.....	129	--	--	--	--
Proceeds from Series A preferred stock, net.....	--	--	--	--	4,737
Proceeds from Series B preferred stock, net.....	--	--	--	--	74,635
Distributions to shareholders.....	--	--	--	--	(9,940)
Proceeds from exercise of stock options.....	--	--	--	--	669
	-----	-----	-----	-----	-----
Net cash provided by (used in) financing activities....	1,267	1,968	585	(11)	60,281
	-----	-----	-----	-----	-----
Effect of changes in exchange rates on cash.....	(16)	59	(129)	(97)	153
	-----	-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents...	150	959	(475)	(372)	52,293
Cash and cash equivalents, beginning of the year.....	72	222	1,181	1,181	706
	-----	-----	-----	-----	-----
Cash and cash equivalents, end of the year.....	\$ 222	\$ 1,181	\$ 706	\$ 809	\$ 52,999
	-----	-----	-----	-----	-----
Supplemental disclosures of cash flow information:					
Cash paid for interest, net of amounts capitalized....	\$ 122	\$ 195	\$ 299	\$ 177	\$ 125
Cash paid for taxes.....	\$ 3	\$ 69	\$ 492	\$ 134	\$ 372
Noncash transactions:					
Conversion of payable to Fibre for 20,000,000 shares of common stock.....	--	--	--	--	\$ 200
Accounts receivable paid with nonmarketable securities.....	--	\$ 46	--	--	--
Common stock issued for notes receivable from shareholders.....	--	--	\$ 2	\$ 2	\$ 440
Preferred stock issued for					

property, plant and equipment.....	--	--	--	--	\$	200
Real estate acquired from shareholder through assumption of mortgage payable.....	--	--	--	--	\$	345
Common stock issued to Fibre in connection with the 2000 Reorganization, 2,300,000 shares at par value.....	--	--	--	--	--	--

</TABLE>

See notes to combined consolidated financial statements.

NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS
(Information as of and for the nine months ended September 30, 1999 and 2000 is unaudited)

1. Description of Business and Basis of Presentation

IPG Photonics Corporation (the "Company") was incorporated as a Delaware corporation in December 1998. Since inception, the Company has been affiliated by common ownership with several entities, including NTO IRE-POLUS, Russia; IPG Laser GmbH, Germany ("Laser"); IPG Fibertech S.r.l., Italy ("Fibertech"); and IP Fibre Devices Ltd., United Kingdom ("Fibre"). The accompanying combined consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Company, Laser and Fibertech (collectively, "IPG"). For purposes of presentation of the accompanying combined financial statements for the years ended December 31, 1997 and 1998, Laser and Laser's 80% owned subsidiary, Fibertech, are referred to as the "Predecessor." All intercompany transactions and balances have been eliminated.

Since inception of the entities comprising IPG, the Company's majority shareholder has maintained majority ownership of all these entities. During August 2000, the ownership of the Company and several affiliated companies was reorganized (the "2000 Reorganization"). The 2000 Reorganization was completed through several transactions. The Company initially purchased 50% of the shares of Laser from Fibre for \$7.5 million in cash plus 2,300,000 common shares of the Company. In addition, the Company purchased an additional 4% of the shares of Laser from the Company's majority shareholder for \$2.4 million in cash. Concurrently with these purchases, the Company was provided an option to purchase the remaining 46% of Laser from the Company's majority shareholder. On October 4, 2000, the Company exercised this option and obtained the remaining 46% ownership interest in Laser in exchange for 2,806,000 common shares of the Company. Through this series of transactions, Laser and its 80% owned subsidiary, Fibertech, became a wholly owned subsidiary of the Company. Because all of these entities have been under common managerial, operational and shareholder control since inception, the transfers of interest are accounted for in the combined consolidated financial statements as a reorganization of companies under common control in a manner similar to a pooling of interests.

IPG has agreed in principle to invest \$5.0 million in NTO IRE-POLUS for a 51% ownership interest subject to satisfaction of usual and customary closing conditions, as well as the approval of the Russian Ministry for Anti-Monopoly Policy. The Company anticipates that this transaction will close in the first quarter of 2001. The proceeds of the investment are to be used by NTO IRE-POLUS solely for equipment purchases and the development of additional manufacturing capacity. Similar to the 2000 Reorganization, NTO IRE-POLUS and the Company are under common control, and the transaction will be accounted for as a reorganization of companies under common control in a manner similar to a pooling of interests. This transaction will not have a significant impact upon IPG's financial condition or results of operations.

IPG designs, manufactures and sells high-power fiber amplifiers, Raman pump lasers and fiber lasers for telecommunications and industrial applications. IPG's telecommunications products are used in the long-haul, metropolitan and access sectors of optical communications networks. IPG's industrial products are used for marking, printing, material processing, micro-machining, optical sensing and measurement and laboratory and medical equipment. IPG's administrative and manufacturing facilities in the United States are presently located in Sturbridge, Massachusetts, and European operations are located in Burbach, Germany, and Milan, Italy. Manufacturing activities and research and development are conducted by NTO IRE-POLUS in Fryazino, Russia.

Interim financial data--The interim combined consolidated financial information at September 30, 2000 and for the nine months ended September 30, 1999 and 2000 is unaudited but, in the opinion of management, includes all adjustments, which management considers necessary for a fair presentation of

the combined consolidated financial position and results of operations for the interim periods. The results of operations for the nine months ended September 30, 2000 are not necessarily indicative of the results to be expected for the full fiscal year.

NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

2. Summary of Significant Accounting Policies

Use of estimates--The preparation of the combined consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Foreign currency translation--The U.S. dollar has been adopted as the reporting currency for all periods presented. The financial information for entities outside the United States is measured using local currencies as the functional currency. Assets and liabilities are translated into U.S. dollars at the exchange rate in effect on the respective balance sheet dates. Income and expenses are translated into U.S. dollars based on the average rate of exchange for the corresponding period. Exchange rate differences resulting from translation adjustments are accounted for directly as a component of accumulated other comprehensive income. Exchange rate differences due to transactions in foreign currencies are reflected in the consolidated statements of operations.

Cash and cash equivalents--Cash and cash equivalents consist primarily of highly liquid investments, such as bank deposits, with insignificant interest rate risk and original maturities of three months or less at the date of acquisition. Restricted cash includes cash restricted under certain Company debt agreements (See Note 6).

Inventories--Inventories are stated at the lower of cost or market on a first-in, first-out basis. IPG's inventories include parts and components that may be specialized in nature and subject to rapid obsolescence. Additionally, our quality assurance standards result in the rejection of a portion of our purchased components without recourse to the supplier. The costs associated with obsolescence or component rejection are charged to cost of sales as incurred. While IPG considers obsolescence and component rejection in estimating required allowances to reduce recorded amounts to the lower of cost or market values, such estimates could change in the future.

Property, plant and equipment--Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets. In the case of leasehold improvements, the estimated useful lives of the related assets do not exceed the remaining term of the corresponding lease. The following table presents the assigned economic useful lives of IPG's property, plant and equipment:

<TABLE>
<CAPTION>

Category -----	Economic useful life -----
<S>	<C>
Buildings.....	30 years
Machinery and equipment.....	3-5 years
Office furniture and fixtures.....	3-5 years
Other assets.....	3-5 years

</TABLE>

Expenditures for maintenance and repairs are charged to operations. Cost includes capitalized interest associated with significant capital projects. For the years ended December 31, 1997, 1998 and 1999, IPG capitalized interest totaling \$16,000, \$70,000 and \$0, respectively. For the nine months ended September 30, 1999 and 2000, IPG capitalized interest totaling \$0 and \$152,000, respectively.

Revenue recognition--Revenue on product sales is recognized at the point in time when persuasive evidence of an arrangement exists, the price is fixed and final, delivery has occurred and there is a reasonable assurance of collection of the sales proceeds. IPG generally obtains oral or written purchase authorizations from its customers for a specified amount of product at a specified price and considers delivery to have occurred at

the point of shipment. IPG has no obligation to provide upgrades, enhancements or customer support subsequent to the sale. IPG's products carry a warranty against defect for a period of one or two years, depending upon the product type. The expected cost associated with these warranty obligations is recorded when the revenue is recognized.

Impairment of long-lived assets--Long-lived assets, which are comprised primarily of property, plant and equipment, are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. No impairment provisions have been recognized to date.

Advertising expense--The cost of advertising is expensed as incurred. IPG conducts substantially all of its sales and marketing efforts through trade shows and professional and technical conferences. IPG's advertising costs for the years ended December 31, 1997, 1998, and 1999, and for the nine months ended September 30, 1999 and 2000 were not significant.

Research and development--Internal research and development costs are expensed as incurred.

Income taxes--IPG accounts for income taxes under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities and net operating loss carryforwards using enacted rates. Valuation allowances are provided against assets that are not likely to be realized.

Equity-based compensation--SFAS No. 123, Accounting for Stock-Based Compensation, encourages but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. As permitted by SFAS No. 123, IPG has elected to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations including Financial Accounting Standards Board ("FASB") Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation--an Interpretation of APB Opinion No. 25, and has adopted the disclosure-only provisions of SFAS No. 123. Accordingly, for financial reporting purposes, compensation cost for stock options is measured as the excess, if any, of the estimated fair market value of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Equity instruments issued to nonemployees are accounted for in accordance with SFAS No. 123 and EITF 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services.

Concentration of credit risk--Financial instruments that potentially subject IPG to credit risk consist primarily of cash and cash equivalents and accounts receivable. IPG maintains substantially all of its cash in a single financial institution, which is believed to be a high-credit, quality financial institution. IPG grants credit to customers in the ordinary course of business and provides a reserve for potential credit losses. Such losses have been within management's expectations. See discussion related to significant customers in Note 13.

Fair value of financial instruments--IPG's financial instruments consist of accounts receivable, accounts payable, and notes payable. The current carrying amounts of such instruments are considered reasonable estimates of their fair market value, due to the short maturity of these instruments or as a result of the competitive market interest rates, which have been negotiated. The fair value ascribed to the warrants issued in connection with the Series B Preferred Stock has been determined from an independent appraisal.

Comprehensive income--SFAS No. 130, Reporting Comprehensive Income, established standards for reporting and displaying comprehensive income and its components within the financial statements. Comprehensive income includes charges and credits to equity that are not the result of transactions with

shareholders. Included in other comprehensive income for IPG is the cumulative translation adjustments related to the net assets of the operations in Germany and Italy. These adjustments are accumulated within the statement of shareholders' equity under the caption, accumulated other comprehensive income (loss).

Segment information--SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, was adopted by IPG in 1998 and established standards for the reporting of information about operating segments in annual and interim financial statements. Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision makers in deciding how to allocate resources and in assessing performance. SFAS No. 131 also requires disclosures about products and services, geographic areas and major customers. The adoption of SFAS No. 131 did not affect results of operations or financial position but did affect the disclosure of segment information.

Recently issued accounting standards--In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement establishes accounting and reporting standards requiring that derivative instruments (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. In June 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities, Deferral of the Effective Date of FASB Statement No. 133, to defer the effective date of SFAS No. 133. SFAS No. 133, as amended, is effective for IPG beginning January 1, 2001. Because IPG has not utilized derivative instruments for hedging purposes or interest rate management, management does not believe that the adoption of this statement will have a significant impact on operations or financial condition.

3. Net Income (Loss) Per Share and Pro Forma Financial Data

Net income (loss) per share--Basic net income (loss) per share amounts for the year ended December 31, 1999 and for the nine months ended September 30, 1999 and 2000 are computed by dividing net income (loss) available to common shareholders by the weighted-average common shares of the Company outstanding during those periods. For purposes of computing net income (loss) per share, the common stock that was issued to the founders, the common stock issued to Fibre in satisfaction of certain liabilities and the stock issued to Fibre in connection with the 2000 Reorganization are considered nominal issuances and have been treated in a manner similar to a stock split or stock dividend. Diluted net income per share reflects the potential dilution that could occur if (i) the Series A and Series B preferred stock is converted to common stock, and (ii) options issued under the Company's stock compensation plan and the common stock warrants attached to the Series B preferred stock were exercised. Due to the net loss recorded for the nine months ended September 30, 2000, the calculation of diluted net loss per share excludes 5,597,060 common equivalent shares as their effects would be antidilutive. Net income per share amounts for the Predecessor have not been reported for the years ended December 31, 1997 and 1998 due to the closely held nature of these entities, and as such, per share amounts would not be meaningful.

A summary of the weighted-average number of common shares and weighted-average number of common shares and common equivalent shares follows:

<TABLE>
<CAPTION>

	Year ended December 31, 1999	Nine months ended September 30,	
		1999	2000
<S>	<C>	<C>	<C>
Basic weighted-average ordinary common shares outstanding.....	65,900,000	65,900,000	67,271,715
Weighted-average common equivalent shares.....	1,595,000	1,450,000	--
Diluted weighted-average common shares outstanding.....	67,495,000	67,350,000	67,271,715

</TABLE>

NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Pro forma financial data--The Board of Directors has authorized the filing of a registration statement with the Securities and Exchange Commission that would permit the Company to sell shares of the Company's common stock in connection with a proposed initial public offering ("IPO"). If the offering is consummated under the terms presently anticipated, the 500,000 outstanding shares of Series A Preferred Stock and the 3,000,000 outstanding shares of Series B Preferred Stock will automatically convert into 1,000,000 shares and 8,750,000 shares, respectively, of common stock upon the closing of the IPO.

The conversion of the preferred stock has been reflected in the accompanying unaudited pro forma combined consolidated balance sheet. The Series B Preferred Stock convert to the Company's common stock subject to adjustment pursuant to the amended and restated certificate of incorporation as discussed in Note 7. Pro forma basic and diluted net loss per share data has been calculated assuming conversion of the Series A and Series B preferred stock into shares of common stock from the date of original issuance of the preferred stock. In addition, no effect is given to accretion of the preferred stock for purposes of this computation. Shares used in computing pro forma basic and diluted net loss per share aggregated 68,935,635 for the nine months ended September 30, 2000.

4. Inventories

Inventories consist of the following (in thousands):

<TABLE>
<CAPTION>

	December 31,		September 30,
	1998	1999	2000
<S>	<C>	<C>	<C>
Components and raw materials.....	\$424	\$2,116	\$6,523
Work in process.....	43	225	661
Total.....	\$467	\$2,341	\$7,184

</TABLE>

5. Property, Plant and Equipment

Property, plant and equipment consists of the following (in thousands):

<TABLE>
<CAPTION>

	December 31,		September 30,
	1998	1999	2000
<S>	<C>	<C>	<C>
Land.....	\$ 72	\$ 1,030	\$ 1,184
Buildings.....	2,618	2,490	2,452
Machinery and equipment.....	2,426	5,151	6,954
Office furniture and fixtures.....	248	523	714
Construction in progress.....	295	420	7,236
Accumulated depreciation.....	(1,171)	(2,407)	(3,363)
Total.....	\$ 4,488	\$ 7,207	\$15,177

</TABLE>

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NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

6. Debt

Debt consists of the following (in thousands):

<TABLE>
<CAPTION>

	December 31,		September 30,
	1998	1999	2000
<S>	<C>	<C>	<C>
U.S. demand line of credit, collateralized by substantially all assets of the Company and the personal guarantee of the majority shareholder.....	\$ --	\$ --	\$ 1,750
U.S. construction loan, collateralized by substantially all assets of the Company..	--	--	531
U.S. dollar mortgage note payable, collateralized by land, 10% fixed rate, maturing November 2001 (paid in March 2000).....	--	600	--
Euro credit facility, collateralized by			

substantially all assets of Laser and the personal guaranty of the majority shareholder, 5.25% fixed rate, maturing September 2010.....	--	--	1,349
Deutsche mark note payable, collateralized by guaranty of majority shareholder, 6% adjustable not to exceed 10%, maturing September 2006.....	2,028	1,746	1,528
Deutsche mark note payable, collateralized by property, plant and equipment, 4.5% fixed rate, maturing semi-annually through March 2008.....	2,147	1,848	1,517
Deutsche mark notes and mortgages payable, collateralized by property, plant and equipment ranging from 4.7% to 6.25% at fixed rates and variable rates, maturing monthly through January 2019.....	443	363	624
Deutsche mark overdraft facility.....	--	--	--
Related party note payable to Fibre, unsecured, 6.0% fixed rate, due March 2000.....	98	89	--
	-----	-----	-----
Total debt.....	4,716	4,646	7,299
Less current portion.....	(21)	(225)	(1,982)
	-----	-----	-----
Long-term debt.....	\$4,695	\$4,421	\$ 5,317
	=====	=====	=====

</TABLE>

Principal maturities of long-term debt as of December 31, 1999 are as follows (in thousands):

<TABLE>	<S>	<C>
	2000.....	\$ 225
	2001.....	252
	2002.....	254
	2003.....	256
	2004.....	258
	2005 and thereafter.....	3,401

	Total.....	\$4,646
		=====

</TABLE>

U.S. demand line of credit--In March 2000, the Company negotiated a demand line of credit facility with available principal totaling \$4.0 million, expiring May 31, 2001. Outstanding principal on this facility bears interest at a monthly adjustable rate of London Interbank Offering Rate ("LIBOR") plus 2.75% (9.4% at September 30, 2000). This facility is collateralized by substantially all the assets of the Company, a guaranty from Fibre, and a personal guaranty of the Company's majority shareholder.

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NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

U.S. construction loan--In April 2000, the Company entered into a \$6.5 million construction loan facility to finance construction of new administrative and manufacturing facilities in Massachusetts. The construction loan has an initial term of nine months, during which time interest-only payments are due monthly. After the construction period, principal payments are due for five years, after which time the remaining outstanding balance is due. During the construction period the construction loan bears interest at LIBOR plus 3% (9.6% at September 30, 2000) and at a fixed rate equal to the Five-Year Treasury Rate plus 3% for the five-year term following the construction period. This facility is collateralized by substantially all the assets of the Company, including the related real estate and building construction. Subsequent to September 30, 2000, the Company placed \$12,560,000 in a restricted overnight investment account which is available to the bank to offset the Company's obligations under the facilities.

The demand line of credit and the construction loans contain cross-defaults and certain covenants, including maintenance of specific financial ratios which are not considered restrictive to the Company's operations. The most restrictive provisions of the Company's borrowing arrangements are as follows: a ratio of total debt to tangible capital of no more than 3.4 to 1 at December 31, 2000, and the debt service coverage ratio should not be below 2.0 to 1 for the year ending December 31, 2000.

Euro construction loan--During 2000, Laser entered into a financing agreement with a syndicate of banks. The syndicate has provided available

credit of (Euro)10.0 million (or \$8.8 million) to finance construction of a new manufacturing facility in Germany and to meet the working capital needs of Laser. Principal payments are due semiannually beginning in September 2002 through September 2010. Interest accrues at 5.25%. A portion of this loan is personally guaranteed by IPG's majority shareholder.

Deutsche mark ("DM") overdraft facility--In March 2000, Laser negotiated a syndicated overdraft facility with available principal of DM 4.7 million (or \$2.1 million). This facility bears interest at market rates that vary depending upon the principal outstanding (from 9.125% to 10.5% at September 30, 2000). The facility is payable upon demand. No principal was outstanding at September 30, 2000. This facility and the Euro construction loan are collateralized by a common pool of the assets of Laser. A portion of this loan is partially guaranteed by IPG's majority shareholder.

7. Shareholders' Equity

Predecessor equity

Laser has authorized capital totaling DM 500,000, all of which was outstanding at December 31, 1998, 1999 and September 30, 2000. The equity of the Predecessor entities has been reported as additional paid-in capital in the combined consolidated financial statements.

Common stock

The Company was incorporated in December 1998 at which time 20,000 common shares (par value \$0.01) were authorized. On December 28, 1999, total authorized shares were increased to 100 million and the par value was changed to \$0.0001 per share. The founding shareholders subscribed for 43,600,000 shares for total consideration of \$2,000, after giving effect to the increase in authorized shares.

In January 2000, at the direction of the majority shareholder, Fibre paid \$18,000 in cash to the Company and converted an intercompany note payable and related accrued interest totaling \$182,000 into 20,000,000 shares of common stock.

Reserved shares

In addition to the shares of common stock reserved for issuance under the Company's stock option plan, the Company has reserved a sufficient number of shares of common stock for potential conversion of the Series A and Series B preferred stock and for the exercise of outstanding common stock warrants.

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NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Preferred stock

The Company has authorized 5,000,000 shares of preferred stock, par value of \$0.0001, of which 500,000 shares have been designated as Series A convertible preferred stock (the "Series A Preferred Stock"); 3,800,000 shares have been designated as Series B redeemable convertible preferred stock (the "Series B Preferred Stock").

On March 31, 2000, the Company issued 500,000 shares of Series A Preferred Stock for total consideration of \$5.0 million. Issuance costs of \$63,000 are being accreted to the liquidation value of the Series A Preferred Stock through March 31, 2002, the first conversion date.

In August 2000, the Company issued 3,000,000 shares of Series B Preferred Stock and warrants to purchase shares of the Company's common stock (the "Series B Warrants") for total consideration of \$75.0 million. Issuance costs totaled \$363,000. The Series B warrants issued in connection with the sale of the Series B preferred stock have been valued at \$12.4 million. The Series B Preferred Stock is being accreted to redemption value over the period to the Series B Preferred Stock's scheduled redemption dates of August 25, 2006, 2007 and 2008.

Subsequent to September 30, 2000, the Company issued an additional 800,000 shares of Series B Preferred Stock and Series B Warrants for total consideration of \$20.0 million. The Series B Warrants have been valued at \$3.3 million.

Activity with respect to the Series B Preferred Stock through September 30, 2000 is as follows:

<TABLE>
<CAPTION>

	Number of Shares Outstanding	Amount (in thousands)
<S>	<C>	<C>
Balance, January 1, 2000.....	--	--
Proceeds from sale of Series B Preferred Stock, net of issuance costs.....	3,000,000	\$62,237
Accretion related to issuance cost and Series B Warrants.....	-----	152
Balance, September 30, 2000.....	3,000,000 =====	\$62,389 =====

</TABLE>

The rights and preferences of the Series A and Series B Preferred Stock are as follows:

Dividends--The holders of the Series A and Series B Preferred Stock are entitled to receive cumulative dividends at the rate paid on the common shares.

Liquidation--In the event of any voluntary or involuntary liquidation, dissolution or merger of the Company, each holder of the Series A and Series B Preferred Stock will be entitled to be paid, before any distributions are made to the common shareholders, a liquidation preference. The holders of the Series A Preferred Stock will be entitled to be paid an amount equal to the preference value of \$10.00 per share plus accrued dividends, and the holders of the Series B Preferred Stock will be entitled to be paid an amount equal to the preference value of \$12.50 per share plus accrued dividends. After such distributions, the holders of the Series A Preferred Stock do not participate in any further distributions. The holders of the Series B Preferred Stock participate in further available distributions in the amount that would have been payable per share if the holders of the Series B Preferred Stock had been converted to common shares. If the total payout under the investors participation rights exceeds \$50.00 per share, the preference amount declines linearly from \$12.50 per share to \$0 as the participation amount payout increases from \$50.00 to \$62.50. If the assets are not sufficient to generate cash sufficient to pay in full the Series A and Series B Preferred Stock preference values, then the holders of the Series A and Series B Preferred Stock will be entitled to share ratably in any distribution of cash generated by assets in accordance with the respective amounts that would have been payable in such

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NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

distribution if the amounts to which the holders of the Series A and Series B Preferred Stock are paid in full. All assets remaining after distribution to the holders of Series A and Series B Preferred Stock are available for distribution to the holders of the Company's common shares.

Voting Rights--The holders of the Series A Preferred Stock, except with respect to the matters regarding the rights and preferences of their own shares, are not entitled to vote on any matter. The holders of the Series B Preferred Stock are entitled to a number of votes equal to the number of shares of common stock into which such Series B Preferred Stock are then convertible, and voting together as a separate class, are entitled to elect one director of the Company. In addition, without approval of the majority of the Series B shareholders, the Company is restricted from issuing convertible debt, altering the Company's certificate of incorporation or bylaws with the effect of altering the rights of the Series B Preferred Stock, increasing the authorized shares of Series B Preferred Stock or, with certain exceptions, reclassifying and declaring or paying dividends or making distributions of the Company's property.

Redemption--At the election of the holders of the Series B Preferred Stock, the Company is obligated to redeem up to 33.3% after August 25, 2006, up to 66.7% after August 25, 2007 and up to 100% after August 25, 2008 of the outstanding Series B Preferred Stock at a redemption price equal to \$12.50 per share plus accrued and unpaid dividends. In the event that the Company has insufficient funds to redeem the shares, the Series B Preferred Stock will accrue interest at a rate equal to the prime rate plus 3%.

Conversion--The Series A Preferred Stock has a preference value of \$5.00 per share and is convertible at the option of the holder at any time subsequent to March 31, 2002 into the number of shares of common stock of the Company as is determined by dividing the preference value by the conversion price then in effect. Immediately following a qualifying initial public offering or consummation of a sale or merger of the Company, all Series A Preferred Stock shall automatically convert into the number of common shares of the Company as

is determined by dividing the preference value by the conversion price then in effect. For the purposes of the conversion of the Series A preferred stock, a qualified public offering is the sale of the common stock of IPG to the public in a firm commitment public offering that generates gross proceeds to IPG of at least \$35,000,000 at a pre-money valuation of at least \$500,000,000.

The Series B Preferred Stock has a preference value of \$25.00 per share and is convertible at the option of the holder into the number of common shares of the Company as is determined by dividing the preference value by the conversion price then in effect. All Series B Preferred Stock automatically converts into the number of common shares of the Company as is determined by dividing the preference value by the conversion price then in effect upon the completion of a qualified public offering. A qualified public offering is defined as an offer of the Company's common stock (i) registered under the Securities Act of 1933, as amended, (ii) with net proceeds (after underwriting commissions and discounts) in excess of \$100.0 million, (iii) in which such common stock is listed for trading on the New York Stock Exchange or the NASDAQ National Market, and (iv) at a specified offering price, after underwriting commissions and discounts, which graduates from (i) \$21.88 per share, in the case of an offering which closes from January 1, 2001 to March 31, 2001, (ii) \$25.00 per share in the case of an offering which closes from April 1, 2001 to December 31, 2001, (iii) \$28.13 per share, in the case of an offering which closes from January 1, 2002 to August 31, 2002 or (iv) \$31.25 per share in the case of an offering which closes after August 31, 2002. An offering which does not meet the offering price targets will continue to be a qualified offering, however, the conversion price will be adjusted downward such that the adjusted conversion price will be equal to the initial public offering price per share divided by a factor which increases from (i) 1.75, in the case of an offering which closes from January 1, 2001 to March 31, 2001, (ii) 2.00, in the case of an offering which closes from April 1, 2001 to December 31, 2001, (iii) 2.25, in the case of an offering which closes from January 1, 2002 to August 31, 2002 or (iv) 2.50, in the case of an offering which closes after August 31, 2002; provided that in no event will the conversion price be reduced to less than \$5.00 per share. The conversion ratio was 1 for 1 on the date the Series B Preferred Stock was issued.

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NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Assuming an offering price of \$15.00 per common share in an offering completed prior to March 31, 2001 each share of Series B Preferred Stock will convert to 2.91666 shares of common stock.

The holders of Series A and Series B Preferred Stock have certain tag-along and drag-along rights, as described in the articles of incorporation.

Registration Rights--If the Company at any time proposes to register any of its common shares under the Securities Act of 1933, the holders of the Series B Preferred Stock are entitled to participate in such registration. In addition, the holders of the Series A Preferred Stock may require the Company to file one, and the holders of the Series B Preferred Stock may require the Company to file up to two, registration statements under the Securities Act of 1933 at the expense of the Company with respect to their shares (the "Demand Registration Rights"). These Demand Registration Rights become effective if a registration has not occurred prior to March 31, 2003 for the Series A Preferred Stock or August 31, 2003 for the Series B Preferred Stock. The holders of the Series B Preferred Stock who convert their preferred stock to common stock in connection with an IPO may also require the Company to file additional registration statements.

Warrants

In connection with the issuance of the Series B Preferred Stock, the Company issued Series B Warrants to purchase, in the aggregate, \$18.8 million of the Company's common shares at an equivalent per share price of 50% of the fair value on the date of an initial public offering of such shares. The fair value of the Series B Warrants, approximating \$12.4 million, was deducted from the proceeds of the Series B Preferred Stock and was allocated to the Series B Warrants. The Series B Warrants are exercisable upon the completion of an IPO or sale of a significant portion of the Company's assets and are being accreted to the carrying value of the Series B Preferred Stock through the scheduled redemption dates of the Series B Preferred Stock. These warrants expire in August 2007. In connection with the Series B Preferred Stock that was issued subsequent to September 30, 2000, the Company issued Series B Warrants to purchase, in the aggregate, \$5.0 million of the Company's common stock at an equivalent per share price of 50% of the fair value of such shares. The fair value of the Series B Warrants related to the issuance of Series B Preferred Stock subsequent to September 30, 2000 approximates \$3.3 million.

Notes receivable from sales of shares

The Company has received notes from an individual who subsequently became a Company director in connection with this individual's exercise of 380,000 nonqualified stock options in March 2000 as well as the issuance of 500,000 shares of common stock under a professional services contract. The notes receivable have principal balances of \$190,000 and \$250,000 and are full recourse promissory notes bearing interest at 6.8% and 6.0% and are collateralized by the shares of the Company's common stock held by this individual. Principal is due through November 2005. The notes receivable are presented on the combined consolidated balance sheet as a reduction to shareholders' equity.

Additionally, the Company issued 43,600,000 shares of common stock to the founding shareholders in January 1999 in exchange for notes aggregating \$2,000. These shares were fully paid in October 2000 and have been reported as current assets and shareholders' equity at December 31, 1999 and at September 30, 2000.

Minority interest

Minority interest reported in the accompanying combined consolidated financial statements consists of the 20% of Fibertech held by the management of Fibertech.

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NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Stock Split

On , 2001, the Company's board of directors declared a 2-for-1 split of the common shares of the Company. All share and per share amounts in the accompanying combined consolidated financial statements have been retroactively adjusted to reflect the stock split.

8. Related Party Transactions

The Company and the other members comprising IPG have entered into certain transactions with other entities affiliated with IPG. These entities which have not been combined or consolidated in the accompanying financial statements include NTO IRE-POLUS, Fibre, IP Fibre Optics Ltd., IPC Inc., and VPG Laser Components GmbH (the "Non-Group Affiliates"). The related party transactions included in the accompanying financial statements are primarily comprised of intercompany sales of IPG's products in which the Non-Group Affiliates are acting as a distributor of IPG's products or IPG is purchasing raw materials and components from the Non-Group Affiliates. Additionally, effective January 1, 2000, the Company entered into a one year management agreement with Fibre, under which Fibre provides accounting advice and consulting services for a monthly fee of \$7,500 plus expenses. Upon expiration, the agreement was not renewed.

The transactions with Non-Group Affiliates are included in the combined consolidated statements of operations as follows (in thousands):

<TABLE>

<CAPTION>

	Years ended December 31,			Nine months ended	
	1997	1998	1999	1999	2000
Net sales.....	\$ 811	\$ 1,103	\$ 655	\$ 524	\$ 789
Purchases included in cost of sales.....	1,533	2,133	2,095	1,610	3,108
Operating expenses.....	--	32	106	32	138
Interest income (expense), net.....	(10)	(10)	(17)	(7)	--

</TABLE>

Amounts included in the combined consolidated balance sheets are as follows (in thousands):

<TABLE>

<CAPTION>

	December		
	1998	1999	September 30, 2000
Amounts due from Non-Group Affiliates:			
IP Fibre Devices Ltd.	\$ 70	\$221	\$560
IPC Inc.	345	--	--
NTO IRE-POLUS.....	48	--	193

	----	----	----
Total.....	\$463	\$221	\$753
	====	====	====
Amounts due to Non-Group Affiliates:			
IP Fibre Devices Ltd.	\$--	\$309	\$--
IPC Inc.	665	12	--
VPG Laser Components GmbH.....	70	33	--
NTO IRE-POLUS.....	211	109	471
	----	----	----
Total.....	\$946	\$463	\$471
	====	====	====

</TABLE>

In May 2000, Laser entered into an agreement with a shareholder holding more than 5% of the Company's common stock to purchase real estate located in Burbach, Germany, in exchange for assuming the outstanding mortgage on the real estate and a payment of approximately \$84,000, which approximated the fair market value of the real estate. Prior to purchasing the real estate, Laser had been renting the Burbach real estate from the shareholder for approximately \$4,000 per month.

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NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

In October 1999, the Company awarded an individual who subsequently became a Company director 500,000 shares of the Company's common stock for a purchase price of \$0.50 per share, its estimated fair value on the date of the award, in exchange for future legal and advisory services. In March 2000, such legal and advisory services had been performed and this individual purchased 500,000 shares of the Company's common stock with an estimated fair market value of \$2.00 per share in exchange for a \$250,000 note receivable. The Company has recognized \$750,000 in equity-based compensation in respect of this agreement.

This individual had also been granted options to purchase 400,000 shares of the Company's common stock at \$0.50 per share in exchange for continued advisory services to the Company through January 1, 2002. These options have a term of ten years and vested upon issuance. The Company is accounting for these shares under variable plan accounting and, accordingly, recognized \$3.3 million in equity-based compensation during the nine months ended September 30, 2000. The individual exercised the option in exchange for \$10,000 in cash and a note receivable of \$190,000, discussed in Note 7. In the event of nonperformance, these shares are subject to repurchase by the Company.

In August 2000, a shareholder holding more than 5% of IPG's common stock borrowed approximately \$90,000 from Laser, at an annual interest rate of 8%. This loan was repaid in full on November 30, 2000. This note is reported in other current assets at September 30, 2000.

In connection with the 2000 Reorganization, IPG entered into an agreement with NTO IRE-POLUS regarding intellectual property. Under this agreement, NTO IRE-POLUS provides research and development exclusively for IPG in exchange for payment of all direct and overhead costs plus a fee of 10%. No amounts were incurred under this agreement during the nine months ended September 30, 2000.

In October 2000, IPG agreed to loan \$1.0 million to NTO IRE-POLUS. These funds will be used for working capital and capital expenditures. This loan bears interest at an annual rate of 7.0% and has a term of six months from the date the money is transferred to NTO IRE-POLUS.

During 1999, IPG purchased capital equipment from NTO IRE-POLUS in the aggregate amounts of \$176,000. For the nine-month period ended September 30, 2000, NTO IRE-POLUS purchased equipment from IPG in the aggregate amount of \$187,000.

IPG sells products to Fibre which resells those products to Fibre's customers in the United Kingdom. These sales are included in the table above. Effective January 1, 2001, IPG plans to terminate that distribution relationship and intends to sell directly to customers in the United Kingdom through a wholly-owned subsidiary to be formed. Consequently, IPG plans to sublease office space from, and share general and administrative expenses of, Fibre at an aggregate estimated annual amount of approximately \$250,000.

In 1998, Fibre entered into a supplier agreement to provide certain products to a significant customer for a period of 36 months. Pursuant to this agreement, the customer issued 1,561,144 shares of its common stock to Fibre in consideration of a discount on products to be delivered under the supply agreement. Additionally, a shareholder holding more than 5% of IPG's common stock was granted options to purchase 100,000 shares of the customer's common stock in exchange for serving on the customer's advisory board. All of such

options have been exercised. During 1998, Laser sold amplifiers totaling approximately \$185,000 to this customer in exchange for cash and 571,428 shares of this customer's common stock. The fair value of these shares, estimated to be approximately \$46,000, became the cost basis of Laser's investment in these non-marketable securities, and Laser continues to carry this investment at cost. During 1999 and 2000, IPG sold approximately \$2.0 million of products to this customer under the terms of the supplier agreement. The customer paid IPG approximately \$1.6 million (or 75% of the invoice price) in cash and issued 865,924 shares of the customer's common stock, valued at approximately \$400,000, to Fibre. In connection with this transaction, Fibre issued a note to IPG for approximately \$400,000. This note along with accrued interest, totaling approximately \$32,000, was repaid in October 2000.

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NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

9. Commitments and Contingencies

Operating leases

IPG leases its current facility in the United States under a noncancelable operating lease agreement which expires during 2001. Rental expense under this lease agreement for the year ended December 31, 1999, and for the nine months ended September 30, 1999 and 2000 was approximately \$121,000, \$60,000 and \$172,000, respectively. Future minimum lease payments under noncancelable leases as of December 31, 1999 are approximately \$225,000 and \$113,000 for the years ending December 31, 2000 and 2001, respectively.

Firm purchase commitments

In December 2000, IPG entered into a purchase agreement with a component supplier requiring minimum purchases by IPG of approximately \$66.7 million through December 31, 2002.

IPG has a variety of commitments with suppliers for the purchase of raw materials and components for delivery in future years at prevailing market prices.

Capital expenditures

In 2000, the Board of Directors authorized expenditures on the construction of a new manufacturing and administrative facility in the United States with a total projected cost of \$11.8 million, all of which has been contractually committed at September 30, 2000. As of September 30, 2000, approximately \$3.2 million has been paid under these contracts. This project is expected to be completed in the first quarter of 2001.

Employment agreements

IPG has entered into employment agreements with certain members of senior management. The terms of these agreements range from one to five years and include noncompete and nondisclosure provisions as well as provide for defined severance payments in the event of termination.

Litigation

IPG is not currently subject to any material legal proceedings, nor does IPG know of any pending material legal proceedings.

10. Employee Benefit Plans

Profit Sharing Plan

IPG maintains a 401(k) profit-sharing plan covering substantially all U.S. employees. Employees are eligible for a discretionary contribution from IPG based on each employee's total contribution, not to exceed 6% of an employee's compensation. Compensation expense related to this plan for the years ended December 31, 1999 and for the nine months ended September 30, 1999 and 2000 approximated \$18,000, \$9,000 and \$46,000, respectively.

Employee Stock Option Plan

Beginning in 1999, IPG's majority shareholder and sole member of the Board of Directors, at that time, granted stock options to certain employees, officers and advisors. In March 2000, the shareholders approved the IPG 2000 Incentive Compensation Plan (the "Plan"). At September 30, 2000, 7,500,000 common

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shares had been reserved for grant under the Plan. Subsequent to September 30, 2000, the Board of Directors increased the number of shares reserved under the Plan to 15,000,000. At December 31, 2000, after giving effect to the increase in the number of reserved shares an additional 5,525,600 shares were issuable under the Plan. Options are subject to the vesting provisions associated with each grant, generally vesting on a straight-line basis over four years. All options expire ten years from the date of grant.

In addition to the Plan, IPG has issued 700,000 options to purchase IPG's common stock to the members of its National Advisory Board and 400,000 options to an IPG director for legal and advisory services. These options were issued with an exercise price of \$0.50 per share. A total of 900,000 of these options were exercised during 2000. These options have similar terms to those options issued under the terms of the Plan; however, these options generally vested immediately. In accordance with SFAS No. 123 and EITF 96-18, IPG measured these awards at fair value, using the Black-Scholes valuation model. These options provide IPG with the right to repurchase a specified amount of any shares acquired should the optionees not fulfill the terms of their contract. Under EITF 96-18, this creates variable plan accounting. As such, IPG will continue to remeasure the fair value of these options at each reporting date until a performance commitment date has been achieved or the right to repurchase the options has expired. The fair value of each option at September 30, 2000 was estimated at \$12.06 per share. For the nine months ended September 30, 2000, IPG recognized approximately \$8.7 million in respect of these options.

The following table presents a summary of the share option activity and related information:

<TABLE>
<CAPTION>

	Number of Options	Weighted-Average Exercise Price
<S>	<C>	<C>
Outstanding, January 1, 1999.....	--	
Granted.....	2,600,000	\$0.50
Exercised.....	--	
Forfeited.....	--	

Outstanding, December 31, 1999.....	2,600,000	0.50
Granted.....	3,918,600	0.60
Exercised.....	(1,561,868)	0.60
Forfeited.....	(1,200)	0.50

Outstanding, September 30, 2000.....	4,955,532	\$0.57
=====		

</TABLE>

The weighted-average minimum fair value of the options granted to employees was \$0.08 in 1999 and \$2.77 in 2000.

Additional information regarding options outstanding at September 30, 2000 is as follows:

<TABLE>
<CAPTION>

Exercise Price	Options Outstanding		Remaining Contractual Life (years)	Number Exercisable	
	Number Outstanding	Weighted-Average		December 31, 1999	September 30, 2000
<S>	<C>	<C>	<C>	<C>	
\$0.50	4,363,632	9.02	--	358,100	
\$1.00	500,500	9.84	--	--	
\$1.50	91,400	9.86	--	10,000	
	-----		---	-----	
	4,955,532		--	368,100	
	=====		===	=====	

</TABLE>

Compensation related to options awarded during the nine months ended September 30, 2000 (approximately \$29.5 million) has been deferred for financial reporting purposes and is generally being amortized on a straight-line basis over the vesting period of the related options for fixed awards. Options which

require variable plan accounting are being amortized using the methodologies prescribed by FASB Interpretation No. 28, Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans.

IPG has adopted the disclosure requirements of SFAS 123. SFAS 123 requires that the fair value of stock-based awards to employees be calculated through the use of option pricing models, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from IPG's stock option awards. These models also require subjective assumptions, which greatly affect the calculated values. IPG's calculations were made using the minimum value method with the following weighted average assumptions: expected life, 4 years; stock volatility of 0%; risk-free interest rate of 6.5%; and no dividend payments during the expected term. Forfeitures are recognized as they occur.

IPG has utilized the Black-Scholes option-pricing model in determining the fair value of the options granted to non-employees or outside of the Plan. In addition to the aforementioned assumptions, IPG used a volatility factor of 60% in the Black-Scholes option-pricing model.

If the computed minimum values of the options awarded to employees had been amortized to expense over the vesting period of the awards, net income and related pro forma basic and diluted per share amounts would have been reduced to the pro forma amounts indicated below:

	For the year ended December 31, 1999	For the nine months ended September 30, 2000
Net income (loss) available to common shareholders (in thousands):		
As reported.....	\$1,951	\$(3,677)
Pro forma.....	1,906	(4,174)
Basic and diluted net income (loss) per share:		
As reported.....	\$ 0.03	\$ (0.06)
Pro forma.....	0.03	(0.06)

Subsequent to September 30, 2000, IPG entered into an employment agreement which granted an employee 1,000,000 shares of common stock at the price of \$0.50 per share, subject to certain repurchase rights by IPG. IPG also granted this employee options to purchase (i) 500,000 shares of common stock at \$1.50 per share, which will vest on the earlier of October 1, 2001 or the date that IPG first recognizes \$200.0 million of gross sales at \$1.50 per share, and (ii) 1,500,000 shares at \$1.50 per share which vest monthly for thirty-six months and will all vest immediately on the date IPG first recognizes \$400.0 million of gross sales. Additionally, subsequent to September 30, 2000, IPG issued options to purchase 1,607,000 shares of common stock to employees and members of the Board of Directors at a weighted-average exercise price of \$3.25 per share.

11. Income Taxes

Income before minority interest and income taxes consisted of (in thousands):

	Years ended December 31,		
	1997	1998	1999
Domestic.....	\$--	\$--	\$ 375
Foreign.....	28	392	3,681
Total.....	\$ 28	\$392	\$4,056

IPG's provision for income taxes consisted of the following (in thousands):

<TABLE>
<CAPTION>

	Years ended December 31,		
	1997	1998	1999
<S>	<C>	<C>	<C>
Current:			
Federal.....	\$--	\$--	\$ 151
State.....	--	--	46
Foreign.....	26	191	1,934
Deferred:			
Federal.....	--	--	(29)
State.....	--	--	(9)
Foreign.....	(4)	43	9
Total.....	\$ 22	\$234	\$2,102

</TABLE>

The provision for income taxes is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The principal items causing this difference are as follows (in thousands):

<TABLE>
<CAPTION>

	Years ended December 31,			September 30,	
	1997	1998	1999	1999	2000
<S>	<C>	<C>	<C>	<C>	<C>
Tax expense at statutory rate..	\$ 10	\$ 133	\$ 1,379	\$1,390	\$ 789
State and local taxes.....	--	--	23	(3)	253
Differences in federal and foreign tax rates.....	2	79	657	679	1,352
Nondeductible equity-based compensation.....	--	--	--	--	3,303
Tax credits.....	--	--	--	--	(58)
Nondeductible items and other..	10	22	43	112	189
Total.....	\$ 22	\$ 234	\$ 2,102	\$2,178	\$5,828

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows (in thousands):

<TABLE>
<CAPTION>

	December 31,		September 30,
	1998	1999	2000
<S>	<C>	<C>	<C>
Current deferred tax assets (liabilities):			
Deferred revenues.....	\$ (45)	\$ --	\$ --
Allowances and accrued liabilities.....		86	163
Net current deferred tax assets (liabilities).....	\$ (45)	\$ 86	\$ 163
Long-term deferred tax assets (liabilities):			
Property, plant and equipment.....	\$ 52	\$ (50)	\$ (103)
Deferred compensation.....			1,220
Net long-term deferred tax assets (liabilities).....	\$ 52	\$ (50)	\$1,117

</TABLE>

12. Geographic and Segment Information

IPG markets and sells its products throughout the world through both direct sales and distribution channels. IPG has adopted SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, and applies those criteria in reporting segment information. IPG currently manages its business as two segments: U.S.A. and Germany. The segments are considered to share similar economic characteristics and similarities in product, types of customers and methods of distribution. Accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies in Note 2. All intercompany transactions between segments have been eliminated. The following table summarizes net sales, operating expenses, net income (loss), identifiable assets, current liabilities and capital expenditures of IPG in its segments (in thousands):

<TABLE>
<CAPTION>

	U.S.A.	Germany	Intercompany Eliminations	Total
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
September 30, 2000:				
Net revenues.....	\$29,756	\$21,149	\$(18,216)	\$ 32,689
Operating expenses.....	15,333	2,824	--	18,157
Net income (loss).....	(6,328)	3,245	(425)	(3,508)
Assets.....	87,227	18,683	(2,933)	102,977
Current liabilities.....	10,540	8,720	(2,353)	16,907
Capital expenditures.....	4,971	4,927	--	9,898
December 31:				
1999:				
Net revenues.....	\$ 9,763	\$16,535	\$ (7,658)	\$ 18,640
Operating expenses.....	1,498	3,368	--	4,866
Net income (loss).....	215	1,898	(162)	1,951
Assets.....	6,001	10,103	(3,304)	12,800
Current liabilities.....	5,135	4,110	(3,142)	6,103
Capital expenditures.....	2,863	2,272	--	5,135
1998:				
Net revenues.....	\$ --	\$ 8,263	\$ --	\$ 8,263
Operating expenses.....	--	2,056	--	2,056
Net income.....	--	154	--	154
Assets.....	--	8,819	--	8,819
Current liabilities.....	--	3,682	--	3,682
Capital expenditures.....	--	3,080	--	3,080
1997:				
Net revenues.....	\$ --	\$ 3,097	\$ --	\$ 3,097
Operating expenses.....	--	622	--	622
Net income.....	--	6	--	6
Assets.....	--	3,456	--	3,456
Current liabilities.....	--	801	--	801
Capital expenditures.....	--	1,292	--	1,292

</TABLE>

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NOTES TO COMBINED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The geographic sources of IPG's revenues, based on billing addresses of IPG's customers, are as follows (in thousands):

<TABLE>
<CAPTION>

	Years ended December			Nine months	
	31,			ended September	
	1997	1998	1999	1999	2000
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
United States and other North America....	\$1,581	\$5,369	\$11,455	\$ 9,219	\$23,261
Europe:					
Germany.....	260	853	3,796	2,865	3,518
United Kingdom.....	798	769	564	449	672
Other.....	202	380	969	513	1,257
Asia:					
Japan.....	256	892	1,830	1,777	3,920
Other.....	--	--	26	--	61
Total.....	\$3,097	\$8,263	\$18,640	\$14,823	\$32,689

</TABLE>

Through September 30, 2000, IPG has derived revenues from two product lines: fiber amplifiers and Raman pump lasers for telecommunications applications and fiber lasers for industrial applications. While complete financial information for these product lines is not available, IPG has identified its historic net sales for these product lines as follows (in thousands):

<TABLE>
<CAPTION>

	Years ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
<S>	<C>	<C>	<C>	<C>	<C>
Telecommunications.....	\$1,898	\$5,957	\$14,383	\$11,394	\$25,106
Industrial applications.....	1,199	2,306	4,257	3,429	7,583
Total.....	\$3,097	\$8,263	\$18,640	\$14,823	\$32,689

</TABLE>

13. Significant Customers

IPG's largest customers are national and international telecommunications companies. IPG has five customers that individually comprised more than 10% of net sales. The following table presents the percentage of net sales that these customers represent during each period:

<TABLE>
<CAPTION>

Customer	Years ended				
	December 31, 1997	December 31, 1998	December 31, 1999	September 30, 1999	September 30, 2000
<S>	<C>	<C>	<C>	<C>	<C>
A.....	--	2%	9%	2%	40%
B.....	15%	43%	40%	50%	20%
C.....	27%	2%	--	--	--
D.....	25%	9%	2%	3%	--
E.....	--	--	10%	12%	3%
Total.....	67%	56%	61%	67%	63%

</TABLE>

Accounts receivable related to these five customers totaled approximately 69% of the September 30, 2000 accounts receivable balance.

As discussed in Note 8, in September 1999, Fibre entered into a supplier agreement with Customer A. Fibre, Laser and certain shareholders maintain an insignificant ownership interest in Customer A.

Inside Back Cover Page:

Along the top edge of the page is the caption: "Fiber Lasers for Industrial Applications".

Under the top edge caption and in the upper left-hand corner of the page is a photograph of medical professionals performing surgery with the word "Medical" above the photograph, illustrating the use of fiber lasers in medical applications.

Under the top edge caption and in the upper right-hand corner of the page is a photograph of [an aerospace setting] with the word "Aerospace" above the photograph, illustrating the use of fiber lasers in aerospace applications.

In the center of the page is a photograph of several of the registrant's fiber lasers for industrial applications.

In the lower left-hand corner of the page is a photograph of [a product

being micromachine] with the word "Micromachining" below the photograph, illustrating the use of fiber lasers in micromachining applications.

In the lower right-hand corner of the page is a photograph of [a product being printed] with the word "Printing" below the photograph, illustrating the use of fiber lasers in printing applications.

Through and including , 2001 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

8,200,000 Shares

IPG Photonics Corporation

[LOGO]

Common Stock

PROSPECTUS

Merrill Lynch & Co.

Robertson Stevens

CIBC World Markets

U.S. Bancorp Piper Jaffray

Wit SoundView

, 2001

+++++The information in this prospectus is not complete and may be changed. We may +
+not sell these securities until the registration statement filed with the +
+Securities and Exchange Commission is effective. This prospectus is not an +
+offer to sell these securities and it is not soliciting an offer to buy these +
+securities in any state where the offer or sale is not permitted. +
+++++

[ALTERNATE PAGE]

Subject to Completion

Preliminary Prospectus Dated February 2, 2001

PROSPECTUS

8,200,000 Shares

[IPG LOGO]

Common Stock

This is IPG Photonics Corporation's initial public offering of common stock. IPG Photonics Corporation is selling all of the shares. The U.S. international managers are offering shares outside the U.S. and Canada and the U.S. underwriters are offering shares in the U.S. and Canada.

We expect the public offering price to be between \$14.00 and \$16.00 per share. Currently, no public market exists for the shares. After pricing of this offering, we expect that the common stock will trade on the Nasdaq National Market under the symbol "IPGP."

Investing in the common stock involves risks that are described in the "Risk Factors" section beginning on page 6 of this prospectus.

<TABLE>
<CAPTION>

	Per Share	Total
<S>	<C>	<C>
Public offering price.....	\$	\$
Underwriting discount.....	\$	\$
Proceeds, before expenses, to IPG Photonics.....	\$	\$

</TABLE>

The international managers may also purchase up to an additional _____ shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments. The U.S. underwriters may similarly purchase up to an additional _____ shares from us.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery in New York, New York on or about _____, 2001.

Merrill Lynch International
Robertson Stephens
CIBC World Markets
U.S. Bancorp Piper Jaffray
Wit SoundView

The date of this prospectus is _____, 2001.

[ALTERNATE PAGE]

UNDERWRITING

General

We intend to offer the shares outside the U.S. and Canada through the international managers and in the U.S. and Canada through the U.S. underwriters. Merrill Lynch International, Robertson Stephens, Inc., CIBC World Markets Corp., U.S. Bancorp Piper Jaffray Inc. and Wit SoundView Corporation, are acting as lead managers for the international managers named below. Subject to the terms and conditions described in an international purchase agreement among us and the international managers, and concurrently with the sale of shares to the U.S. underwriters, we have agreed to sell to the international managers, and the international managers severally have agreed to purchase from us, the number of shares listed opposite its name below.

<TABLE>
<CAPTION>

International Managers	Number of Shares
<S>	<C>
Merrill Lynch International.....	
Robertson Stephens, Inc.....	
CIBC World Markets Corp.	
U.S. Bancorp Piper Jaffray Inc.	
Wit SoundView Corporation.....	
Total.....	

</TABLE>

We have also entered into a U.S. purchase agreement with the U.S. underwriters for sale of the shares in the U.S. and Canada for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, Robertson Stephens, Inc., CIBC World Markets Corp., U.S. Bancorp Piper Jaffray Inc. and Wit SoundView Corporation are acting as U.S. representatives. Subject to the terms and conditions in the U.S. purchase agreement, and concurrently with the sale of shares to the international managers pursuant to the international purchase agreement, we have agreed to sell shares to the U.S. underwriters, and the U.S. underwriters severally have agreed to purchase shares from us. The initial public offering price per share and the total underwriting discount per share are identical under the international purchase agreement and the U.S. purchase agreement.

The international managers and the U.S. underwriters have agreed to purchase all of the shares sold under the international and U.S. purchase agreements if any of these shares are purchased. If an underwriter defaults on

its obligations under the international or U.S. purchase agreements, the international and U.S. purchase agreements provide that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreements may be terminated. The closings for the sale of shares to be purchased by the international managers and the U.S. underwriters are conditioned on one another. We have agreed to indemnify the international managers and the U.S. underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the international managers and U.S. underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreements, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The lead managers have advised us that the international managers propose initially to offer the shares to the public at the initial public offering price on the cover page of this prospectus, and to dealers at that price less a concession not in excess of \$ per share. The international managers may allow, and the dealers may reallow, a discount not in excess of \$ per share to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

[ALTERNATE PAGE]

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the international managers and the U.S. underwriters of their over-allotment options.

<TABLE>
<CAPTION>

<S>	Per Share Without Option With Option		
	<C>	<C>	<C>
Public offering price.....	\$	\$	\$
Underwriting discount.....	\$	\$	\$
Proceeds, before expenses, to IPG Photonics.....	\$	\$	\$

</TABLE>

The expenses of the offering, not including the underwriting discount, are estimated at \$1,000,000 and are payable by us.

Over-Allotment Options

We have granted options to the international managers to purchase up to additional shares at the public offering price less the underwriting discount. The international managers may exercise these options for 30 days from the date of this prospectus solely to cover any over-allotments. If the international managers exercise these options, each international manager will be obligated, subject to conditions contained in the purchase agreements, to purchase a number of additional shares proportionate to that international manager's initial amount reflected in the above table.

We have also granted options to the U.S. underwriters, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares to cover any over-allotments on terms similar to those granted to the international managers.

Intersyndicate Agreement

The international managers and the U.S. underwriters have entered into an intersyndicate agreement that provides for the coordination of their activities. Under the intersyndicate agreement, the international managers and the U.S. underwriters may sell shares to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the intersyndicate agreement, the international managers and any dealer to whom they sell shares will not offer to sell or sell shares to U.S. or Canadian persons or to persons they believe intend to resell to U.S. or Canadian persons, except in the case of transactions under the intersyndicate agreement. Similarly, the U.S. underwriters and any dealer to whom they sell shares will not offer to sell or sell shares to persons who are non-U.S. or

non-Canadian persons or to persons they believe intend to resell to persons who are non-U.S. or non-Canadian persons, except in the case of transactions under the intersyndicate agreement.

Reserved Shares

At our request, the underwriters have reserved for sale, at the initial public offering price, up to % of the shares offered by this prospectus for sale to some of our employees and business associates. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not orally confirmed for purchase within one day of the pricing of this offering will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

No Sales of Similar Securities

We and our executive officers and directors and substantially all other stockholders have agreed, with exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch. Specifically, we and these other individuals have agreed not to directly or indirectly:

- . offer, pledge, sell or contract to sell any common stock;

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[ALTERNATE PAGE]

- . sell any option or contract to purchase any common stock;
- . purchase any option or contract to sell any common stock;
- . grant any option, right or warrant for the sale of any common stock;
- . lend or otherwise dispose of or transfer any common stock;
- . request or demand that we file a registration statement related to the common stock; or
- . enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock, whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Quotation on the Nasdaq National Market

We expect the shares to be approved for quotation on the Nasdaq National Market, subject to notice of issuance, under the symbol "IPGP."

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the U.S. representatives and the lead managers. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- . the valuation multiples of publicly traded companies that the U.S. representatives and the lead managers believe to be comparable to us;
- . our financial information;
- . the history of, and the prospects for, our company and the industry in which we compete;
- . an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues;
- . the present state of our development; and
- . the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares being offered in this offering to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit the underwriters and selling group members from bidding for or purchasing our common stock. However, the U.S. representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may make short sales of the common stock. Short sales involve the sale by the underwriters at the time of the offering of a greater number of shares than they are

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required to purchase in the offering. Covered short sales are sales made in an amount not greater than the over-allotment options. The U.S. representatives may close out any covered short position by either exercising the over-allotment options or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the U.S. representatives will consider, among other things, the price of shares available for purchase in the open market as compared to the public offering price at which they may purchase the shares through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The U.S. representatives must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the U.S. representatives are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Similar to other purchase transactions, the purchases by the U.S. representatives to cover syndicate short positions may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than it would otherwise be in the absence of these transactions.

The U.S. representatives may also impose a penalty bid on underwriters and selling group members. This means that if the U.S. representatives purchase shares in the open market to reduce the underwriters' short position or to stabilize the price of such shares, they may reclaim the amount of the selling concession from the underwriters and selling group members who sold those shares. The imposition of a penalty bid may also affect the price of the shares in that it discourages resales of those shares.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the U.S. representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

UK Selling Restrictions

Each international manager has agreed that

- . it has not offered or sold and will not offer or sell any shares of common stock to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which do not constitute an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- . it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the common stock in, from or otherwise involving the United Kingdom; and
- . it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issuance of common stock to a person who is kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 as amended by the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1997 or is a person to whom such document may otherwise lawfully be issued or passed on.

[No Public Offering Outside the United States

No action has been or will be taken in any jurisdiction (except in the United States) that would permit a public offering of the shares of common stock, or the possession, circulation or distribution of this prospectus or any other material relating to our company or shares of our common stock in any jurisdiction where action for that purpose is required. Accordingly, the shares of our common stock may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with

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the shares of common stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Purchasers of the shares offered by this prospectus may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price on the cover page of this prospectus.

Other Relationships

Merrill Lynch KECALP L.P. 1999, KECALP Inc., KECALP Inc., as Nominee for Merrill Lynch KECALP International L.P. 1999, ML IBK Positions, Inc. and Merrill Lynch Taurus 2000 Fund L.P., entities which are affiliated with Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the underwriters, beneficially own an aggregate of 600,000 shares of Series B preferred stock, which convert into 1,749,999 shares of common stock, and warrants to purchase 500,000 shares of common stock assuming an offering price of \$15.00.

Bayview 2000, L.P., an entity which is affiliated with Robertson Stephens, one of the underwriters, beneficially owns an aggregate of 80,000 shares of Series B preferred stock, which convert into 233,333 shares of common stock, and warrants to purchase 66,667 shares of common stock assuming an offering price of \$15.00 per share.

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[ALTERNATE PAGE]

Through and including , 2001 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

8,200,000 Shares

IPG Photonics Corporation

[LOGO]

Common Stock

PROSPECTUS

Merrill Lynch & Co.

Robertson Stevens

CIBC World Markets

U.S. Bancorp Piper Jaffray

Wit SoundView

, 2001

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following are the estimated expenses to be incurred in connection with the issuance and distribution of the securities registered under this Registration Statement, other than underwriting discounts and commissions. All amounts shown are estimates except the Securities and Exchange Commission registration fee and the National Association of Securities Dealers, Inc. filing fee. The following expenses will be borne solely by the Registrant.

<S>	<C>
Securities and Exchange Commission Registration Fees.....	\$ 39,600
National Association of Securities Dealers, Inc. Filing Fee...	15,500
NASDAQ Listing Fee.....	95,000
Blue Sky Fees and Expenses.....	10,000
Printing and Engraving Expenses.....	500,000
Legal Fees and Expenses.....	1,000,000
Accounting Fees and Expenses.....	375,000
Transfer Agent and Registrar Fees.....	10,000
Miscellaneous.....	54,900

Total.....	\$2,100,000
	=====

</TABLE>

* To be supplied by amendment.

Item 14. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law permits a corporation to include in its charter documents, and in agreements between the corporation and its directors and officers, provisions expanding the scope of indemnification beyond that specifically provided by the current law.

The Registrant's certificate of incorporation provides for the indemnification of directors to the fullest extent permissible under Delaware law. The Registrant's bylaws provide for the indemnification to the fullest extent as required or permitted by Delaware law of officers and directors acting on behalf of the Registrant with respect to any criminal action or proceeding.

We have entered into an indemnification agreement with each of our directors which requires us, among other things, to indemnify them against certain liabilities which may arise by reason of his status or service as a director (other than liabilities arising from willful misconduct of a culpable nature). We also intend to maintain director and officer liability insurance, if available on reasonable terms.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, the Registrant has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 15. Recent Sales of Unregistered Securities.

Since incorporation, the Registrant has issued the following securities that were not registered under the Securities Act as summarized below:

None of these transactions involved any underwriters, underwriting discounts or commissions, or any public offering, and the Registrant believes that each transaction was exempt from the registration requirements

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of the Securities Act by virtue of Section 4(2) thereof, Rule 506 of Regulation D promulgated thereunder or Rule 701 promulgated under from 3(b) of the Securities Act pursuant to compensatory benefit plans and contracts relating to compensation as provided under such Rule 701. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the stock certificates and instruments issued in such transactions. All recipients either received adequate information or had access, through their employment or other relationships with the Registrant, to such information about the Registrant. For additional information regarding these equity investment transactions, see the section entitled "Transactions with Related Parties" in the Prospectus.

(a) Issuances of Capital Stock.

1. In January 1999, the Registrant issued and sold an aggregate of 43,600,000 shares of common stock to individuals who founded the Registrant for an aggregate purchase price of \$2,180.
2. On January 15, 2000, the Registrant issued and sold 20,000,000 shares of common stock to IP Fibre Devices Ltd. in satisfaction of \$182,000 of intercompany debt and accrued interest and a cash payment of \$18,000.
3. On March 31, 2000, the Registrant issued and sold an aggregate of 1,000,000 shares of its Series A preferred stock to a group of private investors for an aggregate purchase price of \$5,000,000.
4. Between August 30, 2000 and December 6, 2000, the Registrant issued and sold an aggregate of 7,600,000 shares of its Series B preferred stock to a group of private investors for an aggregate purchase price of \$95,000,000.
5. On August 24, 2000, the Registrant issued 2,300,000 shares of its common stock and paid \$7,500,000 to IP Fibre Devices Ltd. to purchase 51% of IPG Laser GmbH.
6. On October 4, 2000, we exercised our rights under a Contribution and Exchange Agreement, dated August 24, 2000, between us and Dr. Valentin P. Gapontsev, our Chairman of the Board of Directors and Chief Executive Officer, under which we received the remaining 46% of the total issued and outstanding interest in IPG Laser GmbH from Dr. Valentin P. Gapontsev in exchange for an aggregate of 2,806,000 shares of our common stock.
7. On January 22, 2001, the Registrant issued and sold 1,000,000 shares of our common stock to an executive officer of the Registrant for an aggregate purchase price of \$500,000 in connection with his employment agreement with the Registrant.

(b) Certain Grants of Warrants to Purchase Common Stock

1. Between August 30 and December 8, 2000, the Registrant granted warrants to purchase an aggregate of 3,166,667 shares of its common stock to a group of private investors in connection with the sale of the Registrant's Series B preferred stock, assuming an offering price of \$15.00.

(c) Certain Grants and Exercises of Stock Options and Warrants

1. From incorporation through January 22, 2001, the Registrant granted stock options to purchase 9,372,600 shares of common stock at exercise prices ranging from \$0.50 to \$3.75 per share to employees, consultants and directors pursuant to its 2000 stock incentive plan. Of such options, 694,868 have been exercised through December 31, 2000 at prices ranging from \$0.50 to \$1.00 per share.
2. On February 3, 2000, the Registrant granted options to an individual to purchase 400,000 shares of the Registrant's common stock at \$0.50 per share. The individual exercised these options immediately upon grant contemporaneously assigning an aggregate of 20,000 such options to three family members. Subsequently, the Registrant issued and sold 500,000 restricted shares of its common stock to the same individual for an aggregate purchase price of \$250,000. In March 2000, the Registrant issued and sold 500,000 shares of restricted common stock to the same individual for an aggregate purchase price of \$250,000.
3. On February 3, 2000, the Registrant granted options to purchase 500,000 shares of common stock outside of its 2000 stock incentive plan at an exercise price of \$0.50 per share to members of its National Advisory Board, and 500,000 of such options were exercised on March 17, 2000 for an aggregate purchase price of \$250,000. Also on February 3, 2000, the Registrant granted options to purchase 100,000 shares of common stock under its 2000 stock incentive plan at an exercise price of \$0.50 per share to two other members of its National

Advisory Board. Of these options, 30,000 were exercised in December 2000 for an aggregate purchase price of \$15,000. On November 28, 2000 the Registrant granted options to purchase 50,000 shares of common stock under its 2000 incentive compensation plan at an exercise price of \$3.75 per share to an additional member of its National Advisory Board.

Item 16. Exhibits and Financial Statement Schedules.

<TABLE>

<CAPTION>

Exhibit

Number Description

<C> <S>

1.1	Form of Underwriting Agreement
3.1*	Amended and Restated Certificate of Incorporation of the Registrant, as amended
3.2*	Bylaws of the Registrant, as amended
4.1	Specimen certificate representing the common stock
4.2*	Form of Warrant to Purchase Common Stock of the Registrant
4.3*	Series A Preferred Stockholders Agreement, dated as of March 31, 2000, among the Registrant and the owners of Series A Preferred Stock of the Company listed on Schedule I attached thereto
4.4*	Registration Rights Agreement, dated as of August 30, 2000, by and between the Registrant and the Investors named therein
5.1**	Form of Opinion of Winston & Strawn
10.1*	2000 Stock Incentive Plan, as amended
10.2*	\$6,500,000.00 Construction Loan Furnished by Family Bank, FSB to the Registrant, Guaranteed by IP Fibre Devices Ltd. and Dr. Valentin P. Gapontsev, dated April 28, 2000
10.3*	Assignment, Research and Development Agreement, dated as of August, 30, 2000, by and among the Registrant, IPG Laser GmbH, IPG Fibertech S.r.l and NTO IRE-POLUS
10.4*	Purchase and Sales Agreement, dated October 6, 1999, by and between the Registrant and Daniel Prouty and Melvin Glickman as trustees for Elmar Realty Trust
10.5*	Employment Agreement, entered into as of June 19, 2000, by and between the Registrant and John Geagea
10.6*	Employment Agreement, entered into as of August 9, 2000, by and between the Registrant and Hon. John H. Dalton
10.7	Employment Contract between IPG Laser and Its Managing Director, Dr. Valentin P. Gapontsev, dated August 25, 1995
10.8	Employment Agreement, dated November 29, 2000, by and between the Registrant and Vincent Au-Yeung
10.9*	Form of Indemnification Agreement by and between the Registrant and its Directors
10.10*	Design and Building Agreement, dated March 10, 2000, by and between the Registrant and AHO Construction, Inc.
10.11	Contribution and Exchange Agreement, dated August 24, 2000, by and between the Registrant and Dr. Valentin P. Gapontsev
10.12	Purchase Agreement, dated August 24, 2000, by and between the Registrant and IP Fibre Devices U.K. (Limited)
10.13	Purchase Agreement, dated August 24, 2000, by and between the Registrant and Dr. Valentin P. Gapontsev
10.14	Loan Agreement No. LA-201003/01, made October 3, 2000, by and between the Registrant and NTO IRE-POLUS
10.15	Form of Non-Competition and Confirmatory Assignment Agreement
10.16	Employment Contract, effective September 18, 2000, between IPG Laser GmbH and Dr. Eugene Shcherbakov
10.17	Agreements between Registrant and Robert A. Blair
10.18+	IPG Photonics Corporation Purchase and Sales Agreement No. 1/99, dated May 14, 1999, between the Registrant and SDL, Inc., as amended
10.19	Stock Issuance Agreement, effective as of January 22, 2001, by and between the Registrant and Vincent Au-Yeung
10.20	Services Agreement between IP Fibre Devices Ltd. and new IPG Photonics (UK) Ltd., dated as of January 1, 2001
21.1*	List of Subsidiaries
23.1**	Consent of Winston & Strawn (See Exhibit 5.1)
23.2	Consent of Deloitte & Touche GmbH
23.3	Consent of Deloitte & Touche LLP
27.1	Financial Data Schedule

</TABLE>

(*) Previously filed.

(**) To be filed by amendment.

(+) Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by the Registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 14 of this Registration Statement or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act, and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 (the "Securities Act"), the Company certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Sturbridge, Massachusetts on February 2, 2001.

IPG Photonics Corporation

/s/ Dr. Valentin P. Gapontsev

By: _____

Name: Dr. Valentin P. Gapontsev
Title: Chairman of the Board of
Directors and Chief Executive
Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Dr. Valentin P. Gapontsev and Hon. John H. Dalton, and each of them acting individually, as his true and lawful attorneys-in-fact and agents, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Registration Statement (including post-effective amendments or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) increasing the number of securities for which registration is sought), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, with full power of each to act alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and

purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in their capacities on the dates indicated below.

<TABLE> <CAPTION>		
Signature -----	Title -----	Date ----
<S> /s/ Dr. Valentin P. Gapontsev ----- Dr. Valentin P. Gapontsev	<C> Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	<C> February 2, 2001
/s/ Hon. John H. Dalton ----- Hon. John H. Dalton	President and Director	February 2, 2001
/s/ Dr. Eugene Shcherbakov ----- Dr. Eugene Shcherbakov	Director	February 2, 2001
/s/ Timothy P.V. Mammen ----- Timothy P.V. Mammen	Chief Financial Officer and Vice President (Principal Accounting Officer)	February 2, 2001

</TABLE>

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<TABLE> <CAPTION>		
Signature -----	Title -----	Date ----
<S> /s/ Dr. Denis Gapontsev ----- Dr. Denis Gapontsev	<C> Vice President of Research and Development and Director	<C> February 2, 2001
/s/ Robert A. Blair ----- Robert A. Blair	Vice Chairman of the Board of Directors	February 2, 2001
/s/ Michael C. Child ----- Michael C. Child	Director	February 2, 2001
/s/ Dr. William F. Krupke ----- Dr. William F. Krupke	Director	February 2, 2001

</TABLE>

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Index to Exhibits

<TABLE> <CAPTION>	
Exhibit Number	Description -----
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3.2*	Bylaws of the Registrant, as amended
4.1	Specimen certificate representing the common stock
4.2*	Form of Warrant to Purchase Common Stock of the Registrant
4.3*	Series A Preferred Stockholders Agreement, dated as of March 31, 2000, among the Registrant and the owners of Series A Preferred Stock of the Company listed on Schedule I attached thereto
4.4*	Registration Rights Agreement, dated as of August 30, 2000, by and between the Registrant and the Investors named therein

5.1** Form of Opinion of Winston & Strawn
10.1* 2000 Stock Incentive Plan, as amended
10.2* \$6,500,000.00 Construction Loan Furnished by Family Bank, FSB to the Registrant, Guaranteed by IP Fibre Devices Ltd. and Dr. Valentin P. Gapontsev, dated April 28, 2000
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21.1* List of Subsidiaries
23.1** Consent of Winston & Strawn (See Exhibit 5.1)
23.2 Consent of Deloitte & Touche GmbH
23.3 Consent of Deloitte & Touche LLP
27.1 Financial Data Schedule

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(*) Previously filed.

(**) To be filed by amendment.

(+) Portions of this exhibit have been omitted pursuant to a request for confidential treatment.

IPG PHOTONICS CORPORATION
(a Delaware corporation)

[] Shares of Common Stock

U.S. PURCHASE AGREEMENT

Dated: _____, 2001

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IPG PHOTONICS CORPORATION

(a Delaware Corporation)

[] Shares of Common Stock

(Par Value \$.0001 Per Share)

U.S. PURCHASE AGREEMENT

_____, 2001

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
as U.S. Representative of the several U.S. Underwriters
c/o Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated

North Tower
World Financial Center

Ladies and Gentlemen:

IPG Photonics Corporation, a Delaware corporation (the "Company"), confirms its agreement with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and each of the other U.S. Underwriters named in Schedule A hereto (collectively, the "U.S. Underwriters," which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom Merrill Lynch is acting as representative (in such capacity, the "U.S. Representative"), with respect to the issue and sale by the Company and the purchase by the U.S. Underwriters, acting severally and not jointly, of the respective number of shares of Common Stock, par value \$.0001 per share, of the Company ("Common Stock") set forth in said Schedule A, and with respect to the grant by the Company to the U.S. Underwriters, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of [insert over-allotment] additional shares of Common Stock to cover over-allotments, if any. The aforesaid [] shares of Common Stock (the "Initial U.S. Securities") to be purchased by the U.S. Underwriters and all or any part of the [] shares of Common Stock subject to the option described in Section 2(b) hereof (the "U.S. Option Securities") are hereinafter called, collectively, the "U.S. Securities."

It is understood that the Company is concurrently entering into an agreement dated the date hereof (the "International Purchase Agreement") providing for the offering by the Company of an aggregate of [] shares of Common Stock (the "Initial International Securities") through arrangements with certain underwriters outside the United States and Canada (the "International Managers") for which Merrill Lynch International and is acting as lead manager (the "Lead

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Manager") and the grant by the Company to the International Managers, acting severally and not jointly, of an option to purchase all or any part of the International Manager's pro rata portion of up to [] additional shares of Common Stock solely to cover over-allotments, if any (the "International Option Securities" and, together with the U.S. Option Securities, the "Option Securities"). The Initial International Securities and the International Option Securities are hereinafter called the "International Securities." It is understood that the Company is not obligated to sell and the U.S. Underwriters are not obligated to purchase, any Initial U.S. Securities unless all of the Initial International Securities are contemporaneously purchased by the International Managers.

The U.S. Underwriters and the International Managers are hereinafter collectively called the "Underwriters," the Initial U.S. Securities and the Initial International Securities are hereinafter collectively called the "Initial Securities," and the U.S. Securities, and the International Securities are hereinafter collectively called the "Securities."

The Underwriters will concurrently enter into an Intersyndicate Agreement of even date herewith (the "Intersyndicate Agreement") providing for the coordination of certain transactions among the Underwriters under the direction of Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated (in such capacity, the "Global Coordinator").

The Company understands that the U.S. Underwriters propose to make a public offering of the U.S. Securities as soon as the U.S. Representatives deem advisable after this Agreement has been executed and delivered.

[The Company and the U.S. Underwriters agree that up to [] shares of the Initial U.S. Securities to be purchased by the U.S. Underwriters [and that up to [] shares of the Initial International Securities to be purchased by the International Managers] (collectively, the "Reserved Securities") shall be reserved for sale by the Underwriters to certain eligible employees and persons having business relationships with the Company, as part of the distribution of the Securities by the Underwriters, subject to the terms of this Agreement, the applicable rules, regulations and interpretations of the National Association of Securities Dealers, Inc. (the "NASD") and all other applicable laws, rules and regulations. To the extent that such Reserved Securities are not orally confirmed for purchase by such eligible employees and persons having business relationships with the Company by the end of the first business day after the

date of this Agreement, such Reserved Securities may be offered to the public as part of the public offering contemplated hereby.]

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (No. 333-51560) covering the registration of the Securities under the Securities Act of 1933, as amended (the "1933 Act"), including the related preliminary prospectus or prospectuses. Promptly after execution and delivery of this Agreement, the Company will either (i) prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule 424 ("Rule 424(b)") of the 1933 Act Regulations or (ii) if the Company has elected to rely upon Rule 434 ("Rule 434") of the 1933 Act Regulations, prepare and file a term sheet (a "Term Sheet") in accordance with the provisions of Rule 434 and Rule 424(b). Two forms of prospectus are to be used in connection

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with the offering and sale of the Securities: one relating to the U.S. Securities (the "Form of U.S. Prospectus") and one relating to the International Securities (the "Form of International Prospectus"). The Form of International Prospectus is identical to the Form of U.S. Prospectus, except for [the front cover and back cover pages and the information under the caption "Underwriting" and the inclusion in the Form of International Prospectus of a section under the caption "Certain United States Tax Considerations for Non-United States Holders."] The information included in any such prospectus or in any such Term Sheet, as the case may be, that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective (a) pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A Information" or (b) pursuant to paragraph (d) of Rule 434 is referred to as "Rule 434 Information." Each Form of U.S. Prospectus and Form of International Prospectus used before such registration statement became effective, and any prospectus that omitted, as applicable, the Rule 430A Information or the Rule 434 Information, that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a "preliminary prospectus." Such registration statement, including the exhibits thereto and schedules thereto at the time it became effective and including the Rule 430A Information and the Rule 434 Information, as applicable, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein referred to as the "Rule 462(b) Registration Statement," and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The final Form of U.S. Prospectus and the final Form of International Prospectus in the forms first furnished to the Underwriters for use in connection with the offering of the Securities are herein called the "U.S. Prospectus" and the "International Prospectus," respectively, and collectively, the "Prospectuses." If Rule 434 is relied on, the terms "U.S. Prospectus" and "International Prospectus" shall refer to the preliminary U.S. Prospectus dated __, 2001 and preliminary International Prospectus dated __, 2001, respectively, each together with the applicable Term Sheet and all references in this Agreement to the date of such Prospectuses shall mean the date of the applicable Term Sheet. For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the U.S. Prospectus, the International Prospectus or any Term Sheet or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

SECTION 1. Representations and Warranties.

(a) Representations and Warranties by the Company. The Company represents and warrants to each U.S. Underwriter as of the date hereof, as of the Closing Time referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) referred to in Section 2(b), hereof and agrees with each U.S. Underwriter, as follows:

(i) Compliance with Registration Requirements. Each of the

Registration Statement and any Rule 462(b) Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to

the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

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At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Time (and, if any U.S. Option Securities are purchased, at the Date of Delivery), the Registration Statement, the Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Prospectuses, any preliminary prospectuses and any supplement thereto or prospectus wrapper prepared in connection therewith, at their respective times of issuance and at the Closing Time, complied and will comply in all material respects with any applicable laws or regulations of foreign jurisdictions in which the Prospectuses and such preliminary prospectuses, as amended or supplemented, if applicable, are distributed in connection with the offer and sale of Reserved Securities. Neither of the Prospectuses nor any amendments or supplements thereto (including any prospectus wrapper), at the time the Prospectuses or any amendments or supplements thereto were issued and at the Closing Time (and, if any U.S. Option Securities are purchased, at the Date of Delivery), included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If Rule 434 is used, the Company will comply with the requirements of Rule 434 and the Prospectuses shall not be "materially different," as such term is used in Rule 434, from the prospectuses included in the Registration Statement at the time it became effective. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or the U.S. Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by any U.S. Underwriter through the U.S. Representatives expressly for use in the Registration Statement or the U.S. Prospectus.

Each preliminary prospectus and the prospectuses filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the 1933 Act, complied when so filed in all material respects with the 1933 Act Regulations and each preliminary prospectus and the Prospectuses delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(ii) Independent Accountants. The accountants who

certified the financial statements and supporting schedules included in the Registration Statement are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iii) Financial Statements. The combined financial

statements included in the Registration Statement and the Prospectuses, together with the related schedules and notes, present fairly the combined financial position of the Company and its combined consolidated subsidiaries, NTO IRE-POLUS, IPG Laser GmbH, and IPG Fibertech S.r.l. at the dates indicated and the statement of operations, stockholders' equity and cash flows

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of the Company and its consolidated subsidiaries, NTO IRE-POLUS, IPG Laser GmbH, and IPG Fibertech S.r.l., as the case may be, for the periods specified; said financial statements have been prepared in

conformity with United States generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules included in the Registration Statement present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Prospectuses present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement.

(iv) No Material Adverse Change in Business. Since the

respective dates as of which information is given in the Registration Statement and the Prospectuses, except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(v) Good Standing of the Company. The Company has been duly

organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(vi) Good Standing of Subsidiaries. Each subsidiary (as such

[and which term shall be deemed to include NTO IRE-POLUS]) of the Company (each a "Subsidiary" and, collectively, the "Subsidiaries") has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; except as otherwise disclosed in the Registration Statement, all of the issued and outstanding sharecapital, capital stock, or partnership interest of each such Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; none

of the outstanding shares of capital stock of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary. The only Subsidiaries of the Company are (a) the Subsidiaries listed on Exhibit 21 to the Registration Statement and (b) certain other Subsidiaries which, considered in the aggregate as a single Subsidiary, do not constitute a "Significant Subsidiary" as defined in Rule 1.02 of the Regulation S-X.

(vii) Restructuring. The description of the restructuring of the

Company (the "Restructuring") in the Registration Statement and Prospectus under the caption "Transaction with Related Parties - Restructuring" is

complete and accurate and the transactions contemplated to affect the Restructuring have been duly authorized by all necessary corporate and shareholder action, as the case may be, of the parties to the Restructuring (collectively, the "Restructuring Parties"), does not conflict with, or result in a breach of or, (with or without the giving of notice, lapse of time, or both) constitute a default under, the charter or by-laws of the Company or any of the other parties to the Restructuring or any other material agreements to which the Company or any other party is bound and no other action on the part of any Restructuring Party is necessary to authorize the execution delivery and performance of the agreements affecting the Restructuring (collectively, the "Restructuring Documents") and the consummation of the transactions contemplated thereby; and, prior to the Closing Time, the Restructuring Documents will be duly executed and delivered by each Restructuring Party and, when so executed and delivered by each party thereto, the Restructuring Documents will be a valid and binding obligation of each of them enforceable against each of them in accordance with their terms.

(viii) Capitalization. The authorized, issued and outstanding capital

stock of the Company is as set forth in the Prospectuses in the column entitled "Actual" under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to this Agreement, pursuant to reservations, agreements or employee benefit plans referred to in the Prospectuses or pursuant to the exercise of convertible securities or options referred to in the Prospectuses). The shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company was issued in violation of the preemptive or other similar rights of any securityholder of the Company.

(ix) Authorization of Agreement. This Agreement and the

International Purchase Agreement have been duly authorized, executed and delivered by the Company.

(x) Authorization and Description of Securities. The Securities to

be purchased by the U.S. Underwriters and the International Managers from the Company have been duly authorized for issuance and sale to the U.S. Underwriters pursuant to this Agreement and the International Managers pursuant to the International Purchase Agreement, respectively, and, when issued and delivered by the Company pursuant to this Agreement and the International Purchase Agreement, respectively, against payment of the consideration set forth herein and the International Purchase Agreement, respectively, will be validly issued, fully paid and non-assessable; the Common Stock

conforms to all statements relating thereto contained in the Prospectuses and such description conforms to the rights set forth in the instruments defining the same; no holder of the Securities will be subject to personal liability by reason of being such a holder; and the issuance of the Securities is not subject to the preemptive or other similar rights of any securityholder of the Company.

(xi) Export Controls. The Company and its Subsidiaries possess all

licenses, approvals and permits under the export control laws and regulations to which it or its Subsidiaries are subject necessary to export its products or disclose its technical information to foreign countries or citizens. The Company and its Subsidiaries have filed applications to obtain commodity classifications necessary to export their products or disclose their technical information to foreign countries or citizens.

(xii) Absence of Defaults and Conflicts. Neither the Company nor any

of its Subsidiaries is in violation of its charter or by-laws or in default in the performance or observance of any obligation, agreement, covenant or lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any Subsidiary is

subject (collectively, "Agreements and Instruments") except for such defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the International Purchase Agreement and the consummation of the transactions contemplated in this Agreement, the International Purchase Agreement and in the Registration Statement (including the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described in the Prospectuses under the caption "Use of Proceeds") and compliance by the Company with its obligations under this Agreement and the International Purchase Agreement have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any Subsidiary or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any Subsidiary or any of their assets, properties or operations. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any Subsidiary.

(xiii) Absence of Labor Dispute. No labor dispute with the employees

of the Company or any Subsidiary exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the

employees of any of its or any Subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

(xiv) Absence of Proceedings. There is no action, suit, proceeding,

inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any Subsidiary, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to materially and adversely affect the properties or assets thereof or the consummation of the transactions contemplated in this Agreement and the International Purchase Agreement or the performance by the Company of its obligations hereunder or thereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any Subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to the business, could not reasonably be expected to result in a Material Adverse Effect.

(xv) Accuracy of Exhibits. There are no contracts or documents which

are required to be described in the Registration Statement or the Prospectuses or to be filed as exhibits thereto which have not been so described and filed as required.

(xvi) Possession of Intellectual Property. The Company and its

Subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, and neither the Company nor any of its subsidiaries

has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its Subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would result in a Material Adverse Effect; and all agreements between the Company and its Subsidiaries for the license of Intellectual Property owned by any of them to each of them have been duly authorized, executed and delivered and are enforceable in accordance with their terms.

(xvii) Absence of Further Requirements. No filing with, or

authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency or any stock exchange authority, domestic or foreign, (collectively, "Filings and Approvals") is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering, issuance or sale of the Securities under this Agreement and the International Purchase Agreement or the consummation of the transactions contemplated by this Agreement and the

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International Purchase Agreement, except (i) such as have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations and foreign or state securities or blue sky laws (ii) such as have been obtained under the laws and regulations of jurisdictions outside the United States in which the Reserved Securities are offered (iii) such as have been obtained or may be required by rules and regulations of the NASD (iv) such as have been obtained with respect to the approval of the Nasdaq National Market for listing of the Securities, all of which filings and approvals have been obtained and are in full force and effect.

(xviii) Possession of Licenses and Permits. The Company and its

Subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them; the Company and its Subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xix) Title to Property. The Company and its Subsidiaries have good

and marketable title to all real property owned by the Company and its Subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (a) are described in the Prospectuses or (b) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its Subsidiaries; and all of the leases and subleases material to the business of the Company and its Subsidiaries, considered as one enterprise, and under which the Company or any of its Subsidiaries holds properties described in the Prospectuses, are in full force and effect, and neither the Company nor any Subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any Subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such Subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease.

(xx) Compliance with All Applicable Laws. The Company and its

Subsidiaries are in compliance with all applicable laws, statutes, ordinances, rules or regulations, the breach or violation of which, individually or in the aggregate, could be reasonably expected to have a Material Adverse Effect.

(xxi) Filing of Tax Returns. The Company and its Subsidiaries have

filed all federal, state, local and foreign tax returns that are required to be filed or have duly requested extensions thereof and have paid all taxes required to be paid by any of them

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and any related assessments, fines or penalties, except for any such tax, assessment, fine or penalty that is being contested in good faith and by appropriate proceedings and, except where the failure to file any such return or pay any such tax would not, individually or in the aggregate, have a Material Adverse Effect; and adequate charges, accruals and reserves have been provided for in the financial statements referred to above in respect of all federal, state, local and foreign taxes for all periods as to which the tax liability of the Company or any of its subsidiaries has not been finally determined or remains open to examination by applicable taxing authorities; the formation of the Company and the transfers of property and businesses to it in connection therewith do not give and have not given rise to any actual or contingent tax liability that could be to the Company's knowledge, there is no material proposed tax deficiency, assessment, charge or levy against it or any of its Subsidiaries as to which a reserve would be required to be established under GAAP which has not been so reserved.

(xxii) Insurance. The Company and its Subsidiaries carry or are

entitled to the benefits of insurance in such amounts and covering such risks as is generally maintained by companies of established repute engaged in the same or similar business, and such insurance is in full force and effect.

(xxiii) Internal Accounting. The Company maintains a system of

internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general and specific authorizations; (ii) transactions are recorded as necessary to permit preparations of financial statements in conformity with GAAP and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorizations; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxiv) Investment Company Act. The Company is not, and upon the

issuance and sale of the Securities herein contemplated and the application of the net proceeds therefrom as described in the Prospectuses will not be, an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "1940 Act").

(xxv) Environmental Laws. Except as described in the Registration

Statement or the Prospectuses and except as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its Subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing,

distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its Subsidiaries have all permits, authorizations and

approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its Subsidiaries and (D) there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its Subsidiaries relating to Hazardous Materials or any Environmental Laws.

(xxvi) Registration Rights. Except as disclosed in the Registration

Statement or the Prospectuses, there are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the 1933 Act.

(xxvii) No Stamp Taxes. No stamp duty or similar tax or duty is

payable by or on behalf of the U.S. Underwriters in connection with the issuance, sale and delivery of the Securities as contemplated by this Agreement or the International Purchase Agreement.

(xxviii) Certain Relationships. No relationship, direct or indirect,

exists between or among any of the Company or any affiliate of the Company, on the one hand, and any director, officer, stockholder, customer or supplier of any of them, on the other hand, which is required by the 1933 Act or by the 1933 Act Regulations to be described in the Registration Statement or the Prospectuses which is not so described or is not described as required.

(b) Officer's Certificates. Any certificate signed by any officer of the Company or any of its subsidiaries delivered to the Global Coordinator, the U.S. Representatives or to counsel for the U.S. Underwriters shall be deemed a representation and warranty by the Company to each U.S. Underwriter as to the matters covered thereby.

SECTION 2. Sale and Delivery to U.S. Underwriters; Closing.

(a) Initial Securities. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each U.S. Underwriter, severally and not jointly, and each U.S. Underwriter, severally and not jointly, agrees to purchase from the Company, at the price per share set forth in Schedule B, the number of Initial U.S. Securities set forth in Schedule A opposite the name of such U.S. Underwriter, plus any additional number of Initial U.S. Securities which such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

(b) Option Securities. In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company hereby grants an option to the U.S. Underwriters, severally and not jointly, to purchase up to an additional [] shares of Common Stock at the price per share set forth in Schedule B, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial U.S. Securities but not payable on the U.S. Option Securities. The option hereby

granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments

which may be made in connection with the offering and distribution of the Initial U.S. Securities upon notice by the Global Coordinator to the Company setting forth the number of U.S. Option Securities as to which the several U.S. Underwriters are then exercising the option and the time and date of payment and delivery for such U.S. Option Securities. Any such time and date of delivery for the U.S. Option Securities (a "Date of Delivery") shall be determined by the Global Coordinator, but shall not be later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined. If the option is exercised as to all or any portion of the U.S. Option Securities, each of the U.S. Underwriters, acting severally and not jointly, will purchase that proportion of the total number of U.S. Option Securities then being purchased which the number of Initial U.S. Securities set forth in Schedule A opposite the name of such U.S. Underwriter bears to the total number of Initial U.S. Securities, subject in each case to such adjustments as the Global Coordinator in its discretion shall make to eliminate any sales or purchases of fractional shares.

(c) Payment. Payment of the purchase price for, and delivery of certificates for, the Initial Securities shall be made at the offices of Brown & Wood LLP, One World Trade Center, New York, NY 10048, or at such other place as shall be agreed upon by the Global Coordinator and the Company, at 9:00 A.M. (Eastern time) on the third (fourth, if the pricing occurs after 4:30 P.M. (Eastern time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 10), or such other time not later than ten business days after such date as shall be agreed upon by the Global Coordinator and the Company (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the U.S. Option Securities are purchased by the U.S. Underwriters, payment of the purchase price for, and delivery of certificates for, such U.S. Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the Global Coordinator and the Company, on each Date of Delivery as specified in the notice from the Global Coordinator to the Company.

Payment shall be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to the U.S. Representatives for the respective accounts of the U.S. Underwriters of certificates for the U.S. Securities to be purchased by them. It is understood that each U.S. Underwriter has authorized the U.S. Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial U.S. Securities and the U.S. Option Securities, if any, which it has agreed to purchase. Merrill Lynch, individually and not as representative of the U.S. Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Initial U.S. Securities or the U.S. Option Securities, if any, to be purchased by any U.S. Underwriter whose funds have not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such U.S. Underwriter from its obligations hereunder.

(d) Denominations; Registration. Certificates for the Initial U.S. Securities and the U.S. Option Securities, if any, shall be in such denominations and registered in such names as the U.S. Representatives may request in writing at least one full business day before the Closing Time or

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the relevant Date of Delivery, as the case may be. The certificates for the Initial U.S. Securities and the U.S. Option Securities, if any, will be made available for examination and packaging by the U.S. Representatives in The City of New York not later than 10:00 A.M. (Eastern time) on the business day prior to the Closing Time or the relevant Date of Delivery, as the case may be.

SECTION 3. Covenants of the Company. The Company covenants with each U.S. Underwriter as follows:

(a) Compliance with Securities Regulations and Commission Requests. The Company, subject to Section 3(b), will comply with the requirements of Rule 430A or Rule 434, as applicable, and will notify the Global Coordinator immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectuses or any amended

Prospectuses shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectuses or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes. The Company will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) Filing of Amendments. The Company will give the Global Coordinator notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)), any Term Sheet or any amendment, supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the Prospectuses, will furnish the Global Coordinator with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Global Coordinator or counsel for the U.S. Underwriters shall object.

(c) Export Controls. The Company will take all necessary steps to maintain all licenses, approvals, permits and commodity classifications under the export control laws and regulations to which it or its Subsidiaries are subject necessary to export its products or disclose its technical information to foreign countries or citizens.

(d) Delivery of Registration Statements. The Company has furnished or will deliver to the U.S. Representatives and counsel for the U.S. Underwriters, without charge, signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein) and signed copies of all consents and certificates of experts, and will also deliver

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to the U.S. Representatives, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the U.S. Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the U.S. Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) Delivery of Prospectuses. The Company has delivered to each U.S. Underwriter, without charge, as many copies of each preliminary prospectus as such U.S. Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each U.S. Underwriter, without charge, during the period when the U.S. Prospectus is required to be delivered under the 1933 Act or the Securities Exchange Act of 1934 (the "1934 Act"), such number of copies of the U.S. Prospectus (as amended or supplemented) as such U.S. Underwriter may reasonably request. The U.S. Prospectus and any amendments or supplements thereto furnished to the U.S. Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(f) Continued Compliance with Securities Laws. The Company will comply with the 1933 Act, the 1933 Act Regulations, the 1934 Act and the rules and regulations promulgated thereunder (the "1934 Act Regulations"), and the rules and regulations of the NASDAQ so as to permit the completion of the distribution of the Securities as contemplated in this Agreement, the International Purchase Agreement and in the Prospectuses. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Securities, any event shall occur or condition

shall exist as a result of which it is necessary, in the opinion of counsel for the U.S. Underwriters or for the Company, to amend the Registration Statement or amend or supplement any Prospectus in order that the Prospectuses will not include any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement any Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectuses comply with such requirements, and the Company will furnish to the U.S. Underwriters such number of copies of such amendment or supplement as the U.S. Underwriters may reasonably request.

(g) Blue Sky Qualifications. The Company will use its best efforts, in cooperation with the U.S. Underwriters, to qualify the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Global Coordinator may designate and to maintain such qualifications in effect for a period of not less than one year from the later of the effective date of the Registration Statement and any Rule 462(b) Registration Statement; provided, however,

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that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the effective date of the Registration Statement and any Rule 462(b) Registration Statement.

(h) Rule 158. The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(i) Use of Proceeds. The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Prospectuses under "Use of Proceeds."

(j) Listing. The Company will use its best efforts to effect and maintain the quotation of the Securities on the Nasdaq National Market and will file with the Nasdaq National Market all documents and notices required by the Nasdaq National Market of companies that have securities that are traded in the over-the-counter market and quotations for which are reported by the Nasdaq National Market.

(k) Restriction on Sale of Securities. During a period of [180] days from the date of the Prospectuses, the Company will not, without the prior written consent of the Global Coordinator, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Securities to be sold hereunder or under the International Purchase Agreement, (B) any shares of Common Stock issued by the Company upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof and referred to in the Prospectuses, (C) any

shares of Common Stock issued or options to purchase Common Stock granted pursuant to existing employee benefit plans of the Company referred to in the Prospectuses or (D) any shares of Common Stock issued pursuant to any non-employee director stock plan or dividend reinvestment plan.

(l) Taxes and Fees. The Company and the Selling Shareholders agrees to indemnify and hold harmless the U.S. Underwriters against any documentary, stamp or similar transfer or issue tax, or fees, including any interest and penalties, which are or

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may be required to be paid on or in connection with the creation, offer and distribution of the Securities or on the execution or delivery of the U.S. Purchase Agreement.

(m) Reporting Requirements. The Company, during the period when the Prospectuses are required to be delivered under the 1933 Act or the 1934 Act, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and the rules and regulations of the Commission thereunder.

(n) Compliance with NASD Rules. [The Company hereby agrees that it will ensure that the Reserved Securities will be restricted as required by the NASD or the NASD rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of this Agreement. The Underwriters will notify the Company as to which persons will need to be so restricted. At the request of the Underwriters, the Company will direct the transfer agent to place a stop transfer restriction upon such securities for such period of time. Should the Company release, or seek to release, from such restrictions any of the Reserved Securities, the Company agrees to reimburse the Underwriters for any reasonable expenses (including, without limitation, legal expenses) they incur in connection with such release.]

(o) Compliance with Rule 463. The Company will file with the Commission such reports on Form SR as may be required pursuant to Rule 463 of the 1933 Act Regulations.

SECTION 4. Payment of Expenses.

(a) Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, (ii) the preparation, printing and delivery to the Underwriters of this Agreement, any Agreement among Underwriters and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Securities, (iii) the preparation, issuance and delivery of the certificates for the Securities to the Underwriters, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to the Underwriters and the transfer of the Securities between the U.S. Underwriters and the International Managers, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the printing and delivery to the Underwriters of copies of each preliminary prospectus, any Term Sheets and of the Prospectuses and any amendments or supplements thereto, (vii) the preparation, printing and delivery to the Underwriters of copies of the Blue Sky Survey and any supplement thereto, (viii) the fees and expenses of any transfer agent or registrar for the Securities, (ix) the filing fees incident to, and the reasonable fees and disbursements of counsel to the Underwriters in connection with, the

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review by the NASD of the terms of the sale of the Securities, (x) the fees

and expenses incurred in connection with the inclusion of the Securities in the Nasdaq National Market and (xi) all costs and expenses of the Underwriters, including the fees and disbursements of counsel for the Underwriters in connection with matters related to the Reserved Securities which are designated by the Company for sale to employees and others having a business relationship with the Company.

(b) Termination of Agreement. If this Agreement is terminated by the U.S. Representatives in accordance with the provisions of Section 5 or Section 9(a) (i) hereof, the Company shall reimburse the U.S. Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the U.S. Underwriters.

SECTION 5. Conditions of U.S. Underwriters' Obligations. The obligations

of the several U.S. Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company contained in Section 1 hereof or in certificates of any officer of the Company or any Subsidiary of the Company delivered pursuant to the provisions hereof, to the performance by the Company of its covenants and other obligations hereunder, and to the following further conditions:

(a) Effectiveness of Registration Statement. The Registration Statement, including any Rule 462(b) Registration Statement, has become effective and at Closing Time no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the U.S. Underwriters. A prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A) or, if the Company has elected to rely upon Rule 434, a Term Sheet shall have been filed with the Commission in accordance with Rule 424(b).

(b) Opinion of U.S. Counsel for Company. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of Winston & Strawn, counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit A hereto and to such further effect as counsel to the U.S. Underwriters may reasonably request.

(c) Opinion of Italian Counsel for Company. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of _____, Italian counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit B hereto and to such further effect as counsel to the U.S. Underwriters may reasonably request.

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(d) Opinion of German Counsel for Company. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of _____, German counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit C hereto and to such further effect as counsel to the U.S. Underwriters may reasonably request..

(e) Opinion of Russian Counsel for Company. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of _____, Russian counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit D hereto and to such further effect as counsel to the U.S. Underwriters may reasonably request.

(f) Opinion of UK Counsel for Company. At Closing Time, the U.S.

Representatives shall have received the favorable opinion, dated as of Closing Time, of _____, UK counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit E hereto and to such further effect as counsel to the U.S. Underwriters may reasonably request.

(g) Opinion of Counsel for U.S. Underwriters. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of Brown & Wood LLP, counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters with respect to the matters set forth in clauses (i), (ii), (v), (vi) (solely as to preemptive or other similar rights arising by operation of law or under the charter or by-laws of the Company), (viii) through (x), inclusive, (xii), (xiv) (solely as to the information in the Prospectus under "Description of Capital Stock--Common Stock") and the penultimate paragraph of Exhibit A hereto. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York and the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to the U.S. Representatives. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its subsidiaries and certificates of public officials.

(h) Officers' Certificate. At Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Prospectuses, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the U.S. Representatives shall have received a certificate of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1(a) hereof are true and correct with the same force and effect as though expressly made at and as of Closing

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Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are contemplated by the Commission.

(i) Accountant's Comfort Letter. At the time of the execution of this Agreement, the U.S. Representatives shall have received from Deloitte & Touche LLP a letter dated such date, in form and substance satisfactory to the U.S. Representatives, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectuses.

(j) Bring-down Comfort Letter. At Closing Time, the U.S. Representative(s) shall have received from Deloitte & Touche LLP a letter, dated as of Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (i) of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(k) Approval of Listing. At Closing Time, the Securities shall have been approved for inclusion in the Nasdaq National Market, subject only to official notice of issuance.

(l) No Objection. The NASD has confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(m) Lock-up Agreements. At the date of this Agreement, the U.S. Representatives shall have received an agreement substantially in the form of Exhibit F hereto signed by the persons listed on Schedule C hereto.

(n) Restructuring. Prior to the Closing Time, all authorizations, approvals and consents, governmental and otherwise, necessary for the consummation of the Restructuring and for the execution, delivery and performance of the Restructuring Documents will be obtained and will be in full force and effect satisfactory to counsel to the U.S. Underwriters.

(o) Purchase of Initial International Securities. Contemporaneously with the purchase by the U.S. Underwriters of the Initial U.S. Securities under this Agreement, the International Managers shall have purchased the Initial International Securities under the International Purchase Agreement.

(p) Conditions to Purchase of U.S. Option Securities. In the event that the U.S. Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the U.S. Option Securities, the representations and warranties of the Company contained herein and the statements in any certificates furnished by the Company or any Subsidiary of the Company hereunder shall be true and correct as of each Date of

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Delivery and, at the relevant Date of Delivery, the U.S. Representatives shall have received:

(i) Officers' Certificate. A certificate, dated such Date of

Delivery, of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(g) hereof remains true and correct as of such Date of Delivery.

(ii) Opinion of U.S. Counsel for Company. The favorable opinion

of Winston & Strawn, counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b) hereof.

(iii) Opinion of Italian Counsel for Company. The favorable

opinion of _____, German counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(c) hereof.

(iv) Opinion of German Counsel for Company. The favorable

opinion of _____, German counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(d) hereof.

(v) Opinion of Russian Counsel for Company. The favorable

opinion of _____, Russian counsel for the Company, in form and

substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(e) hereof.

(vi) Opinion of UK Counsel for Company. The favorable opinion

of _____, UK counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(f) hereof.

(vii) Opinion of Counsel for U.S. Underwriters. The favorable

opinion of Brown & Wood LLP, counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(g) hereof.

(viii) Bring-down Comfort Letter. A letter from Deloitte & Touche

LLP, in form and substance satisfactory to the U.S. Representatives and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to

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the U.S. Representatives pursuant to Section 5(j) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than five days prior to such Date of Delivery.

(q) Additional Documents. At Closing Time and at each Date of Delivery, counsel for the U.S. Underwriters shall have been furnished with such documents and opinions as they may require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Securities as herein contemplated shall be satisfactory in form and substance to the U.S. Representatives and counsel for the U.S. Underwriters.

(r) Termination of Agreement. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement, or, in the case of any condition to the purchase of U.S. Option Securities on a Date of Delivery which is after the Closing Time, the obligations of the several U.S. Underwriters to purchase the relevant Option Securities, may be terminated by the U.S. Representatives by notice to the Company at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6, 7 and 8 shall survive any such termination and remain in full force and effect.

SECTION 6. Indemnification.

(a) Indemnification of U.S. Underwriters. The Company agrees to indemnify and hold harmless each U.S. Underwriter and each person, if any, who controls any U.S. Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not

misleading or arising out of any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus or the Prospectuses (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of (A) the violation of any applicable laws or regulations of foreign jurisdictions where Reserved Securities have been offered and (B) any untrue statement or alleged untrue statement of a material fact included in the supplement or prospectus wrapper material distributed in Canada in connection with the reservation and sale of the Reserved Securities to [eligible employees and _____ of the Company] or the omission or alleged omission therefrom of a material fact necessary to

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make the statements therein, when considered in conjunction with the Prospectuses or preliminary prospectuses, not misleading;

(iii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission or in connection with any violation of the nature referred to in Section 6(a)(ii)(A) hereof; provided that (subject to Section 6(d) below) any such settlement is effected with the written consent of the Company; and

(iv) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by Merrill Lynch), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission or in connection with any violation of the nature referred to in Section 6(a)(ii)(A) hereof, to the extent that any such expense is not paid under (i), (ii) or (iii) above;

provided, however, that this indemnity agreement shall not apply to any loss,

liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any U.S. Underwriter through the U.S. Representatives expressly for use in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the U.S. Prospectus (or any amendment or supplement thereto).

(b) Indemnification of Company, Directors and Officers. Each U.S. Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary U.S. prospectus or the U.S. Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such U.S. Underwriter through the U.S. Representatives expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the U.S. Prospectus (or any amendment or supplement thereto).

(c) Actions against Parties; Notification. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be

sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the

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extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 6(a) above, counsel to the indemnified parties shall be selected by Merrill Lynch, and, in the case of parties indemnified pursuant to Section 6(b) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) Settlement without Consent if Failure to Reimburse. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(ii) and (iii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) Indemnification for Reserved Securities. In connection with the offer and sale of the Reserved Securities, the Company agrees, promptly upon a request, in writing to indemnify and hold harmless the U.S. Underwriters from and against any and all losses, liabilities, claims, damages and expenses incurred by them as a result of the failure of [eligible employees and _____ of the Company] to pay for and accept delivery of Reserved Securities which, by the end of the first business day following the date of this Agreement, were subject to a properly confirmed agreement to purchase.

SECTION 7. Contribution. If the indemnification provided for in Section -----
6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the U.S. Underwriters on the other hand from the offering of the Securities pursuant to this Agreement or

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(ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the U.S. Underwriters on the other hand in connection with the statements or omissions, or in connection with any violation of the nature referred to in Section 6(a)(ii)(A) hereof, which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant

equitable considerations.

The relative benefits received by the Company on the one hand and the U.S. Underwriters on the other hand in connection with the offering of the U.S. Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the U.S. Securities pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the U.S. Underwriters, in each case as set forth on the cover of the U.S. Prospectus, or, if Rule 434 is used, the corresponding location on the Term Sheet, bear to the aggregate initial public offering price of the U.S. Securities as set forth on such cover.

The relative fault of the Company on the one hand and the U.S. Underwriters on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by the U.S. Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission or any violation of the nature referred to in Section 6(a) (ii) (A) hereof.

The Company and the U.S. Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the U.S. Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, no U.S. Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the U.S. Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such U.S. Underwriter has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, each person, if any, who controls a U.S. Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such U.S. Underwriter, and each director of the Company, each

officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The U.S. Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the number of Initial U.S. Securities set forth opposite their respective names in Schedule A hereto and not joint.

SECTION 8. Representations, Warranties and Agreements to Survive

Delivery. All representations, warranties and agreements contained in this

Agreement or in certificates of officers of the Company or any of its subsidiaries submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any U.S. Underwriter or controlling person, or by or on behalf of the Company, and shall survive delivery of the Securities to the U.S. Underwriters.

SECTION 9. Termination of Agreement.

(a) Termination; General. The U.S. Representatives may terminate this Agreement, by notice to the Company, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the U.S. Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the U.S. Representatives, impracticable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the Nasdaq National Market, or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the National Association of Securities Dealers, Inc. or any other governmental authority, or (iv) if a banking moratorium has been declared by either Federal or New York authorities.

(b) Liabilities. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6, 7 and 8 shall survive such termination and remain in full force and effect.

SECTION 10. Default by One or More of the U.S. Underwriters. If one or

more of the U.S. Underwriters shall fail at Closing Time or a Date of Delivery to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the U.S. Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting U.S. Underwriters, or any other underwriters, to purchase all,

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but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the U.S. Representatives shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the number of U.S. Securities to be purchased on such date, each of the non-defaulting U.S. Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting U.S. Underwriters, or

(b) if the number of Defaulted Securities exceeds 10% of the number of U.S. Securities to be purchased on such date, this Agreement or, with respect to any Date of Delivery which occurs after the Closing Time, the obligation of the U.S. Underwriters to purchase and of the Company to sell the Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any non-defaulting U.S. Underwriter.

No action taken pursuant to this Section shall relieve any defaulting U.S. Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the U.S. Underwriters to purchase and the Company to sell the relevant U.S. Option Securities, as the case may be, either the U.S. Representatives or the Company shall have the right to postpone Closing Time or the relevant Date of Delivery, as the case may be, for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other

documents or arrangements. As used herein, the term "U.S. Underwriter" includes any person substituted for a U.S. Underwriter under this Section 10.

SECTION 11. Notices. All notices and other communications hereunder shall

be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the U.S. Underwriters shall be directed to the U.S. Representatives at North Tower, World Financial Center, New York, New York 10281-1201, attention of _____; and notices to the Company shall be directed to it at _____, attention of _____.

SECTION 12. Parties. This Agreement shall each inure to the benefit of and

be binding upon the U.S. Underwriters and the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the U.S. Underwriters and the Company and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the U.S. Underwriters and the Company and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other

person, firm or corporation. No purchaser of Securities from any U.S. Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 13. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY

AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. EXCEPT AS OTHERWISE SET FORTH HEREIN, SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 14. Effect of Headings. The Article and Section headings herein

and the Table of Contents are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the U.S. Underwriters and the Company in accordance with its terms.

Very truly yours,

IPG PHOTONICS CORPORATION

By _____
Title:

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By _____
Authorized Signatory

SCHEDULE A

Name of U.S. Underwriter -----	Number of Initial U.S. Securities -----
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Robertson Stephens, Inc.....	
CIBC World Markets Corp.....	
U.S. Bancorp Piper Jaffray Inc.....	
Wit SoundView Corporation.....	-----
 Total.....	 =====

Sch A - 1

SCHEDULE B

IPG PHOTONICS CORPORATION

[] Shares of Common Stock

(Par Value \$.0001 Per Share)

1. The initial public offering price per share for the Securities, determined as provided in said Section 2, shall be \$_____.

2. The purchase price per share for the U.S. Securities to be paid by the several U.S. Underwriters shall be \$_____, being an amount equal to the initial public offering price set forth above less \$_____ per share; provided that the purchase price per share for any U.S. Option Securities purchased upon the exercise of the over-allotment option described in Section 2(b) shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial U.S. Securities but not payable on the U.S. Option Securities.

Sch B - 1

SCHEDULE C

List of persons and entities
subject to lock-up

Sch C - 1

[COMPANY LOGO]

NUMBER	SHARES
COMMON STOCK	SEE REVERSE FOR CERTAIN DEFINITIONS CUSIP 44980X 10 9

IPG PHOTONICS CORPORATION

THIS CERTIFIED that _____ is the owner of

FULLY PAID AND NONASSESSABLE SHARES OF THE COMMON STOCK, PAR VALUE \$.0001 PER SHARE, OF

IPG PHOTONICS CORPORATION

transferable only on the books of the Corporation by the holders hereof in person or by a duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned and registered by this Agent and Registrar.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by the facsimile signatures of its duly authorized officers and to be sealed with the facsimile seal of the Corporation.

Dated

/s/ Dr. Valentin P. Gapontsev [Company Seal]
Chairman of the Board and
Chief Executive Officer

Authorized Signature

/s/ Angelo P. Lopresti
Secretary

COUNTERSIGNED

CONTINENTAL STOCK TRANSFER & TRUST COMPANY	
JERSEY CITY, NEW JERSEY	TRANSFER AGENT AND REGISTRAR

IPG PHOTONICS CORPORATION

The Corporation will furnish without charge to each stockholder who so requests a statement of the powers, designations, preferences, and relative participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations, or restrictions of such preferences and/or rights.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

<TABLE>	<C>
<S>	UNIF GIFT MIN ACT-- _____ Custodian _____
TEN COM - as tenants in common	Other Uniform Gifts to Minors
TEN ENT - as tenants of the entities	
OT TEN - as joint tenants with right of survivorship and not as tenants in common	

</TABLE>

Additional abbreviations may also be used though not in above list.

FOR VALUE RECEIVED _____ hereby sell, assign and transfer into

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF
ASSIGNEE)

of the common stock represented by the within Certificate and do hereby
irrevocably constitute and appoint

to transfer the said stock on the books of the within-named Corporation with
full power of substitution in the premises

Dated

Signature

Signature Guaranteed

THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND TO THE NAME AS WRITTEN UPON THE
FACE OF THIS CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT
OR ANY CHANGE WHATSOEVER AND MUST BE GUARANTEED BY A COMMERCIAL BANK OR TRUST
COMPANY OR A MEMBER FIRM OF THE CONTINENTAL STOCK EXCHANGE, NEW YORK STOCK
EXCHANGE, PACIFIC STOCK EXCHANGE, MIDWEST STOCK EXCHANGE OR BOSTON STOCK
EXCHANGE

PART TIME EMPLOYMENT CONTRACT
BETWEEN IPG LASER GMBH
AND ITS MANAGING DIRECTOR
Mr. Dr. Valentin P. GAPONTSEV

Between the Company

IPG Laser GmbH
Siemensstr. 7
57299 Burbach

- hereafter called company -

represented by the share holder's meeting, consisting of
IP Fibre Devices (U.K.) Ltd., London
Mr. Dr. V.P. Gapontsev

and Mr. Dr. Valentin P. Gapontsev
22/230 Mira Av.
Fryazino, Moskau 141120, RuBland

- hereafter called managing director

the following employment contract is concluded:

EMPLOYMENT CONTRACT

(S) 1 Tasks and other duties

(1) The shareholder Dr. Valentin P. Gapontsev will be ordered as per 25.8.1995 to be the managing director of the company. The employment contract is valid as per 1.09.1995.

(2) The managing director solely represents the company according to law and statutes.

He is obliged and authorized to solely carry out the company business.

The managing director renders 50 % of his working time to the company.

The managing director is exempted from the restrictions concerning self-business acc. (S) 181 of the statutes and this contract.

(3) Instructions of the share holder meeting have to be adhered to.

- (4) The managing director has to fulfill the legal and constitutional duties of the company in the course of the management.

Furthermore he has to take best care of the economical, financial and organizational aspects of the company. All decisions of the managing director should be made for the benefit of the company.

- (5) The managing director has to keep strictly silent about all business, operational or technical information made know to him or otherwise informed.

This obligation exists also after termination of this contract.

- (6) Business or operational documents have to carefully stored and may only be used for the purpose of the company. These documents may not be made available to third parties.

The managing director has no right to hold back these files.

- (7) The managing director is only liable for premeditated damages against the company towards the share holders.

- (8) The managing director has the right to perform his duties also away from the place of residence of the company.

The weekly working hours amount to 20 hours, the managing director is not fixed to special working times.

The managing director is obliged to be available for the company, whenever and as much as it is necessary for the benefit of the company.

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(S) 2 Additional occupation

The managing director is allowed to take up or carry on additional occupations. The consent of the share holders is not necessary for starting an additional occupation nor for carrying it on.

(S) 3 Duration of contract

- (1) This contract becomes valid on 1.9.1995 and is concluded for an unlimited time.
- (2) In the first 3 years of the duration the contract can only be cancelled from both parties for serious reasons.

Such a reason would be for example the non-acknowledgement of this contract or some of his regulations by the tax authorities.

After that the contract can be cancelled by either party with a notice of ... months to the end of a calendar year.

- (3) The managing director can only be recalled for serious reasons. The recall does not automatically terminate this contract.

In case of a mutually agreed exemption, the company is obliged to continue paying the salary.

In case the recall is legally stated, the contract ends with the day the verdict becomes final.

(S) 4 Salary

- (1) The managing director will receive a monthly partial salary in the amount of DM 6.000,00.

The salary is due at the last working day of the month.

In addition Dr. Gapontsev receives an additional 13th and 14th salary in the same amount. The additional salaries will be paid out in July and November.

Dr. Gapontsev is a Russian citizen. He will not stay longer than 6 months per year in Germany.

The legal wage tax well as the insurance obligations for foreign citizens has to be considered.

- (2) Furthermore the managing director receives a bonus in the amount of 20 % of the profit subject to bonus of the company.

The tax balance sheet profit is the profit subject to bonus.

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3

Payment of the bonus is due with the yearly balance sheet and may be paid in at least 2 , but maximum 6 installments within a period of 6 months.

If in case of tax assessment notice or audits differences are noted between the profit shown in the tax declaration and the tax assessment notice, this difference will be considered subject to bonus. The corrected payment is due as soon as the tax assessment notice becomes valid.

- (3) In case of absence from work due to illness or accident the managing director will receive all salary for a further 8 weeks.

- (4) In case of death of the managing director his family will receive all salaries for a six months time period.

(S) 5 Other benefits

- (1) For the time of this contract the managing director has the right to receive an upper class company car from the company which also may be used for private use.

Taxation of the such arising monetary profit will be done by the managing director.

- (2) The managing director is entitled to all voluntary, contractual or legal special- and social benefits, which the company renders also to the other employees.

In addition the company is obliged to grant the following benefits to the managing director:

Private pension insurance including accident insurance.

- (3) The managing director will receive of the company outlays and expenses against receipts in the highest taxable amount or as per tax lump sum rates.
- (4) The management director may wholly or partially waive (defer) the payment of his salary for the benefit of the company. His claims for payment of his salary are untouched by this waiver.

In such a case a written credit contract has to be concluded soonest in which the interest rate and the repayment terms are stated.

Waiver of salaries without written credit contract are not valid.

(S) 6 Final agreements

- (1) This employment contract has to be checked each year on December 31st for the effectiveness and actuality of the statutes as well with regard to the adequacy of the salary.

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If this check-up shows that single statutes have become invalid or will become invalid or that extraordinary economical changes have to be accounted for, an amended form of this contract has to be drawn up within 6 weeks and has to be signed latest 2 weeks after by the contract parties.

- (2) In case single clauses of this contract become invalid or will become invalid, the validity of the remaining contract is untouched.

The invalid clauses shall be replaced by adequate substitutes.

- (3) Verbal agreements concerning this contract were not made.

As a rule, all changes and amendments concerning this contract shall be made in written form.

Back dated changes and amendments however are not allowed.

- (4) In case of doubt the statutes have priority before the agreements of this contract.

Burbach, 1.9.1995

For the share holders

IP FIBRE DEVICES (U.K.) Ltd. share holder
represented by MD Dr. S. Chernikov

Dr. V. Gapontsev, share holder

For the company

IPG Laser GmbH represented by GF Dr. V.
Gapontsev

Dr. V.P. Gapontsev

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5

Credit Contract

Between

Mr. Dr. Valentin P. Gapontsev
as managing director

and

IPG Laser GmbH
Siemensstr. 7
D-57299 Burbach

the following credit contract is concluded:

- (1) Dr. Gapontsev grants to the IPG Laser GmbH his monthly salary in the amount of DM 6.000,00 as a loan from 01.09.1995 up to 31.12.1995.
- (2) The loan will bear 8/12 % interest per month
- (3) The loan will be prolonged, if necessary, under the same conditions, beyond 31.12.1995, longest however until 31.12.1996.
- (4) Starting 1996 the interest is due every 3 months.
- (5) The repayment of the loan has to be effected latest on 0. 1. 1997. The repay has to be effected in 4 installments, at the beginning of a quarter year. Earlier repayments, in total or partially, are allowed.

Burbach, 01.09.1995

IPG Laser GmbH,
represented by managing director Dr. V. Gapontsev

Dr. Valentin Gapontsev

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6

Employment Contract dated 01. 09. 1995

DEFERRAL DECLARATION

IPG Laser GmbH develops new generations of lasers and introduces these products in the market. Due to the lack of capital any profit shall be invested into research and marketing activities.

Due to this, I as managing director, waive (defer) the payment of the salary for my job as managing director until 31st December 1995.

At the end of each year and based on the liquidity of the company, the deferral or the partial waiver of the salary shall be newly stipulated.

The waiver for payment (deferral) of the salary does not impair the claim of the salary payment. Together with the deferral declaration a credit contract will be made between me and IPG Laser GmbH.

Burbach, 01.09.1995

Dr. Valentin Gapontsev

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FORM OF
DIRECTOR INDEMNIFICATION AGREEMENT

This Agreement made and entered into this [_____] ("Agreement"), by and between IPG Photonics Corporation, a Delaware corporation (the "Company" which term shall include, where appropriate, any Entity (as hereinafter defined) controlled directly or indirectly by the Company) and [_____] (the "Indemnitee").

WHEREAS, it is essential to the Company that it be able to retain and attract as directors the most capable persons available;

WHEREAS, increased corporate litigation has subjected directors to litigation risks and expenses, and the limitations on the availability of directors and officers liability insurance have made it increasingly difficult for the Company to attract and retain such persons;

WHEREAS, the Company desires to provide Indemnitee with specific contractual assurance of Indemnitee's rights to full indemnification against litigation risks and expenses (regardless, among other things, of any amendment to or revocation of any such by-laws or any change in the ownership of the Company or the composition of its Board of Directors); and

WHEREAS, Indemnitee is relying upon the rights afforded under this Agreement in continuing in Indemnitee's position as a director of the Company:

NOW, THEREFORE, in consideration of the promises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Definitions.

(a) "Corporate Status" describes the status of a person who is serving or has served (i) as a director of the Company, including as a member of any committee thereof, (ii) in any capacity with respect to any employee benefit plan of the Company, or (iii) as a director, partner, trustee, officer, employee, or agent of any other Entity at the request of the Company. For purposes of subsection (iii) of this Section 1(a), an officer or director of the Company who is serving or has served as a director, partner, trustee, officer, employee or agent of a Subsidiary (as defined below) shall be deemed to be serving at the request of the Company.

(b) "Entity" shall mean any corporation, partnership, limited liability company, joint venture, trust, foundation, association, organization or other legal entity.

(c) "Expenses" shall mean all fees, costs and expenses incurred in connection with any Proceeding (as defined below), including, without limitation, reasonable attorneys' fees, disbursements and retainers (including, without limitation, any such fees, disbursements and retainers incurred by Indemnitee pursuant to Sections 8 and 10(c) of this Agreement), fees and disbursements of expert witnesses, private investigators and professional advisors (including, without limitation, accountants and investment bankers), court costs, transcript costs, fees of experts, travel expenses, duplicating, printing and binding costs, telephone and fax transmission charges, postage, delivery services, secretarial services and other disbursements and expenses.

(d) "Indemnifiable Expenses," "Indemnifiable Liabilities" and "Indemnifiable Amounts" shall have the meanings ascribed to those terms in Section 3(a) below.

(e) "Liabilities" shall mean judgments, damages, liabilities, losses, penalties, excise taxes, fines and amounts paid in settlement.

(f) "Proceeding" shall mean any threatened, pending or completed claim, action, suit, arbitration, alternate dispute resolution process, investigation, administrative hearing, appeal, or any other proceeding, whether civil, criminal, administrative, arbitratative or investigative, whether formal or informal, including a proceeding initiated by Indemnitee pursuant to Section 10 of this Agreement to enforce Indemnitee's rights hereunder.

(g) "Subsidiary" shall mean any corporation, partnership, limited liability company, joint venture, trust or other Entity of which the Company owns (either directly or through or together with another Subsidiary of the Company) either (i) a general partner, managing member or other similar interest or (ii) (A) 50% or more of the voting power of the voting capital equity interests of such corporation, partnership, limited liability company, joint venture or other Entity, or (B) 50% or more of the outstanding voting capital stock or other voting equity interests of such corporation, partnership, limited liability company, joint venture or other Entity.

2. Services of Indemnitee. In consideration of the Company's covenants and commitments hereunder, Indemnitee agrees to serve or continue to serve as a director of the Company. However, this Agreement shall not impose any obligation on Indemnitee or the Company to continue Indemnitee's service to the Company beyond any period otherwise required by law or by other agreements or commitments of the parties, if any.

3. Agreement to Indemnify. The Company agrees to indemnify Indemnitee as follows:

(a) Subject to the exceptions contained in Section 4(a) below, if Indemnitee was or is a party or is threatened to be made a party to any Proceeding (other than an action by or in the right of the Company) by reason of Indemnitee's Corporate Status, Indemnitee shall be indemnified by the Company

against all Expenses and Liabilities incurred or paid by Indemnitee in connection with such Proceeding (referred to herein as "Indemnifiable Expenses" and "Indemnifiable Liabilities," respectively, and collectively as "Indemnifiable Amounts").

(b) To the extent permitted by applicable law and subject to the exceptions contained in Section 4(b) below, if Indemnitee was or is a party or is threatened to be made a party to any Proceeding by or in the right of the Company to procure a judgment in its favor by reason of Indemnitee's Corporate Status, Indemnitee shall be indemnified by the Company against all Indemnifiable Expenses.

4. Exceptions to Indemnification. Indemnitee shall be entitled to indemnification under Sections 3(a) and 3(b) above in all circumstances other than the following:

(a) If indemnification is requested under Section 3(a) and it has been adjudicated finally by a court of competent jurisdiction that, in connection with the subject of the Proceeding out of which the claim for indemnification has arisen, Indemnitee failed to act (i) in good faith and (ii) in a manner Indemnitee reasonably believed to be in or not opposed to the best interests

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of the Company and, with respect to any criminal action or proceeding, Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful, Indemnitee shall not be entitled to payment of Indemnifiable Amounts hereunder.

(b) If indemnification is requested under Section 3(b) and

(i) it has been adjudicated finally by a court of competent jurisdiction that, in connection with the subject of the Proceeding out of which the claim for indemnification has arisen, Indemnitee failed to act (A) in good faith and (B) in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, Indemnitee shall not be entitled to payment of Indemnifiable Expenses hereunder; or

(ii) it has been adjudicated finally by a court of competent jurisdiction that Indemnitee is liable to the Company with respect to any claim, issue or matter involved in the Proceeding out of which the claim for indemnification has arisen, including, without limitation, a claim that Indemnitee received an improper personal benefit, no Indemnifiable Expenses shall be paid with respect to such claim, issue or matter unless the court of law or another court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such Indemnifiable Expenses which such court shall deem proper.

5. Procedure for Payment of Indemnifiable Amounts. Indemnitee shall submit to the Company a written request specifying the Indemnifiable Amounts for which Indemnitee seeks payment under Section 3 of this Agreement and the basis for the claim. The Company shall pay such Indemnifiable Amounts to Indemnitee within ten (10) calendar days of receipt of the request. At the request of the Company, Indemnitee shall furnish such documentation and information as are reasonably available to Indemnitee and necessary to establish that Indemnitee is entitled to indemnification hereunder.

6. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, Indemnitee shall be indemnified against all Expenses reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Agreement, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

7. Effect of Certain Resolutions. Neither the settlement or termination of any Proceeding nor the failure of the Company to award indemnification or to determine that indemnification is payable shall create an adverse presumption that Indemnitee is not entitled to indemnification hereunder. In addition, the termination of any proceeding by judgment, order, settlement,

conviction, or upon a plea of nolo contendere or its equivalent shall not create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action or proceeding, had reasonable cause to believe that Indemnitee's action was unlawful.

8. Agreement to Advance Expenses; Conditions. The Company shall pay to Indemnitee all Indemnifiable Expenses incurred by Indemnitee in connection with any Proceeding, including a Proceeding by or in the right of the Company, in advance of the final disposition of such Proceeding, as the same are incurred. To the extent required by Delaware law, Indemnitee hereby undertakes to repay the amount of Indemnifiable Expenses paid to Indemnitee if it is finally determined by a court of competent jurisdiction that Indemnitee is not entitled under this Agreement to indemnification with respect to such Expenses. This undertaking is an unlimited general obligation of Indemnitee.

9. Procedure for Advance Payment of Expenses. Indemnitee shall submit to the Company a written request specifying the Indemnifiable Expenses for which

Indemnitee seeks an advancement under Section 8 of this Agreement, together with documentation evidencing that Indemnitee has incurred such Indemnifiable Expenses. Payment of Indemnifiable Expenses under Section 8 shall be made no later than ten (10) calendar days after the Company's receipt of such request.

10. Remedies of Indemnitee.

(a) Right to Petition Court. In the event that Indemnitee makes a

request for payment of Indemnifiable Amounts under Sections 3 and 5 above or a request for an advancement of Indemnifiable Expenses under Sections 8 and 9 above and the Company fails to make such payment or advancement in a timely manner pursuant to the terms of this Agreement, Indemnitee may petition a court of law to enforce the Company's obligations under this Agreement.

(b) Burden of Proof. In any judicial proceeding brought under

Section 10(a) above, the Company shall have the burden of proving that Indemnitee is not entitled to payment of Indemnifiable Amounts hereunder.

(c) Expenses. The Company agrees to reimburse Indemnitee in full for any

Expenses incurred by Indemnitee in connection with investigating, preparing for, litigating, defending or settling any action brought by Indemnitee under Section 10(a) above, or in connection with any claim or counterclaim brought by the Company in connection therewith.

(d) Validity of Agreement. The Company shall be precluded from asserting

in any Proceeding, including, without limitation, an action under Section 10(a) above, that the provisions of this Agreement are not valid, binding and enforceable or that there is insufficient consideration for this Agreement and shall stipulate in court that the Company is bound by all the provisions of this Agreement.

(e) Failure to Act Not a Defense. The failure of the Company (including

its Board of Directors or any committee thereof, independent legal counsel or stockholders) to make a determination concerning the permissibility of the payment of Indemnifiable Amounts or the advancement of Indemnifiable Expenses under this Agreement shall not be a defense in any

action brought under Section 10(a) above, and shall not create a presumption that such payment or advancement is not permissible.

11. Representations and Warranties of the Company. The Company hereby represents and warrants to Indemnitee as follows:

(a) Authority. The Company has all necessary power and authority to enter

into, and be bound by the terms of, this Agreement, and the execution, delivery and performance of the undertakings contemplated by this Agreement have been duly authorized by the Company.

(b) Enforceability. This Agreement, when executed and delivered by the

Company in accordance with the provisions hereof, shall be a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights generally.

12. Insurance. The Company shall, as promptly as practicable following the date hereof, obtain and maintain directors and officers' liability insurance coverage on terms satisfactory to the Indemnitee of at least \$1,000,000 per occurrence, covering, among other things, violations of federal or state securities laws. The Company shall use its reasonable best efforts prior to any initial public offering of the Company's capital stock to increase its directors' and officers' liability insurance to at least \$ 10,000,000 per occurrence including coverage of claims under the Securities Act and the Exchange Act, and shall use its reasonable best efforts to maintain such coverage in effect thereafter. In all policies of director and officer liability insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's officers and directors.

13. Fees and Expenses. During the term of the Indemnitee's service as a director, the Company shall promptly reimburse the Indemnitee for all expenses incurred by him in connection with his service as a director or member of any board committee or otherwise in connection with the Company's business and shall pay or provide the Indemnitee with fees and other compensation, including stock options or awards, in amounts and value which are at least equal to those provided to any of the Company's other non-employee directors from time to time.

14. Contract Rights Not Exclusive. The rights to payment of Indemnifiable Amounts and advancement of Indemnifiable Expenses provided by this Agreement shall be in addition to, but not exclusive of, any other rights which Indemnitee may have at any time under applicable law, the Company's by-laws or certificate of incorporation, or any other agreement, vote of stockholders or directors (or a committee of directors), or otherwise, both as to action in Indemnitee's official capacity and as to action in any other capacity as a result of Indemnitee's serving as a director of the Company.

15. Successors. This Agreement shall be (a) binding upon all successors and assigns of the Company (including any transferee of all or a substantial portion of the business, stock and/or assets of the Company and any direct or indirect successor by merger or consolidation or otherwise by operation of law) and (b) binding on and shall inure to the benefit of the heirs, personal representatives, executors and administrators of Indemnitee. This Agreement

shall

continue for the benefit of Indemnitee and such heirs, personal representatives, executors and administrators after Indemnitee has ceased to have Corporate Status.

16. Subrogation. In the event of any payment of Indemnifiable Amounts under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of contribution or recovery of Indemnitee against other persons, and Indemnitee shall take, at the request of the Company, all reasonable action necessary to secure such rights, including the execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

17. Change in Law. To the extent that a change in Delaware law (whether by statute or judicial decision) shall permit broader indemnification or advancement of expenses than is provided under the terms of the by-laws of the Company and this Agreement, Indemnitee shall be entitled to such broader indemnification and advancements, and this Agreement shall be deemed to be amended to such extent.

18. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement, or any clause thereof, shall be determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, in whole or in part, such provision or clause shall be limited or modified in its application to the minimum extent necessary to make such provision or clause valid, legal and enforceable, and the remaining provisions and clauses of this Agreement shall remain fully enforceable and binding on the parties.

19. Indemnitee as Plaintiff. Except as provided in Section 10(c) of this Agreement and in the next sentence, Indemnitee shall not be entitled to payment of Indemnifiable Amounts or advancement of Indemnifiable Expenses with respect to any Proceeding brought by Indemnitee against the Company, any Entity which it controls, any director or officer thereof, or any third party, unless such Company has consented to the initiation of such Proceeding. This Section shall not apply to counterclaims or affirmative defenses asserted by Indemnitee in an action brought against Indemnitee.

20. Modifications and Waiver. Except as provided in Section 17 above with respect to changes in Delaware law which broaden the right of Indemnitee to be indemnified by the Company, no supplement, modification or amendment of this Agreement shall be binding unless executed in writing by each of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement (whether or not similar), nor shall such waiver constitute a continuing waiver.

21. General Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered by hand, (b) when transmitted by facsimile and receipt is acknowledged, or (c) if mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

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If to Indemnitee, to:

[ADDRESS]

If to the Company, to:

IPG Photonics Corporation
P.O. Box 519
660 Main Street
Sturbridge, MA 01566
Attn: Dr. Valentin P. Gapontsev

or to such other address as may have been furnished in the same manner by any party to the others.

22. Governing Law. This Agreement shall be governed by and construed and enforced under the laws of the State of Delaware without giving effect to the provisions thereof relating to conflicts of law.

[END OF TEXT]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

IPG PHOTONICS CORPORATION

By: _____

Name:

Title:

INDEMNITEE

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CONTRIBUTION AND EXCHANGE AGREEMENT

THIS AGREEMENT (this "Agreement") is by and between IPG PHOTONICS CORPORATION, a corporation organized under the laws of the State of Delaware ("Purchaser") and Dr. Valentin P. Gapontsev ("Seller"), the owner of 46% of the outstanding common stock of IPG Laser GmbH, a corporation organized under the laws of the Republic of Germany (the "Company").

RECITALS

A. Purchaser owns 54% of the issued and outstanding equity interests in the Company and desires to purchase all of the issued and outstanding equity interests owned by Seller in the Company.

B. Seller owns 46% of the issued and outstanding equity interests in the Company.

C. Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, all of Seller's equity interests in and to the Company, all on the terms and conditions, and subject to the limitations and exclusions, set forth herein.

NOW, THEREFORE, in consideration of the purchase price described below, the representations, warranties, and mutual agreements contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1

DEFINITIONS

1.1 The following capitalized terms used in this Agreement shall have the meanings (such definitions to be equally applicable to both the singular and plural forms of the terms defined) set forth in this Section 1. Except as

otherwise indicated, all agreements or instruments herein defined shall mean such agreements or instruments as from time to time assigned, supplemented or amended or as the terms thereof may be waived or modified.

"Company" shall have the meaning set forth in the introductory paragraph

to this Agreement.

"Closing Date" shall mean any date before January 8, 2002 that Purchaser

designates for the completion of the transactions contemplated herein or which is otherwise designated as a Closing Date pursuant to Section 2.1 hereof.

"Laser Shares" shall mean all of Seller's capital stock of or other equity interests in the Company.

"Lien" shall mean any liens, mortgages, security interests, encumbrances, pledges, charges, adverse claims, options, buy-sell agreements, right of first refusal agreements, rights or restrictions of any character whatsoever.

"Material Adverse Effect" shall mean a material adverse effect on the business, assets, results of operations, financial condition or prospects of a Person, taken as a whole.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or other legal entity or any government or any agency or political subdivision thereof.

"Purchaser Shares" shall mean 1,403,000 shares of the common stock, par value \$.0001 per share, of Purchaser (as adjusted to reflect stock splits, stock dividends and the like) which have an agreed value of \$ US 20.00 per share.

"Sale Event" shall mean the occurrence of any of the following events: (a) any merger or consolidation of the Purchaser into or with another corporation; (b) any sale of all or substantially all of the assets of the Purchaser; or (c) any other transaction by or as a result of which any Person acquires or holds stock representing a majority of Purchaser's outstanding voting power.

"Sale Price" shall mean the Purchaser Shares.

Section 2

ACQUISITION OF SHARES

2.1 Acquisition. On the terms and subject to the conditions hereof, and in reliance on the representations and warranties of Seller (in the case of Purchaser) and of Purchaser (in the case of Seller) on the Closing Date, Seller shall sell, transfer, assign, convey and deliver to Purchaser, and Purchaser shall purchase and accept from Seller, the Laser Shares, in consideration of the

delivery to Seller of the Sale Price. The Closing Date shall be a date designated by Purchaser upon written notice to Seller (which notice shall be given no less than five (5) days before the Closing Date). Seller shall sell the Laser Shares to the Purchaser in accordance with this Section 2.1 if (a) reasonably requested by any Person acting as underwriter of the Purchaser in connection with any initial public soliciting of Purchaser's common stock or (b) a Sale Event occurs. The Closing Date shall be the day of acceptance of the Offer for Sale and Transfer.

2.2 Approvals. Purchaser and Seller agree to use their best efforts to

obtain expeditiously any and all governmental and other consents and approvals required to be obtained in connection with this Agreement and the closing of the transactions contemplated hereby.

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2.3 Withholding Taxes. The Sale Price to be paid on the Closing Date shall

be reduced by any applicable withholding taxes required under applicable law to be withheld and paid by Purchaser to U.S. or other taxing authorities with respect to the cash portion of the Sale Price. Such withholding shall be at the applicable statutory rate unless Seller provides Purchaser with an opinion of counsel (the "Tax Opinion") that no such withholding is required or that withholding is required at a lower rate. On the Closing Date, Purchaser shall withhold such amounts as calculated in the immediately preceding sentence and confirmation to Purchaser's independent auditors of the amounts of taxes required to be withheld and paid by Purchaser. Any balance of the amount so withheld shall be remitted promptly to Seller.

Section 3

CLOSING

3.1 Closing. The closing of the transactions contemplated herein (the

"Closing") will take place at the offices of Schleifenbaum, Adler & Partner GbR, Hindenburgstrasse 1, 57072 Siegen, Germany (or at such other location as the parties hereto may agree) on the Closing Date.

3.2 Seller is not limited to exercise all company rights which are related with the Shareholdings offered for sale until acceptance is provided for the offer. This shall also applied to the right to draw profits. The Purchaser is not entitled to the profits from the operation in the period between the offer and its acceptance.

Section 4

CONDITIONS TO CLOSING

4.1 Conditions Precedent to the Obligations of Purchaser. The obligations

of Purchaser hereunder are subject to the fulfillment (or waiver by Purchaser) on or prior to the Closing Date of each of the following conditions precedent:

(a) Approvals. The Company and Seller shall have taken all such actions

required to be taken by either of them with respect to this Agreement.

(b) No Liens. The Laser Shares shall have been transferred to Purchaser

free and clear of all Liens.

(c) Representations and Warranties. All of Seller's representations and

warranties in this Agreement must be accurate in all material respects as of the date of this Agreement and as of the Closing Date.

4.2 Conditions Precedent to the Obligations of Seller. The obligations of

Seller hereunder are subject to the fulfillment (or waiver by Seller) on or prior to the Closing Date of the following condition precedent:

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(a) Approvals. Purchaser shall have taken all such actions required to be

taken by it with respect to this Agreement.

Section 5

REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of Seller. Seller represents and

warrants to Purchaser that as of the date hereof and as of the Closing Date:

(a) Authorization; No Conflict. Seller has the power to enter into this

Agreement and all other agreements contemplated by this Agreement to which such Seller is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Seller of this Agreement and the transactions (and the consummation of the transactions) contemplated hereby will not: (i) result in the breach of, or constitute a default (with or without notice or lapse of time, or both) under, any provision or accelerate any obligation or give rise to the termination of (A) any contract, agreement, debt instrument, indenture, mortgage agreement or other instrument or arrangement to which Seller is a party or (B) any judgment, order or decree by which Seller or

the Company is bound; (ii) result in the imposition of any Lien on any assets of Seller or the Company; or (iii) violate, conflict with or constitute a default of any law, statute, ordinance, rule or regulation.

(b) Due Organization, etc. of the Company. The Company is a company duly

organized, validly existing and in good standing under the laws of the Republic of Germany and has the requisite power and authority to carry on its business as now conducted. The Company has been duly qualified as a foreign corporation for the conduct of business and is in good standing under the laws of the jurisdiction in which it conducts any business so as to require such qualification, except where the failure to be so qualified would not have a Material Adverse Effect.

(c) Enforceability. This Agreement has been duly executed and delivered by

Seller and constitutes the legal, valid and binding obligation of Seller enforceable against him in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, or similar laws affecting enforcement of creditors' rights generally and by general equitable principles.

(d) Title to the Laser Shares. The Laser Shares are the only securities

and the only equity, profit or capital interests in the Company issued and outstanding and owned by Seller. Seller is the lawful record owner and beneficial owner of the Laser Shares, which have been duly authorized by all necessary action and which are validly issued, fully paid and nonassessable. Seller is, and will be on the Closing Date, the record and beneficial owner and holder of all of the Laser Shares, and on the Closing Date will convey to Purchaser good and marketable title to the Laser Shares free and clear of all Liens.

(e) Investment Status. Seller is purchasing the Purchaser Shares for its

own account, for investment only and not with a view to, or any present intention of, effecting a distribution of

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such securities or any part thereof except pursuant to a registration or an available exemption under applicable law. Seller acknowledges that the Purchaser Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction and cannot be disposed of unless they are subsequently registered under the Securities Act and any applicable state laws or an exemption from such registration is available.

(f) Accredited Investor. Seller is an "accredited investor," as such term

is defined in Rule 501 promulgated under the Securities Act.

(g) Rule 144. Seller understands that the exemption from registration

afforded by Rule 144 (the provisions of which are known to Seller) promulgated under the Securities Act depends on the satisfaction of various conditions and that, if applicable, Rule 144 may only afford the basis for sales under certain circumstances and only in limited amounts.

(h) Exemption. Seller hereby acknowledges and agrees that the purchase and

sale of the Purchaser Shares is intended to be exempt from registration under the Securities Act by virtue of Section 4(2) and/or Section 3(b) of the Securities Act, and, if applicable, in the sole judgment of the Purchaser, the provisions of Regulation D thereunder, which exemption is dependent upon the truth, completeness and accuracy of the statements made by Seller herein and in any other documents furnished by Seller to Purchaser.

5.2 Representations and Warranties of Purchaser. Purchaser hereby

represents and warrants that as of the date hereof and as of the Closing Date:

(a) Due Organization, etc. Purchaser a corporation duly organized and

validly existing and in good standing under the laws of the State of Delaware. Purchaser has the requisite corporate power and authority to enter into and perform its obligations hereunder.

(b) Authorization; No Conflict. The execution, delivery and performance of

this Agreement have been duly authorized by all necessary corporate action on its part and neither the execution and delivery hereof, nor the consummation of the transactions contemplated thereby, nor compliance by Purchaser with any of the terms and provisions thereof requires or will require any approval or consent, other than such consents and approvals as have been obtained. The execution, delivery and performance by Purchaser of this Agreement and the transactions (and the consummation of the transactions) contemplated hereby will not: (i) result in the breach of, or constitute a default (with or without notice or lapse of time, or both) under, any provision or accelerate any obligation or give rise to the termination of (A) any contract, agreement, debt instrument, indenture, mortgage agreement or other instrument or arrangement to which Purchaser is a party or (B) any judgment, order or decree by which Purchaser is bound; (ii) result in the imposition of any Lien on any assets of Purchaser; or (iii) violate, conflict with or constitute a default of any law, statute, ordinance, rule or regulation.

(c) Enforceability, etc. This Agreement has been duly executed and

delivered by Purchaser and (assuming the due authorization, execution and delivery by each other party hereto) constitutes its legal, valid and binding obligation enforceable against Purchaser in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy,

insolvency, reorganization or similar laws affecting enforcement of creditors' rights generally and by general equitable principles.

(d) Investment Status. Purchaser is purchasing the Laser Shares for its

own account, for investment only and not with a view to, or any present intention of, effecting a distribution of such securities or any part thereof except pursuant to a registration or an available exemption under applicable law. Purchaser acknowledges that the Laser Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state or other jurisdiction and cannot be disposed of unless they are subsequently registered under the Securities Act and any applicable state laws or an exemption from such registration is available.

(e) Accredited Investor. Purchaser is an "accredited investor" as such

term is defined in Rule 501 promulgated under the Securities Act.

(f) Rule 144. Purchaser understands that the exemption from registration

afforded by Rule 144 (the provisions of which are known to Purchaser) promulgated under the Securities Act depends on the satisfaction of various conditions and that, if applicable, Rule 144 may only afford the basis for sales under certain circumstances and only in limited amounts.

(g) Exemption. Purchaser hereby acknowledges and agrees that the purchase

and sale of the Laser Shares is intended to be exempt from registration under the Securities Act by virtue of Section 4(2) and/or Section 3(b) of the Securities Act, and, if applicable, in the sole judgment of Seller, the provisions of Regulation D thereunder, which exemption is dependent upon the truth, completeness and accuracy of the statements made by Purchaser herein and in any other documents furnished by Purchaser to Seller.

Section 6

INDEMNIFICATION

6.1 General Indemnification. Each of the parties hereto shall indemnify

the against any claim (including all costs, expenses, fees, damages, penalties, fines, obligations, and liabilities, and costs of enforcement (including attorneys' fees) under this Section 6 which shall result from (a) the incorrectness of any representation or breach of any warranty of such party contained herein or (b) the breach by such party of any of his or its covenants or agreements contained herein. Any amount payable pursuant to this Section 6 shall be paid promptly upon receipt of a written demand therefor from the

indemnified party, accompanied by a written statement describing the basis for such indemnity.

Section 7

MISCELLANEOUS

7.1 Fees and Expenses. Seller and the Purchaser shall bear their own

respective

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expenses incurred in connection with this Agreement and consummation of the transactions described therein.

7.2 Notices. Unless otherwise specifically provided herein, all notices,

consents, directions, approvals, instructions, requests, waivers, acceptances, and other communications required or permitted by the terms hereof to be given to any Person shall be given in writing by nationally recognized courier service or by hand delivery, or by facsimile communication followed by such courier service delivery, and any such notice shall become effective one business day after delivery to a nationally recognized overnight courier service or if by facsimile communication or by hand delivery, when received, and shall be directed to the address as follows; provided that from time to time either party may designate a new address for purposes of notice hereunder by notice to the other party:

If to Purchaser:

IPG Photonics Corporation
P.O. Box 519
660 Main Street
Sturbridge, MA 01566
Telephone No.: (508) 347-6800
Telecopy No.: (508) 347-6838

with a copy to:

Winston & Strawn
200 Park Avenue
New York, New York 10166
Attention: John W. Kaufmann
Telephone No.: (212) 294-4754
Telecopy No.: (212) 294-4700

If to Seller:

Dr. Valentin Gapontsev

c/o IPG Laser GmbH
Siemensstrasse 7
D-57299 Burbach
Telephone No.: (2736) 4420-0
Telecopy No.: (2736) 4420-25

7.3 Entire Agreement; Amendments. This Agreement contains the entire

agreement of the parties with respect to the subject matter hereof, and
supersedes all prior agreements and understandings between the parties, whether
written or oral. This Agreement may not be amended except by written instrument
signed by all of the parties thereto.

7.4 Successor and Assigns/Third Party Beneficiary. This Agreement shall be

binding upon and inure to the benefit of each of the parties hereto and their
respective heirs, personal

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representatives, successors and assigns. The Investors (the "Investors") listed
on Exhibit A to the Stock Purchase Agreement, dated as of August 2000, by and
between the Purchaser and such Investors relating to the purchase of Series B
Convertible Participating Preferred Stock, par value \$.0001 per share, of
Purchaser, shall be third-party beneficiaries of this Agreement.

7.5 Governing Law/Jurisdiction. This Agreement shall be construed and

enforced in accordance with and governed by the laws of the State of New York
(without giving effect to principles of conflicts of law). All actions and
proceedings arising out of or relating to this Agreement shall be heard and
determined in a Massachusetts state or Federal court sitting in the City of
Boston. The parties hereby irrevocably submit to the exclusive jurisdiction of
any Massachusetts state or federal court sitting in the City of Boston in any
action or proceeding arising out of or relating to this Agreement, and hereby
irrevocably agree that all claims in respect of such action or proceeding may be
heard and determined in such Massachusetts state or federal court. The parties
hereby irrevocably waive, to the fullest extent they may effectively do so, the
defense of an inconvenient forum to the maintenance of such action or
proceeding. The parties agree that a final judgment in any such action or
proceeding shall be conclusive and may be enforced in other jurisdictions by
suit on the judgment or in any other manner provided by law. TO THE EXTENT NOT
PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, EACH PARTY HEREBY WAIVES,
AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR
OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE,
CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS
AGREEMENT OR THE SUBJECT MATTER HEREOF, WHETHER NOW EXISTING OR HEREAFTER
ARISING AND WHETHER SOUNDING IN TORT OR CONTRACT OR OTHERWISE.

7.6 Counterparts. This Agreement may be executed in separate counterparts,

each of which when so executed and delivered shall be an original for all purposes, but all such counterparts shall constitute but one and the same instrument.

7.7 Severability. Any provision of this Agreement that is prohibited or -----
unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7.8 Headings. The section and article headings contained herein are for -----
convenience only and shall not be construed as part of this Agreement.

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7.9 Specific Performance. It is specifically understood and agreed that -----
any breach of the provisions of this Agreement by any party subject hereto will result in irreparable injury to the other parties hereto, that the remedy at law alone will be an inadequate remedy for such breach, and that, in addition to any other legal or equitable remedies which they may have, such other parties may enforce their respective rights by actions for specific performance (to the extent permitted by law) and the Company may refuse to recognize any unauthorized transferee as one of its stockholders for any purpose until the relevant party or parties have complied with all applicable provisions of this Agreement.

7.10 Further Assurances. Each of the parties hereto agrees that it shall -----
do, execute, acknowledge and deliver all such further actions, conveyances, assignments, transfers, documents and other assurances necessary to effectuate the purpose and carry out the terms and intent of this Agreement.

7.11 Tax Consequences. Purchaser shall have no liability for the tax -----
consequences to Seller and Seller shall have no liability for the tax consequences to Purchaser as a result of the transactions contemplated hereby.

7.12 Survival. The representations, warranties, indemnities and covenants -----
contained in this Agreement shall survive indefinitely.

[signature page follows]

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IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be duly executed as of the day and year first written above.

PURCHASER:

IPG PHOTONICS CORPORATION

By: /s/ Verghese Mammen

Name: VERGHESE MAMMEN

Title: Treasurer

SELLER:

/s/ Dr. Valentin P. Gapontsev

DR. VALENTIN P. GAPONTSEV

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement"), dated as of August 24th 2000, is by and between IPG PHOTONICS CORPORATION, a corporation organized under the laws of the State of Delaware ("Purchaser"), and IP FIBRE DEVICES U.K. (LIMITED), a company organized under the laws of the United Kingdom ("Seller"), the owner of 50% of the outstanding common stock of IPG Laser GmbH, a corporation organized under the laws of the Republic of Germany (the "Company").

RECITALS

A. Purchaser desires to purchase all of the issued and outstanding equity interests owned by Seller in the Company.

B. Seller owns 50% of the total issued and outstanding equity interests in the Company.

C. Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, all of Seller's equity interests in and to the Company, all on the terms and conditions, and subject to the limitations and exclusions, set forth herein.

NOW, THEREFORE, in consideration of the purchase price described below, the representations, warranties, and mutual agreements contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 1

DEFINITIONS

1.1. The following capitalized terms used in this Agreement shall have the meanings (such definitions to be equally applicable to both the singular and plural forms of the terms defined) set forth in this Section 1. Except as otherwise indicated, all, agreements or instruments herein defined shall mean such agreements or instruments as from time to time assigned, supplemented or amended or as the terms thereof may be waived or modified.

"Company" shall have the meaning set forth in the introductory paragraph to

this Agreement.

"Closing Date" shall mean the date of execution and delivery of this

Agreement.

"Laser Shares" shall mean all of Seller's capital stock of or other equity

interests in the Company.

"Lien" shall mean any liens, mortgages, security interests, encumbrances,

pledges, charges, adverse claims, options, buy-sell agreements, right of first
refusal agreements, rights or restrictions of any character whatsoever.

"Material Adverse Effect" shall mean a material adverse effect on the

business, assets, results of operations, financial condition or prospects of a
Person, taken as a whole.

"Person" shall mean any individual, corporation, partnership, joint

venture, association, joint-stock company, trust, unincorporated organization or
other legal entity or any government or any agency or political subdivision
thereof.

"Purchaser Shares" shall mean 1,150,000 shares of the common stock, par

value \$.0001 per share, of Purchaser.

"Sale Price" shall mean \$7,500,000, payable in cash, and the Purchaser

Shares.

"Tax Opinion" shall have the meaning set forth in Section 2.2 hereto.

Section 2

ACQUISITION OF INTERESTS

2.1. Purchase and Sale. On the terms and subject to the conditions hereof,

and in reliance on the representations and warranties of Seller (in the case of
Purchaser) and of Purchaser (in the case of Seller) contained herein, on the
Closing Date. Seller shall sell, transfer, assign, convey and deliver to
Purchaser, and Purchaser shall purchase and accept from Seller, the Laser
Shares, in consideration of the delivery to Seller of the Sale Price.

2.2. Withholding Taxes. The cash portion of the Sale Price to be paid on

the Closing Date shall be reduced by any applicable withholding taxes required
under applicable law to be withheld and paid by Purchaser to U.S. or other

taxing authorities with respect to the cash portion of the Sale Price. Such withholding shall be at the applicable statutory rate unless Seller provides Purchaser with an opinion of counsel (the "Tax Opinion") that no such

withholding is required or that withholding is required at a lower rate. On the Closing Date, Purchaser shall withhold such amounts as calculated in the immediately preceding sentence and send confirmation to Purchaser's independent auditors of the amounts of taxes required to be withheld and paid by Purchaser. Any balance of the amount so withheld shall be remitted promptly to Seller.

Section 3

CLOSING

3.1. Closing. The closing of the transactions contemplated herein (the "Closing") will take place at the offices of Schleifenbaum, Adler & Partner GbR, Hindenburgstrasse 1, 57072 Siegen, Germany (or at such other location as the parties hereto may agree) on the Closing Date.

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Section 4

CONDITIONS TO CLOSING

4.1. Conditions Precedent to the Obligations of Purchaser. The obligations of Purchaser hereunder are subject to the fulfillment (or waiver by Purchaser) on or prior to the Closing Date of each of the following conditions precedent:

(a) Approvals. The Company and Seller shall have taken all such actions required to be taken by either of them with respect to this Agreement.

(b) No Liens. The Laser Shares shall have been transferred to Purchaser free and clear of all Liens.

4.2. Conditions Precedent to the Obligations of Seller. The obligations of Seller hereunder are subject to the fulfillment (or waiver by Seller) on or prior to the Closing Date of the following condition precedent:

(a) Approval. Purchaser shall have taken all such actions required to be taken by it with respect to this Agreement.

REPRESENTATIONS AND WARRANTIES

5.1. Representations and Warranties of Seller. Seller represents and

warrants to Purchaser as of the date hereof and as of the Closing Date that:

(a) Due Organization, etc. Seller is a corporation duly organized,

validly existing and in good standing under the laws of the United Kingdom. Seller has the requisite corporate power and authority to enter into and perform its obligations hereunder.

(b) Authorization; No Conflict. The execution, delivery and performance

of this Agreement have been duly authorized by all necessary corporate action on its part and neither the execution and delivery hereof, nor the consummation of the transactions contemplated thereby, nor compliance by Seller with any of the terms and provisions thereof requires or will require any approval or consent, other than such consents and approvals as have been obtained. The execution, delivery and performance by Seller of this Agreement and the transactions (and the consummation of the transactions) contemplated hereby will not: (i) result in the breach of, constitute a default (with or without notice or lapse of time, or both) under, any provision or accelerate any obligation or give rise to the termination of (A) any contract, agreement, debt instrument, indenture, mortgage agreement or other instrument or arrangement to which the Company or Seller is a party or (B) any judgment, order or decree by which the Company or Seller is bound; (ii) result in the imposition of any Lien on any assets of the Company or Seller, or (iii) violate, conflict with or constitute a default of any law, statute, ordinance, rule, regulation or any provision of the formation documents of Seller.

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(c) Due Organization, etc. of the Company. The Company is a company duly

organized, validly existing and in good standing under the laws of the Republic of Germany and has the requisite power and authority to carry on its business as now conducted. The Company has been duly qualified as a foreign corporation for the conduct of business and is in good standing under the laws of the jurisdiction in which it conducts any business so as to require such qualification, except where the failure to be so qualified would not have a Material Adverse Effect.

(d) Enforceability. This Agreement has been duly executed and delivered

by Seller and constitutes the legal, valid and binding obligation of Seller enforceable against it in accordance with its terms, except as such enforcement

may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting enforcement of creditors' rights generally and by general equitable principles.

(e) Title to the Laser Shares. The Laser Shares are the only securities

and the only equity, profit or capital interests in the Company issued and outstanding and owned by Seller. Seller is the lawful record owner and beneficial owner of the Laser Shares, which have been duly authorized by all necessary action and which are validly issued, fully paid and nonassessable. Seller is, and will be on the Closing Date, the record and beneficial owner and holder of all of the Laser Shares, and on the Closing Date will convey to Purchaser good and marketable title to the Laser Shares free and clear of all Liens.

(f) Investment Status. Seller is purchasing the Purchaser Shares for its

own account, for investment only and not with a view to, or any present intention of, effecting a distribution of such securities or any part thereof except pursuant to a registration or an available exemption under applicable law. Seller acknowledges that the Purchaser Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction and cannot be disposed of unless they are subsequently registered under the Securities Act and any applicable state laws or an exemption from such registration is available.

(g) Accredited Investor. Seller is an "accredited investor," as such term

is defined in Rule 501 promulgated under the Securities Act.

(h) Rule 144. Seller understands that the exemption from registration

afforded by Rule 144 (the provisions of which are known to Purchaser) promulgated under the Securities Act depends on the satisfaction of various conditions and that, if applicable, Rule 144 may only afford the basis for sales under certain circumstances and only in limited amounts.

(i) Exemption. Seller hereby acknowledges and agrees that the purchase

and sale of the Purchaser Shares are intended to be exempt from registration under the Securities Act by virtue of Section 4(2) and/or Section 3(b) of the Securities Act, and, if applicable, in the sole judgment of the Purchaser, the provisions of Regulation D thereunder, which exemption is dependent upon the truth, completeness and accuracy of the statements made by Seller herein and in any other documents furnished by the Seller to Purchaser.

5.2. Representations and Warranties of Purchaser. Purchaser hereby

represents and warrants as of the date hereof that:

(a) Due Organization, etc. Purchaser is a corporation duly organized,

validly existing and in good standing under the laws of the State of Delaware. Purchaser has the requisite corporate power and authority to enter into and perform its obligations hereunder.

(b) Authorization; No Conflict. The execution, delivery and performance

of this Agreement have been duly authorized by all necessary corporate action on its part and neither the execution and delivery hereof, nor the consummation of the transactions contemplated thereby, nor compliance by Purchaser with any of the terms and provisions thereof requires or will require any approval or consent, other than such consents and approvals as have been obtained. The execution, delivery and performance by Purchaser of this Agreement and the transactions (and the consummation of the transactions) contemplated hereby will not: (i) result in the breach of, or constitute a default (with or without notice or lapse of time, or both) under, any provision of (A) any debt instrument, indenture, mortgage agreement or other instrument or arrangement to which Purchaser is a party or (B) any judgment, order or decree by which Purchaser is bound; or (ii) result in the imposition of any Lien on any assets of Purchaser.

(c) Enforceability, etc. This Agreement has been duly executed and

delivered by Purchaser and (assuming the due authorization, execution and delivery by each other party hereto) constitutes its legal, valid and binding obligation enforceable against Purchaser in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting enforcement of creditors' rights generally and by general equitable principles.

(d) Investment Status. Purchaser is purchasing the Laser Shares for its

own account, for investment only and not with a view to, or any present intention of, effecting a distribution of such securities or any part thereof except pursuant to a registration or an available exemption under applicable law. Purchaser acknowledges that the Laser Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction and cannot be disposed of unless they are subsequently registered under the Securities Act and any applicable state laws or an exemption from such registration is available.

(e) Accredited Investor. Purchaser is an "accredited investor," as such

term is defined in Rule 501 promulgated under the Securities Act.

(f) Rule 144. Purchaser understands that the exemption from registration

on afforded by Rule 144 (the provisions of which are known to Seller)

promulgated under the Securities Act depends on the satisfaction of various conditions and that, if applicable, Rule 144 may only afford the basis for sales under certain circumstances and only in limited amounts.

(g) Exemption. Purchaser hereby acknowledges and agrees that the purchase

and sale of the Laser Shares are intended to be exempt from registration under the Securities Act by virtue of Section 4(2) and/or Section 3(b) of the Securities Act, and, if applicable, in the sole judgment

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of the Seller, the provisions of Regulation D thereunder, which exemption is dependent upon the truth, completeness and accuracy of the statements made by Purchaser herein and in any other documents furnished by Purchaser to Seller.

Section 6

INDEMNIFICATION

6.1. General Indemnification. Each of the parties hereto shall indemnify

the other against any claim (including all costs, expenses, fees, damages, penalties, fines, obligations, and liabilities, and costs of enforcement (including attorneys' fees)) under this Section 6 which shall result from (a) the incorrectness of any representation or breach of any warranty of such party contained herein or (b) the breach by such party of any of his or its covenants or agreements contained herein. Any amount payable pursuant to this Section 6 shall be paid promptly upon receipt of a written demand therefor from the indemnified party, accompanied by a written statement describing the basis for such indemnity.

6.2. Indemnity by Fibre Devices. In consideration of the investment in

Purchaser by the Investors listed in the Stock Purchase Agreement by and between Purchaser and such Investors (the "Investors") of August 2000 (the "Stock Purchase Agreement") a portion of the proceeds of which have been distributed to Seller, Seller agrees to defend, indemnify and hold harmless each Investor, their affiliates and respective direct and indirect partners (including partners of partners and stockholders and members of partners), and the members, stockholders, directors, officers, employees and agents of each of the foregoing and each person who controls any of them within the meaning of Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (parties receiving the benefit of the indemnification agreement herein shall be referred to collectively as "Indemnified Parties" and individually as an Indemnified Party") from and against any and all losses, claims, damages, obligations, liens, assessments, judgments, fines, liabilities, and other costs and expenses (including, without limitation, interest, penalties and any investigation, legal and other expenses) incurred in connection with,

and any amount paid in settlement of, any action, suit or proceeding or any claim asserted, as the same are incurred, of any kind or nature whatsoever which may be sustained or suffered by any such Indemnified Party (a "Loss" or "Losses"), without regard to any investigation by any of the Indemnified Parties, based upon, arising out of, by reason of or otherwise in respect of or in connection with any inaccuracy in or breach of any representation or warranty made by the Purchaser in the Stock Purchase Agreement, or in any schedule or certificate delivered by or on behalf of the Purchaser as part of or pursuant to the Stock Purchase Agreement, or any claim, action or proceeding asserted or instituted or arising out of any matter or thing covered by such representations or warranties.

Notwithstanding the foregoing, however, (a) Seller shall not be obligated to provide indemnification for Losses in respect of claims made by any Indemnified Party after 31st August 2002 and (b) the maximum amount payable by Seller to all Indemnified Parties for Losses in respect of claims made by the Indemnified Parties for indemnification of this Section 6.2 shall not exceed \$7,500,000.

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6.3. Withholding Tax Indemnification. If Purchaser fails to withhold

applicable U.S. withholding taxes on the basis of the Tax Opinion, Seller shall indemnify Purchaser for any adverse consequences resulting from such failure to withhold, including, but not limited to, any taxes, interest or penalties.

Section 7

MISCELLANEOUS

7.1. Fees and Expenses. Seller and the Purchaser shall bear their own

respective expenses incurred in connection with this Agreement and consummation of the transactions described therein.

7.2. Notices. Unless otherwise specifically provided herein, all notices,

consents, directions, approvals, instructions, requests, waivers, acceptances, and other communications required or permitted by the terms hereof to be given to any Person shall be given in writing by nationally recognized courier service or by hand delivery, or by facsimile communication followed by such courier service delivery, and any such notice shall become effective one business day after delivery to a nationally recognized overnight courier service or if by facsimile communication or by hand delivery, when received, and shall be directed to the address as follows; provided that from time to time either party may designate a new address for purposes of notice hereunder by notice to the other party:

If to Purchaser:

IPG Photonics Corporation
P.O. Box 519
660 Main Street
Sturbridge, MA 01566
Telephone No.: (508) 347-6800
Telecopy No.: (508) 347-6838

with a copy to:

Winston & Strawn
200 Park Avenue
New York, New York 10166
Attention: John W. Kaufmann
Telephone No.: (212) 294-4754
Telecopy No.: (212) 294-4700

If to Seller:

IP Fibre Devices U.K. (Limited)

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22 Buckingham Gate
London SW 1E 6LB
Telephone No.: (020) 7828-9929
Telecopy No.: (020) 7834-1521

7.3. Entire Agreement; Amendments. This Agreement contains the entire

agreement of the parties with respect to the subject matter hereof, and
supersedes all prior agreements and understandings between the parties, whether
written or oral. This Agreement may not be amended except by written instrument
signed by all of the parties thereto.

7.4. Successor and Assigns/Third Party Beneficiary. This Agreement shall

be binding upon and inure to the benefit of each of the parties hereto and their
respective heirs, personal representatives, successors and assigns. The
Investors listed on Exhibit A to the Stock Purchase Agreement relating to the
purchase of Series B Convertible Participating Preferred Stock, par value \$.0001
per share, of Purchaser shall be third-party beneficiaries of this Agreement.

7.5. Governing Law/Jurisdiction. This Agreement shall be construed and

enforced in accordance with and governed by the laws of the State of New York
(without giving effect to principles of conflicts of law). All actions and
proceedings arising out of or relating to this Agreement shall be heard and

determined in a Massachusetts state or federal court sitting in the City of Boston. The parties hereby irrevocably submit to the exclusive jurisdiction of any Massachusetts state or federal court sitting in the City of Boston in any action or proceeding arising out of or relating to this Agreement, and hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such Massachusetts state or federal court. The parties hereby irrevocably waive, to the fullest extent they may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The parties agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, EACH PARTY HEREBY WAIVES, AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER SOUNDING IN TORT OR CONTRACT OR OTHERWISE.

7.6. Counterparts. This Agreement may be executed in separate

counterparts, each of which when so executed and delivered shall be an original for all purposes, but all such counterparts shall constitute but one and the same instrument.

7.7. Severability. Any provision of this Agreement that is prohibited or

unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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7.8. Headings. The section and article headings contained herein are for

convenience only and shall not be construed as part of this Agreement.

7.9. Further Assurances. Each of the parties hereto agrees that it shall

do, execute, acknowledge and deliver all such further actions, conveyances, assignments, transfers, documents and other assurances necessary to effectuate the purpose and carry out the terms and intent of this Agreement.

7.10. Tax Consequences. Purchaser shall have no liability for the tax

consequences to Seller and Seller shall have no liability for the tax consequences to Purchaser as a result of the transactions contemplated hereby.

7.11. Survival. The representations, warranties, indemnities and covenants

contained in this Agreement shall survive indefinitely.

IN WITNESS WHEREOF, the parties hereto have each caused this Purchase Agreement to be duly executed as of the day and year first written above.

PURCHASER:

IPG PHOTONICS CORPORATION

By: /s/ Verghese Mammen

Name: VERGHESE MAMMEN

Title: Treasurer

SELLER:

IP FIBRE DEVICES U.K. (LIMITED)

By: /s/ Timothy P.V. Mammen

Name: M. Timothy P.V. Mammen

Title: Company Secretary

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement"), dated as of August 24/th/, 2000, is by and between IPG PHOTONICS CORPORATION, a corporation organized under the laws of the State of Delaware ("Purchaser"), and DR. VALENTIN P. GAPONTSEV ("Seller"), the owner of 50% of the issued and outstanding common stock of IPG Laser GmbH, a corporation organized under the laws of the Republic of Germany (the "Company").

RECITALS

A. Purchaser desires to purchase shares of Seller's capital stock or other equity interests in the Company representing 4% of the total issued and outstanding shares of or other equity interests in the Company.

B. Seller owns shares of capital stock or other equity interests in the Company representing 50% of the total issued and outstanding shares of or other equity interests in the Company.

C. Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, shares of Seller's capital stock or other equity interests in the Company representing 4% of the total issued and outstanding shares of the Company, all on the terms and conditions, and subject to the limitations and exclusions, set forth herein.

NOW, THEREFORE, in consideration of the purchase price described below, the representations, warranties, and mutual agreements contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

Section 2

ACQUISITION OF LASER SHARES

2.1 Purchase and Sale. On the terms and subject to the conditions hereof,

and in reliance on the representations and warranties of Seller (in the case of Purchaser) and of Purchaser (in the case of Seller) contained herein, on the Closing Date, Seller shall sell, transfer, assign, convey and deliver to Purchaser, and Purchaser shall purchase and accept from Seller, the Laser Shares, in consideration of the delivery to Seller of the Sale Price.

2.2 Withholding Taxes. The Sale Price to be paid on the Closing Date

shall be reduced by any applicable withholding taxes required under applicable law to be withheld and paid by Purchaser to U.S. or other taxing authorities with respect to the Sale Price. Such withholding shall be at the applicable statutory rate unless Seller provides Purchaser with an opinion of counsel (the "Tax Opinion") that no such withholding is required or that withholding is required at a lower rate. On the Closing Date, Purchaser shall withhold such amounts as calculated in the immediately preceding sentence and send confirmation to Purchaser's

independent auditors of the amounts of taxes required to be withheld and paid by Purchaser. Any balance of the amount so withheld shall be remitted promptly to Seller.

Section 3

CLOSING

3.1 Closing. The closing of the transactions contemplated herein (the -----
"Closing") will take place at the offices of Schleifenbaum, Adler & Partner GbR, Hindenburgstrasse 1, 57072 Siegen, Germany (or at such other location as the parties hereto may agree) on the Closing Date.

Section 4

CONDITIONS TO CLOSING

4.1 Conditions Precedent to the Obligations of Purchaser. The obligations -----
of Purchaser hereunder are subject to the fulfillment (or waiver by Purchaser) on or prior to the Closing Date of each of the following conditions precedent:

(a) Approvals. The Company and Seller shall have taken all such -----
actions required to be taken by either of them with respect to this Agreement.

(b) No Liens. The Laser Shares shall have been transferred to -----
Purchaser free and clear of all Liens.

4.2 Conditions Precedent to the Obligations of Seller. The obligations of -----
Seller hereunder are subject to the fulfillment (or waiver by Seller) on or prior to the Closing Date of the following condition precedent:

(a) Approvals. Purchaser shall have taken all such actions required -----
to be taken by it with respect to this Agreement.

Section 5

COVENANTS

Name Change. As soon as reasonably practicable after the Closing Date, Seller shall change the corporate name of "IPG Laser Components" so that it does not contain "IPG".

Section 6

REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of Seller. Seller represents and

warrants to Purchaser as of the date hereof that:

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(a) Authorization; No Conflict. Seller has the power to enter into

this Agreement and all other agreements contemplated by this Agreement to which such Seller is a party and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by Seller of this Agreement and the transactions (and the consummation of the transactions) contemplated hereby will not: (i) result in the breach of, or constitute a default (with or without notice or lapse of time, or both) under, any provision or accelerate any obligation or give rise to the termination of (A) any contract, agreement, debt instrument, indenture, mortgage agreement or other instrument or arrangement to which Seller or the Company is a party or (B) any judgment, order or decree by which Seller or the Company is bound; (ii) result in the imposition of any Lien on any assets of Seller or the Company; or (iii) violate, conflict with or constitute a default of any applicable law, statute, ordinance, rule or regulation.

(b) Enforceability. This Agreement has been duly executed and

delivered by Seller and constitutes the legal, valid and binding obligation of Seller enforceable against him in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting enforcement of creditors' rights generally and by general equitable principles.

(c) Title to the Laser Shares. Seller is the lawful record owner and

beneficial owner of the Laser Shares, which have been duly authorized by all necessary action and which are validly issued, fully paid and nonassessable. Seller is, and will be on the Closing Date, the record and beneficial owner and holder of all of the Laser Shares, and on the Closing Date will convey to Purchaser good and marketable title to the Laser Shares free and clear of all Liens.

represents and warrants as of the date hereof that:

(a) Due Organization, etc. Purchaser is a corporation duly organized

and validly existing and in good standing under the laws of the State of Delaware. Purchaser has the requisite corporate power and authority to enter into and perform its obligations hereunder.

(b) Authorization; No Conflict. The execution, delivery and

performance of this Agreement have been duly authorized by all necessary corporate action on its part and neither the execution and delivery hereof, nor the consummation of the transactions contemplated thereby, nor compliance by Purchaser with any of the terms and provisions thereof requires or will require any approval or consent, other than such consents and approvals as have been obtained. The execution, delivery and performance by Purchaser of this Agreement and the transactions (and the consummation of the transactions) contemplated hereby will not: (i) result in the breach of, or constitute a default (with or without notice or lapse of time, or both) under, any provision of (A) any debt instrument, indenture, mortgage agreement or other instrument or arrangement to which Purchaser is a party or (B) any judgment, order or decree by which Purchaser is bound; or (ii) result in the imposition of any Lien on any assets of Purchaser.

(c) Enforceability, etc. This Agreement has been duly executed and

delivered by Purchaser and (assuming the due authorization, execution and delivery by each other party

hereto) constitutes its legal, valid and binding obligation enforceable against Purchaser in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization or similar laws affecting enforcement of creditors' rights generally and by general equitable principles.

(d) Investment Status. Purchaser is purchasing the Laser Shares for

its own account, for investment only and not with a view to, or any present intention of, effecting a distribution of such securities or any part thereof except pursuant to a registration or an available exemption under applicable law. Purchaser acknowledges that the Laser Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state or other jurisdiction and cannot be disposed of unless they are subsequently registered under the Securities Act and any applicable state laws or an exemption from such registration is available.

(e) Accredited Investor. Purchaser is an "accredited investor" as

such term is defined in Rule 501 promulgated under the Securities Act.

(f) Rule 144. Purchaser understands that the exemption from

registration afforded by Rule 144 (the provisions of which are known to Purchaser) promulgated under the Securities Act depends on the satisfaction of various conditions and that, if applicable, Rule 144 may only afford the basis for sales under certain circumstances and only in limited amounts.

(g) Exemption. Purchaser hereby acknowledges and agrees that the

purchase and sale of the Laser Shares is intended to be exempt from registration under the Securities Act by virtue of Section 4(2) and/or Section 3(b) of the Securities Act, and, if applicable, in the sole judgment of Seller, the provisions of Regulation D thereunder, which exemption is dependent upon the truth, completeness and accuracy of the statements made by Purchaser herein and in any other documents furnished by Purchaser to Seller.

Section 7

INDEMNIFICATION

7.1 General Indemnification. Each of the parties hereto shall indemnify

the other against any claim (including all costs, expenses, fees, damages, penalties, fines, obligations, and liabilities, and costs of enforcement (including attorneys' fees) under this Section 7 which shall result from (a) the incorrectness of any representation or breach of any warranty of such party contained herein or, (b) the breach by such party of any of his or its covenants or agreements contained herein. Any amount payable pursuant to this Section 7 shall be paid promptly upon receipt of a written demand therefor from the indemnified party, accompanied by a written statement describing the basis for such indemnity.

7.2 Withholding Tax Indemnification. If Purchaser fails to withhold

applicable U.S. withholding taxes on the basis of the Tax Opinion, Seller shall indemnify Purchaser for any adverse consequences resulting from such failure to withhold, including, but not limited to, any taxes, interest or penalties.

Section 8

MISCELLANEOUS

8.1 Fees and Expenses. Seller and the Purchaser shall bear their own

respective expenses incurred in connection with this Agreement and consummation of the transactions described therein.

8.2 Notices. Unless otherwise specifically provided herein, all notices,

consents, directions, approvals, instructions, requests, waivers, acceptances,
and other communications required or permitted by the terms hereof to be given
to any Person shall be given in writing by nationally recognized courier service
or by hand delivery, or by facsimile communication followed by such courier
service delivery, and any such notice shall become effective one business day
after delivery to a nationally recognized overnight courier service or if by
facsimile communication or by hand delivery, when received, and shall be
directed to the address as follows; provided that from time to time either party

----- ----
may designate a new address for purposes of notice hereunder by notice to the
other party:

If to Purchaser:

IPG Photonics Corporation
P.O. Box 519
660 Main Street
Sturbridge, MA 01566
Telephone No.: (508) 347-6800
Telecopy No.: (508) 347-6838

with a copy to:

Winston & Strawn
200 Park Avenue
New York, New York 10166
Attention: John W. Kaufmann
Telephone No.: (212) 294-4754
Telecopy No.: (212) 294-4700

If to Seller:

Dr. Valentin P. Gapontsev

c/o IPG Laser GmbH

Siemensstrasse 7

D-57299 Burbach

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Telephone No.: (2736) 4420-0

Telecopy No.: (2736) 4420-25

8.3 Entire Agreement; Amendments. This Agreement contains the entire

agreement of the parties with respect to the subject matter hereof, and
supersedes all prior agreements and understandings between the parties, whether
written or oral. This Agreement may not be amended except by written instrument
signed by all of the parties thereto.

8.4 Successors and Assigns/Third Party Beneficiary. This Agreement shall

be binding upon and inure to the benefit of each of the parties hereto and their
respective heirs, personal representatives, successors and assigns. The
Investors listed on Exhibit A to the Stock Purchase Agreement. Relating to the
purchase of Series B Convertible Participating Preferred Stock, par value \$0001
per share, of Purchaser shall be third-party beneficiaries of this Agreement.

8.5 Governing Law/Jurisdiction. This Agreement shall be construed and

enforced in accordance with and governed by the laws of the State of New York
(without giving effect to principles of conflicts of law). All actions and
proceedings arising out of or relative to this Agreement shall be heard and
determined a Massachusetts state or federal court sitting in the City of Boston.
The parties hereby irrevocably submit to the exclusive jurisdiction of any
Massachusetts state or federal court sitting in the City of Boston in any action
or proceeding arising out of or relating to this Agreement, and hereby
irrevocably agree that all claims in respect of such action or proceeding may be
heard and determined in such Massachusetts state or federal court. The parties
hereby irrevocably waive, to the fullest extent they may effectively do so, the
defense of an inconvenient forum to the maintenance of such action or
proceeding. The parties agree that a final judgment in any such action or
proceeding shall be conclusive and may be enforced in other jurisdictions by
suit on the judgment or in any other manner provided by law. TO THE EXTENT NOT
PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, EACH PARTY HEREBY WAIVES,
AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR
OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE,
CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS
AGREEMENT OR THE SUBJECT MATTER HEREOF, WHETHER NOW EXISTING OR HEREAFTER
ARISING AND WHETHER SOUNDING IN TORT OR CONTRACT OR OTHERWISE.

8.6 Counterparts. This Agreement may be executed in separate

counterparts, each of which when so executed and delivered shall be an original
for all purposes, but all such counterparts shall constitute but one and the
same instrument.

8.7 Severability. Any provision of this Agreement that is prohibited or

unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective
to the extent of such prohibition or unenforceability without invalidating the
remaining provisions hereof, and any such prohibition or unenforceability in any
jurisdiction shall not invalidate or render unenforceable such provision in any

other jurisdiction.

8.8 Headings. The section and article headings contained herein are for

convenience only and shall not be construed as part of this Agreement.

8.9 Further Assurances. Each of the parties hereto agrees that it shall

do, execute, acknowledge and deliver all such further actions, conveyances,
assignments, transfers, documents and other assurances necessary to effectuate
the purpose and carry out the terms and intent of this Agreement.

8.10 Tax Consequences. Purchaser shall have no liability for the tax

consequences to Seller and Seller shall have no liability for the tax
consequences to Purchaser as a result of the transactions contemplated hereby.

8.11 Survival. The representations, warranties, indemnities and covenants

contained in this Agreement shall survive indefinitely.

IN WITNESS WHEREOF, the parties hereto have each caused this Purchase
Agreement to be duly executed as of the day and year first written above.

PURCHASER:

IPG PHOTONICS CORPORATION

By: /s/ Verghese Mammen

Name: VERGHESE MAMMEN

Title: Treasurer

SELLER:

/s/ Dr. Valentin P. Gapontsev

DR. VALENTIN P. GAPONTSEV

LOAN AGREEMENT

No. LA-201003/01

This Agreement is made on this day 3rd October, 2000 by and between

IPG Photonics Corporation

A Delaware Corporation registered to do business in Massachusetts and whose Registered Office is 560 Main Street, Sturbridge MA 01566 U.S.A. hereinafter referred to as the "LENDER",

And

NTO "IRE-POLUS"

A Russian Society with a Limited Responsibility registered to do business in Fryazino, Moscow Region and whose Registered Office is Vvedenskogo Sq. 1, Fryazino, 141120 Russia hereinafter referred to as the "BORROWER",

Whereas:

The BORROWER is a research & development and manufacturing company operating in the field of fiber optics communications and laser technology incorporated under Russian Law, and is willing to enter into long term co-operation with the LENDER and its affiliates in accordance with but not limited to the Assignment and Research and Development Agreement signed between the LENDER and the BORROWER on the 30th August 2000 and any other agreements for the supply of products, research and development, technical assistance, capital equipment and any other services that the BORROWER and its affiliates might from time to time enter into with the LENDER.

Whereas:

The LENDER is a laser and fiber-optic equipment manufacturing company incorporated under the Laws of the State of Delaware, USA, and is willing to enter into long term co-operation with the BORROWER in accordance with but not limited to the Assignment and Research and Development Agreement signed between the LENDER and the BORROWER on the 30th August 2000 and any other agreements for the purchase of products, research and development, technical assistance, capital equipment and other services that the BORROWER might from time to time enter into with the LENDER and its affiliates.

NOW THEREFORE IT IS MUTUALLY AGREED AS FOLLOWS:

1. SUBJECT OF THIS AGREEMENT

1.1. The LENDER hereby agrees to advance to the BORROWER the sum of USD 1,000,000 (one million USD). The sum will be advanced to the BORROWER in two equal installments each of USD 500,000 (USD five hundred thousand) payable.

2. USE OF PROCEEDS

2.1. The proceeds of the loan are to be used to acquire machinery and capital equipment to be used in research and development and the supply of components, products and equipment to the IPG Group in accordance with but not limited to the Assignment and Research and Development Agreement signed between the IPG Group and the Borrower on the 24th August 2000 and any other agreements that the IPG Group and the Borrower might from time to time enter into.

3. TERMS OF PAYMENT

3.1. The payment of USD 1,000,000,- shall be made by the LENDER to the BORROWER'S account as per the following telegraphic transfer instructions:

Bankers Trust Company
New York, USA
SWIFT Code: BKTRUS33
Account No.: 04-405-953
Beneficiary: Federal Bank of Innovations and Development
Moscow, Russia
For final credit to Account No.: 4070284040000007007
Beneficiary: NTO "IRE-Polus" Co

3.2. The loan shall be drawn down as follows:

500,000 USD amounting to 50% of the Loan

The LENDER shall transfer USD 500,000 (five hundred thousands USD) to the BORROWER as per the payment instructions given above with value date 5th October 2000.

500,000 USD amounting to 50% of the Loan

The LENDER shall transfer USD 500,000 (Five Hundreds Thousands USD) to the BORROWER as per the payment instructions given above and as mutually agreed but in any event not later than 15th January 2001. The transfer is to be executed within 10 days of the BORROWER'S request for funds.

4. TERMS AND CONDITIONS OF THE LOAN

- 4.1. The Loan is unsecured.
- 4.2. Interest shall accrue on the principal at 7.00% being the current Federal Funds Rate of 6.50% plus a spread of 0.50%. This rate shall be fixed for the term of the loan.
- 4.3. Interest shall be calculated on the date that the Loan falls due on the basis of the number of days that loan has been drawn down in proportion to 365.
- 4.4. Interest is payable in cash on the date that the Loan falls due.

5. REPAYMENT

- 5.1. The term of the loan is for six months from the date that the LENDER transfers the funds to the BORROWER such period being determined from the date on which the BORROWER draws down the first portion of the loan.
- 5.2. BORROWER may repay any capital sum and interest accrued thereon up to the date of repayment at any time before the expiry of the Loan subject to informing the LENDER in writing such intention and any such repayment of amounts due shall constitute the fulfillment of the BORROWER'S obligations and the fulfillment of LENDER'S rights under the agreement.
- 5.3. At the mutual agreement of both parties the loan may be converted into authorized but Unissued Common Stock of the BORROWER at a rate to be determined and agreed by the parties at the time of such conversion on or before the due date of the loan.
- 5.4. The repayment of any capital or interest accrued thereon shall be made by the BORROWER to the LENDER'S account as per the following transfer instructions:

FirstMass Bank N.A.
370 Main Street
Worcester, MA 01608
United States of America
ABU Number: 211370545
Account No.: 8029308942
Beneficiary: IPG Phonics Corporation

- 5.5. To the extent that the LENDER owes the BORROWER any monies due under any other agreement between the LENDER and the BORROWER, the BORROWER may offset such amounts as are mutually agreed between the parties against the principal of the Loan and accrued interest accrued thereon by written notice to the LENDER to that effect.

6. DEFAULT PROVISIONS

- 6.1. Upon the occurrence of any of the following events, the entire unpaid

principal balance of this Loan, together with all accrued interest, shall become immediately due and payable, and the LENDER shall be entitled to pursue all remedies which it may have, at law or in equity, for the enforcement and collection of the principal and accrued interest:

6.1.1 The failure of the BORROWER to make any payment of interest or principal when due on this Loan; or

6.1.2. Any other default by the BORROWER in the payment or performance of its obligations under this Loan, if such default is not fully remedied within ten days after notice of such default is given to the BORROWER.

7. NOTICES

7.1. All notices, requests, demands or other communications to be given by either party to the other pursuant to this Agreement shall be in writing and in the English language and sent by telex, electronic mail, cable or registered mail, postage prepaid to the addresses in the introduction to this agreement.

8. VALIDITY OF THE CONTRACT

8.1. This Loan and all representations, warranties, covenants and agreements contained herein, shall be binding upon the Borrower and its successors and permitted assigns and shall inure to the benefit of the LENDER and its successors, endorsees and assigns. The BORROWER may not assign or delegate any of its duties and or obligations under this Loan.

8.2. This Contract is valid for a period of six (6) months, such period being determined from the date on which the first portion of the loan is drawn down by the BORROWER and shall expire on the earlier of the completion of the period detailed above or the date of repayment of the Loan by the Borrower to the LENDER.

8.3. At the mutual agreement of both the LENDER and the BORROWER the term of this agreement and the Loan governed hereunder may be extended from time to time as is deemed appropriate.

8.4. This Loan Agreement and the rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts entered into and be performed within said State. This Contract has been drawn in two (2) English / Russian Copies and has been duly signed by Parties concerned under the date herein above stated.

FOR IPG Photonics Corporation

/s/ Dr. Timothy P.V. Mammen

FOR NTO IRE-Polus:

/s/ Dr. Valentin P. Gapontsev

FORM OF NON-COMPETITION

AND CONFIRMATORY ASSIGNMENT AGREEMENT

This NON-COMPETITION, CONFIDENTIALITY AND CONFIRMATORY ASSIGNMENT AGREEMENT (the "Agreement") is made and entered into as of August __, 2000 by and among [IPG Photonics Corporation, a Delaware corporation] (the "Company") and [insert name of executive], an individual residing at [insert address of ----- executive] (the "Executive"). Reference is made to that certain Stock ----- Purchase Agreement of the date herewith (the "Purchase Agreement"), which contemplates an investment in the Company by the investors named therein (the "Investors").

WITNESSETH

WHEREAS, the Executive holds a direct equity interest in the Company;

WHEREAS, the Company is a manufacturer of fiber amplifiers, fiber lasers and associated products. The Company's business is conducted throughout the world and the reputation and goodwill of the Company are an integral part of its business success;

WHEREAS, as a material inducement to the Investors to enter into the Purchase Agreement and in consideration of the covenants and agreements set forth therein, and in order to provide the Investors with the full benefits of their investment, the Executive has agreed to execute and deliver this Agreement; and

WHEREAS, the execution and delivery by the Executive of this Agreement is a condition precedent to the Company's willingness to consummate the transactions described in the Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Non-Competition; Non-Solicitation. In view of the fact that ----- any activity of the Executive in violation of the terms hereof would adversely affect the Company and its subsidiaries (as defined below) and would deprive the Investors under the Purchase Agreement of the benefits of their bargains

thereunder, and to preserve the goodwill associated with the Company's business, the Executive hereby agrees to the following restrictions on his activities:

(a) Non-Competition. The Executive hereby agrees that during the

period commencing on the date hereof and ending on the date which is the later of (i) two (2) years after the date hereof and (ii) one (1) year after the date on which the Executive's employment with the Company and its subsidiaries terminates for any reason (the "Non-Competition Period") , he will not, without the express written consent of the Company, directly or indirectly (including without limitation through his involvement with IPG Laser Components, a German

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corporation, NEO-IPG Co., a Russian corporation or [IP Canada, Inc.], a Canadian corporation) anywhere in the world, engage in any activity which is, or participate or invest in, or provide or facilitate the provision of financing to, or assist (whether as owner, part-owner, shareholder, member, partner, director, officer, trustee, employee, agent or consultant, or in any other capacity), any business, organization or person other than the Company (or any subsidiary of the Company), and including any such business, organization or person involving, or which is, a family member of the Executive, whose business, activities, products or services are competitive with any of the business, activities, products or services conducted or offered by the Company and its subsidiaries during any period in which the Executive serves as an officer or employee of the Company or any of its subsidiaries, which business, activities, products and services shall include in any event and without limitation the business of manufacturing and testing of fiber amplifiers and fiber lasers and related products[provided, however, [Russian carve out]. The Executive hereby acknowledges that, because of the global-based nature of the Company's business, the geographic scope as set forth above is reasonable.

(b) Non-Solicitation. The Executive hereby agrees that during the period

commencing on the date hereof and ending on the date which is the later of (i) two (2) years after the date hereof and (ii) eighteen (18) months after the date on which the Executive's employment with the Company and its subsidiaries terminates for any reason, he will not, without the express written consent of the Company, (a) hire or engage or attempt to hire or engage for or on behalf of himself or any such competitor any officer or employee of the Company or any of its subsidiaries, or any former employee of the Company and any of its subsidiaries who was employed during the one (1) year period immediately preceding the date on which the Executive's employment or service relationship with the Company was terminated for any reason, (b) encourage for or on behalf of himself or any such competitor any such officer or employee to terminate his or her relationship or employment with the Company or any of its subsidiaries, (c) solicit for or on behalf of himself or any such competitor any client of the Company or any of its subsidiaries or (d) divert to any person (as hereinafter defined) any client or business opportunity of the Company or any of any of its subsidiaries.

The Board of Directors, with prior notice and adequate disclosure of any opportunity or proposed activity, shall be entitled to interpret the provisions of this Agreement and exempt any opportunity or activity of the Executive which the Board of Directors, in its reasonable judgment, believes is in the interests of, or not opposed to the interests of, the Company.

Notwithstanding anything herein to the contrary, the Executive may make passive investments in any enterprise the shares of which are publicly traded if such investment constitutes less than three percent (3%) of the equity of such enterprise.

Neither the Executive nor any business entity controlled by him is a party to any contract, commitment, arrangement or agreement which could, following the date hereof, restrain or restrict the Company or any subsidiary of the Company from carrying on its business or restrain or restrict the Executive from performing his employment obligations, and as of the date of this Agreement the Executive has no business interests whatsoever in or relating to the industries in which the Company and its subsidiaries currently engage other than his interest in the Company and other than interests in public companies of less than one percent (1%).

For purposes of this Agreement, any reference to the subsidiaries of the Company shall be deemed to include all entities directly or indirectly controlled by it through an ownership of more than fifty percent (50%) of the voting interests. As used in this Agreement, the term "person" shall mean an individual, a corporation, an association, a partnership, a limited liability company, an estate, a trust, and any other entity or organization.

The Executive agrees that the Company may, at its option, enforce the non-competition and non-solicitation provisions of this Section 1 by making any compensation payments required to be made to the Executive as required by applicable laws.

Section 2. Scope of Agreement. The parties acknowledge that the time,

scope, geographic area and other provisions of this Agreement have been specifically negotiated by sophisticated commercial parties and agree that (a) all such provisions are reasonable under the circumstances of the transactions contemplated hereby, (b) are given as an integral and essential part of the transactions contemplated hereby and (c) but for the covenants of the Executive contained in this Agreement, the Company and the Investors would not have entered into or consummated the transactions contemplated hereby. The Executive has independently consulted with his counsel and has been advised in all respects concerning the reasonableness and propriety of the covenants contained herein, with specific regard to the business to be conducted by Company and its subsidiaries, and represents that the Agreement is intended to be, and shall be,

fully enforceable and effective in accordance with its terms.

Section 3. Acknowledgement Regarding Inventions/Receipt of Fair

Compensation. Executive hereby confirms, acknowledges and agrees that all

inventions, modifications, discoveries, designs, developments, improvements, processes, know-how, or intellectual property rights whatsoever (collectively, "Developments") that he (either along or with others) has conceived, made or reduced to practice at any time or times while employed by the Company or any of its subsidiaries that:

- (a) related to fixtures for and methods of manufacture of fiber amplifiers and certain aspects of fiber amplifiers,
- (b) related from tasks assigned to the Executive by the Company or any of its subsidiaries to the business, or
- (c) resulted from the use of premises or personal property (whether tangible or intangible owned, leased or contracted for or by the Company or any of its subsidiaries

are the sole and absolute property of the Company, its successors and assigns. The employee acknowledges that all Developments were made as a "work for hire" and all proprietary rights which the Executive may have acquired in such Developments were assigned to the Company. The Executive hereby acknowledges he has not created any Developments that do not satisfy the provisions of Section 3(a), (b) or (c). Executive hereby confirms, acknowledges and agrees that he has received mutually-agreed upon compensation from the Company in consideration for the

Company's ownership rights to the Developments set forth in this Section 3 and that such consideration is fair and reasonable.

Section 4. Certain Remedies; Severability. It is specifically understood

and agreed that any breach of the provisions of this Agreement by the Executive or any of his affiliates will result in irreparable injury to the Company and its subsidiaries, that the remedy at law alone will be an inadequate remedy for such breach and that, in addition to any other remedy it may have, the Company and upon authorization by the Board of Directors of the Company its subsidiaries shall be entitled to enforce the specific performance of this Agreement by the Executive through both temporary and permanent injunctive relief without the necessity of proving actual damages, but without limitation of their right to damages and any and all other remedies available to them, it being understood that injunctive relief is in addition to, and not in lieu of, such other remedies. In the event that any covenant contained in this Agreement shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it shall be

interpreted to extend only over the maximum period of time for which it may be enforceable and/or over the maximum geographical area as to which it may be enforceable and/or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action. The existence of any claim or cause of action which the Executive may have against the Company or any of its subsidiaries shall not constitute a defense or bar to the enforcement of any of the provisions of this Agreement. Executive agrees that he will not assert, and it should not be considered, that any provision contained in this Agreement prevents him from earning a living or is otherwise void, voidable, or unenforceable or should be voided or held to be unenforceable.

Section 5. Jurisdiction. The parties hereby irrevocably submit to the

non-exclusive jurisdiction of the courts of The Commonwealth of Massachusetts to construe and enforce the covenants contained in this Agreement. In the event that the courts of any state shall hold such covenants unenforceable (in whole or in part) by reason of the breadth of such scope or otherwise, it is the intention of the parties hereto that such determination shall not bar or in any way affect the right of the Company or upon authorization by the Board of Directors of the Company any its subsidiaries to the relief provided for herein in the courts of any other state within the geographic scope of such covenants, as to breaches of such covenants in such other respective states, the above covenants as they relate to each state being, for this purpose, severable into diverse and independent covenants.

Section 6. Notices. Any notice or demand which is required or provided to

be given under this Agreement shall be deemed to have been sufficiently given and received for all purposes when delivered by hand, telecopy, telex or other method of facsimile, or five days after being sent by certified or registered mail, postage and charges prepaid, return receipt requested, or two days after being sent by overnight delivery providing receipt of delivery, to the following addresses: if to the Company, P.O. Box 519, 660 Main Street, Sturbridge, MA 01566, Facsimile: 508-347-6838, Attn: [insert name or title of officer],

or at any other address designated by the Company to each Investor and the Executive in writing; if to the Executive, [insert address and facsimile

number], or at any other address designated by the Executive to the Company

and the Investors in writing; if to the Investors, c/o TA Associates,

Inc., 20 Willow Road, Suite 100, Menlo Park, CA 94025, Facsimile: (650) 326-4933, Attn: Michael C. Child, or at any other address designated by the Investors to the Company and the Executive in writing.

Section 7. Miscellaneous. This Agreement shall be governed by and

construed under the laws of The Commonwealth of Massachusetts and shall not be modified or discharged in whole or in part except by an agreement in writing signed by the Company and the Executive. The failure of any of the parties to require the performance of a term or obligation or to exercise any right under this Agreement or the waiver of any breach hereunder shall not prevent subsequent enforcement of such term or obligation or exercise of such right or the enforcement at any time of any other right hereunder or be deemed a waiver of any subsequent breach of the provision so breached, or of any other breach hereunder. This Agreement shall inure to the benefit of, and be binding upon, successors of the Company by way of merger, consolidation or transfer of substantially all the assets of the Company, and may not be assigned by the Executive. This Agreement supersedes all prior understandings and agreements between the parties relating to the subject matter hereof.

Section 8. Third Party Beneficiaries. The parties hereto acknowledge and agree that the Investors are third party beneficiaries of this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Non-Competition Agreement under seal as of the date first set forth above.

COMPANY:

IPG PHOTONICS CORPORATION.

By: _____
Name:
Title:

EXECUTIVE:

Name:

Employment contract
between IPG Laser GmbH
and its General Manager
Dr. Eugene Shcherbakov

Between the company named

IPG Laser GmbH
Siemensstrasse 7
57299 Burbach

hereinafter Company

its shareholders

- Dr. Valentin P. Gapontsev, Burbach/Germany
and
- IPG Photonics Corporation, Sturbridge/USA
represented by its President, Mr. John Dalton

and

Dr. Eugene Shcherbakov
Am Sudhang 12
57299 Burbach

hereinafter General Manager

there is entered into by agreement the following Employment Contract:

Employment Contract

' 1 Scope of duties and other obligations

- (1) Effective 18 September 2000 Dr. Eugene Shcherbakov shall be appointed General Manager of the Company. The Employment Contract shall be valid from

18 September 2000 on.

- (2) The General Manager shall represent the Company alone as provided by the statutes and the articles of incorporation.

He shall be obligated and authorized to conduct the affairs of the Company alone.

The General Manager shall be exempt from the restrictions of the prohibition against self-contracting per 181 per the articles of incorporation and this Contract.

- (3) Directives of the Shareholders' Meeting shall be obeyed.

- (4) In connection with general management, the General Manager shall be obligated to fulfill the duties of the Company in accordance with the statutes and the articles of incorporation.

Furthermore, he shall take care of the economic, financial and organizational concerns of the Company in the best possible manner. In all decisions the General Manager shall be guided by the good of the Company.

- (5) The General Manager shall be required to maintain the strictest silence on all commercial, operational or technical information and processes which concern the Company and have been entrusted or otherwise have become known to him.

This obligation shall also survive termination of this Employment Contract.

- (6) Commercial and operational documents of all kinds shall be carefully retained and may be used only for the purpose of the Company. The documents may not be made accessible to third parties.

No right to retain documents shall be granted to the General Manager.

- (7) The General Manager shall be liable to the Company and to the Shareholders only in the case of malicious damage to the Company.

- (8) The General Manager shall have the right to furnish his service even outside the registered office of the Company.

The working time per week shall be 40 hours; the General Manager shall not be bound to working at fixed times of the day.

The General Manager shall be obligated to make himself available to the Company at any time when and if the good of the Company so requires.

' 2 Secondary occupation

- (1) The General Manager shall be permitted to continue his activity as General Manager of VPG Laser Components GmbH. Approval of the Shareholders' Meeting shall not be required either for taking on further activities or for continuing same.

' 3 Contract term

- (1) This Employment Contract shall become effective on 18 September 2000 and shall be entered into for an indefinite time.
- (2) In the first 3 years of the term, the Contract may be canceled by either party only for cause.

Examples of such cause shall be refusal by the Tax Administration to approve this Employment Contract or individual provisions thereof.

Thereafter the Contract may be canceled by either party to the contract by notice of 6 months to the end of a calendar year.

- (3) The General Manager may be removed from office only for cause. Removal from office shall not simultaneously result in cancellation of the contract for services. Should layoff take place by mutual understanding, the obligation of the Company to continue paying earnings shall be unaffected thereby.

Should removal from office be ruled legally valid, the contract for services shall be treated as terminated as soon as the judgment ruling removal from office to be legally valid becomes legally enforceable.

' 4 Earnings

- (1) As remuneration for his activity, the General Manager shall receive a monthly salary in the amount of DM 28,000.00.

The salary payment shall be due on the last working day of each calendar month.

In addition, Dr. Shcherbakov shall receive a prorated 13th and 14th salary payment in the same amount. The additional salary payments shall be disbursed in July and November respectively.

The statutory wage tax obligation as well as the obligation to provide insurance shall be taken into consideration for aliens.

- (2) In the event of incapacity for work due to illness or accident, the General Manager shall continue to receive payment of all earnings for a period of 8 weeks.
- (3) In the event of death of the General Manager, his family shall continue to receive payment of all earnings for a period of 6 weeks.

' 5 Vacation and vacation pay

- (1) The General Manager shall be granted 30 working days per year of paid relaxation vacation.
- (2) Should the General Manager be unable to take his annual vacation because Company interests dictate otherwise, he shall have the right to compensation for the vacation on the basis of the amount of the base salary.

' 5 Extra considerations

- (1) For the duration of this Employment Contract the General Manager shall have the right to have the Company provide him with an official car of luxury class, which may also be used for personal travel.

Payment of taxes due on the equivalent monetary value of the resulting benefit shall be made by the General Manager.

- (2) The General Manager shall have the right to all voluntary, collectively agreed or statutory special and social benefits that the Company also grants to its other employees.
- (3) The General Manager shall receive from the Company reimbursement for charges and expenses against documented proof up to the maximum amounts

allowed for tax purposes or up to the lump-sum amounts allowed for tax purposes.

- (4) The General Manager shall be entitled temporarily to waive (defer) payment of his salary amounts in their entirety or partly for the good of the Company. His rights to payment of the salary shall remain unaffected by such deferral.

In such a case a written loan agreement shall be entered into immediately, in which the interest rate and the repayment terms shall be defined in advance.

Declarations of waiver of earnings without written loan agreement shall be deemed null and void.

- (5) The Company shall take out for the benefit of the General Manager an accident insurance policy with the following base coverage sums:

a) death	DM 200,000.00
b) progressive invalidity (350% model)	DM 200,000.00

The insurance policy shall cover industrial and personal accidents in accordance with the General Accident Insurance Terms. It shall lapse on the day of his resignation from the Company.

' 6 Final provisions

- (1) This Employment Contract shall be reviewed each year on 31 December to determine whether its provisions are effective and up-to-date and whether the salary is appropriate.

Should it prove on the basis of the review that individual provisions have become or are likely to become ineffective or that special economic changes must be taken into account, an updated form of the Employment Contract shall be drafted within 6 weeks and at the latest 2 weeks thereafter signed by the parties to the contract.

- (2) Should individual provisions of this Contract be or become ineffective, the validity of the other provisions shall not be affected thereby.

Instead of the ineffective provisions there shall be adopted an appropriate adjustment which most closely approaches the economic content of the ineffective clause.

(3) Oral subsidiary agreements to this Contract have not been made.

As a rule, all amendments and additions to the Contract shall be made in writing.

Retroactive amendments and additions, however, shall not be permitted.

(4) In cases of doubt, the Articles of Incorporation shall have priority over the provisions of this Employment Contract.

Burbach, 18 September 2000

Dr. Eugene Shcherbakov

/s/ Dr. Eugene Shcherbakov

For the Company:

IPG Laser GmbH
represented by the General Manager, Dr. Valentin P.
Gapontsev

/s/ Dr. Valentin P. Gapontsev

For the Shareholders:

Dr. Valentin P. Gapontsev, Burbach/Germany

/s/ Dr. Valentin P. Gapontsev

IPG Photonics Corporation, Sturbridge/USA,
represented by the President, John Dalton

February 3, 2000

Valentin P. Gapontsev, Ph.D.
Chairman, President and CEO
IPG Photonics Corporation
P.O. Box 519
660 Main Street
Sturbridge, Massachusetts 01566

Dear Dr. Gapontsev

1. This letter confirms the agreement as of October 4, 1999 for the provision of legal services and non-legal consulting services by Robert A. Blair ("Blair") for IPG Photonics Corporation ("IPG"), its affiliated companies and Dr. Valentin P. Gapontsev ("Dr. Gapontsev") (collectively the "IPG Group") to assist in connection with the following:

(a) obtaining the revalidation of the L1A non-immigrant visa to the United States for Dr. Gapontsev, expiring November 29, 1999, for the previously approved Petition period through July 13, 2000 to permit multiple entries to the United States;

(b) obtaining the issuance of an extension of the previously approved Petition for an LIA visa for the full 36 month period;

(c) obtaining the issuance of an immigrant visa to the United States for Dr. Gapontsev granting him lawful Permanent Resident status;

(d) establishing a National Advisory Board ("NAB") of 8 to 10 members to advise and report to Dr. Gapontsev, recruiting prominent members to the NAB, and chairing the NAB for and under the direction of Dr. Gapontsev;

(e) overseeing the proposed public relations campaign for IPG and Dr. Gapontsev to be conducted by Coupe Associates, and possibly others to be selected by Dr. Gapontsev;

(f) assisting Dr. Gapontsev with potential private or venture capital investors for IPG;

(g) assisting Dr. Gapontsev with the selection of investment bankers and law firms for an initial public offering of the securities of IPG;

(h) providing national and international strategic, business and other advice to IPG, the IPG Group and Dr. Gapontsev, as needed or requested;

(i) reviewing and approving statements for services provided by outside counsel and consultants to IPG to ensure that they are fair and reasonable.

Blair has provided critical assistance to IPG and Dr. Gapontsev on some of the above-referenced matters in the last several months.

2. Blair agrees to forego the payment of cash consideration for fees based upon the time involved, the billing rate of Blair in performing services, and the value of the services rendered, in order to receive compensation in the form of stock options and warrants (see below). Unless otherwise agreed to by IPG, Blair's consultants, such as Coupe Associates, Danziger & Mak and diGenova & Toensing, will be compensated for services performed based upon the time involved and their billing rates, or on a fixed fee basis, and the value of their services rendered.

3. In return for foregoing the payment of cash consideration for services rendered, Blair is hereby granted:

(a) non-qualified stock options to purchase up to 200,000 shares of the common stock of IPG ("Stock Options") at an exercise price of \$1.00 per share, which exercise price is based upon the valuation of the company by an independent expert; payment will be by non-recourse promissory note to IPG at an interest rate which is the lesser of the applicable federal rate or 8.5%, and secured by the stock purchased; the Stock Options are granted to Blair upon terms and conditions pursuant to the stock option plan prepared by legal counsel and adopted by IPG for its executives, employees and independent contractors (such as Blair), a separate plan prepared and adopted for the National Advisory Board of IPG, or a separate letter agreement; the plan or separate letter agreement will set forth how specific terms and conditions for the Options will be determined, including, for example, the vesting schedule, the conditions under which the Options will not vest, the acceleration of vesting and the right to exercise upon the occurrence of certain events (e.g., exercisable prior to the completion of an initial public offering (IPO) of securities of IPG), restrictions on alienability of shares purchased pursuant to the exercise of the Stock Options and anti-dilution provisions; the Stock Options granted hereunder are in addition to the stock options to purchase 50,000 shares of the common stock of IPG granted to Blair by separate letter from Dr. Gapontsev to Blair confirming his appointment as Chairman of the National Advisory Board of IPG; and

(b) in the event of an IPO of IPG's securities, warrants to purchase 250,000 shares of the common stock of IPG in an IPO of securities of IPG at 50% of the IPO price, exercisable prior to the completion of the IPO with payment by non-recourse promissory note to IPG at an interest rate which is the lesser of the applicable federal rate or 8.5%, and secured by the stock purchased ("Warrants").

The Stock Options and Warrants granted are commensurate with the time and value of Blair's services and with the contingent and risk nature of his not receiving cash consideration from IPG or the IPG Group.

4. IPG agrees, however, to pay all expenses incurred by The Blair Law Firm PC ("Firm") or Blair on its behalf such as for long distance and wireless telephone, photocopying, fax transmissions, messengers, travel, meals and entertainment, and for equipment purchases approved by IPG.

5. The Firm and Blair will provide IPG with monthly statements for expenses incurred, and IPG will pay each such statement within ten (10) days of its date.

6. Blair may retain consultants to assist it on certain matters, as approved by IPG. Blair shall require such consultants to submit monthly statements to him for their services for review before submission to IPG for direct payment.

7. Blair's rights hereunder may be assigned in whole or in part to members of his family or to any entity under his control, and shall, in the event of his death, be transferred to his heirs and assigns.

Please indicate your agreement by signing and returning the enclosed copy of this letter to me.

Sincerely yours,

/s/ Robert A. Blair

Robert A. Blair
Individually and For The Blair Law Firm, P.C

AGREED AND ACCEPTED

/s/ Valentin P. Gapontsev

Valentin P. Gapontsev, Individually and for
IPG Photonics Corporation and the IPG Group

AMENDMENT

This agreement dated as of March 17, 2000 amends the letter agreement dated February 3, 2000, between IPG Photonics Corporation (IPO) and Robert A. Blair and memorializes oral discussions and agreements at that time (Amendment).

1. The stock options ("Stock Options") granted by that certain letter

agreement dated February 3, 2000 ("Letter Agreement") between IPG Photonics Corporation ("IPG") and Robert A. Blair ("Optionee") vested and were exercisable on the date of that Agreement. Pursuant to that Letter Agreement, Optionee was permitted to transfer Options to certain persons. Optionee intends to give Options to the persons set forth in the attachment hereto (Transferees), which Transferees shall, after exercise of such Options, give their proxy to Optionee to vote their Shares until IPO has an initial public offering under the Securities Act of 1933, as amended, or In a transaction contemplated by Section 3.(c) hereof. The Stock Options granted and any Shares issued pursuant to the exercise of such Stock Options by Optionee or Transferees are subject, however, to substantial risks of expiration or redemption, respectively, as follows:

(a) If, on or before December 31, 2000, the Optionee voluntarily terminates the Letter Agreement, or IPG terminates the Letter Agreement "For Cause," (i) then all unexercised Options shall expire and (ii) any Shares issued pursuant to the exercise of the Options shall be redeemable by IPG, at its election, at the original exercise price of \$1.00 per share;

(b) If, after December 31, 2000 but before January 1, 2002, the Optionee voluntarily terminates the Letter Agreement, or the IPG terminates the Letter Agreement "For Cause," (i) then all unexercised Options shall expire and (ii) thirty percent (30%) of any Shares issued pursuant to the exercise of the Options shall be redeemable by IPG, at its election, at the original exercise price of \$ 1.00 per share.

(c) For purpose of this Amendment and the February 3, 2000 Letter Agreement, "For Cause" shall include, but not be limited to, Optionee's (i) willful or reckless breach of duty in providing legal or non-legal consulting services to IPG, (ii) felony conviction, or (iii) violation of the Intellectual Property Agreement between IPG and Optionee.

(d) On exercise the Optionee and IPG agree that the Shares acquired thereby are subject to a substantial risk of forfeiture within the meaning of Section 83(a) of the Internal Revenue Code ("Code"), and that Optionee in his sole discretion may make a Code Section 83(b) election to include in his gross income the difference, if any, between the fair market value of the Shares at the time of exercise and the exercise price. IPG agrees to provide in its good faith and reasonable judgment to each Optionee the fair market value of his Shares for this purpose, and to claim as a corporate tax deduction an amount not greater than the amount includible by the Optionee in his gross income.

2. The Shares may not be transferred except after compliance with the conditions specified herein. Any attempt by Optionee or any Transferee to transfer any Shares in violation of any provision of this Amendment or the Letter Agreements will be void. IPG will not be required (a) to transfer on its books any Shares that have been transferred in violation of this Amendment, or (b) to treat as owner of such Shares, or to accord the right to vote or pay dividends to any purchaser, donee or other transferee to whom such Shares may

have been so transferred.

3. (a) Each certificate representing Shares shall (unless otherwise permitted by the provisions hereof) be stamped or otherwise imprinted with a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THESE SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS"

(b) Each certificate representing Shares shall (unless otherwise permitted by the provisions hereof) be stamped or otherwise imprinted with a legend in substantially the following form:

"THE TRANSFER AND OTHER MATTERS PERTAINING TO THESE SECURITIES ARE SUBJECT TO THE CONDITIONS SPECIFIED IN THE LETTER AGREEMENT, DATED AS OF FEBRUARY 3, 2000, AND THE AMENDMENT DATED MARCH 17, 2000 BETWEEN IPG PHOTONICS CORPORATION AND ROBERTA BLAIR, AS AMENDED FROM TIME TO TIME, AND NO TRANSFER OF THESE SECURITIES SHALL BE VALID OR EFFECTIVE UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED."

(c) Upon request by IPG, if Optionee or any Transferee desires to transfer Shares, he shall deliver a written opinion of counsel for Optionee or Transferee, addressed to IPG, stating that in the opinion of such counsel (which opinion and counsel must be satisfactory to IPG in its sole discretion), the proposed transfer does not involve a transaction requiring registration or qualification of such Shares under the Securities Act of 1933, as amended (the "Securities Act"), or the securities or "blue sky" laws of any state of the United States. Optionee or Transferee, as the case may be, shall be entitled to transfer such Shares if IPG does not reasonably object to such transfer and request such

opinion within fifteen days after delivery of such notice, or, if it requests such opinion, after it has received such opinion. Each certificate or other instrument evidencing the securities issued upon the transfer of any Shares (and each certificate or other instrument evidencing any untransferred balance of such Shares) shall bear the legends set forth in Sections 3. (a) and (b) hereof.

4. If (i) any Shares are transferred pursuant to an effective registration statement under the Securities Act or in a transaction contemplated by Section 3.(c) hereof which does not require that the Shares so transferred bear the legend set forth in Section 3.(a) hereof; or (ii) the holder of Shares has met the requirements for transfer of such Registrable Shares under Rule 144(k) under

the Securities Act (subject to the delivery of opinions as set forth above), then the holder of such Shares shall be entitled to receive from IPG, without expense, a new certificate in the name of the Optionee or Transferee, as the case may be, not bearing the restrictive legend set forth in Section 3.(a) hereof.

5. Any Optionee, Transferee or holder of Shares desiring to transfer Shares that are no longer subject to the restrictions of either Section 1.(a) or Section 1(b), shall be entitled to receive from IPG, without expense, a new certificate in the name of the Optionee, Transferee or holder not bearing the restrictive legend set forth in Section 3.(b) hereof. Each certificate or other instrument evidencing the securities issued upon the transfer of such Shares (and each certificate or other instrument evidencing any untransferred balance of such Shares) shall bear the legend set forth in Sections 3. (a) hereof. In the event, however, that the terms and conditions of Section 4.(a) have also been satisfied, then the Optionee, Transferee or the holder of such Shares shall be entitled to receive from IPG, without expense, new certificates in the name of the Optionee, Transferee or holder not bearing the restrictive legend set forth in Section 3.(a) hereof.

6. In the event of an initial public offering ("IPO") of securities of IPG, the merger or consolidation of IPG, or any reorganization, transfer of substantially all the assets, consolidation, merger, dissolution, issuance or sale of a majority equity interest in the company, or similar transaction, then Optionee's and Transferee's equity interests in IPG shall be recognized and/or included in such transactions on no less favorable terms and conditions than those applicable to the other holders of IPG common stock, including Dr. Valentin Gapontsev and Mr. Verghese Mammen.

7. This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

8. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles governing conflicts of laws.

AGREED AND ACCEPTED

/s/ Valentin P. Gapontsev

Valentin P. Gapontsev
For IPG Phototonics Corporation

/s/ Robert A. Blair

Robert A. Blair

Transferees

Name	Number of Shares
-----	-----
David M. Blair	2,500
James M. Blair	2,500
Judith A. Blanchard	5,000

	10,000

[LETTERHEAD OF IPG PHOTONICS]

November 29, 2000

Mr. Robert A. Blair
4936 Rodman Street, N.W.
Washington, D.C. 20016

Dear Bob:

As you know, in a letter dated February 3, 2000 (copy enclosed) I agreed on behalf of IPG Photonics Corporation ("IPG") to grant to you, in lieu of cash consideration for legal and consulting services rendered by you commencing October 4, 1999, (i) 200,000 non-qualified stock options ("Stock Options") at a \$1.00/share exercise price subject to a stock option plan contemplated to be adopted by IPG and (ii) warrants to purchase 250,000 IPG shares of common stock in the IPO at a 50% discount to the IPO offering price, payable by a non-recourse note ("Warrants"). These grants are set forth in Paragraph 3(a) and (b), respectively, of the February 3, 2000 letter.

In our discussions leading to the February 3, 2000 letter we orally agreed that, if the grant of the Warrants proved problematic for the lawyers and/or underwriters, in lieu of the Warrants, IPG would provide you with 250,000 Stock Options at a \$1.00/share exercise price. As with the above February 3, 2000 grant of the 200,000 Stock Options, the grant of the 250,000 Stock Options would be subject to a contemplated IPG stock option plan.

By letter agreement dated March 17, 2000 ("Amendment," copy enclosed) we amended the February 3, 2000 letter in relevant part to permit you (i) to transfer 10,000 Stock Options to certain permissible transferees and (ii) to enable you to exercise immediately the balance of the 190,000 Stock Options. On March 17, 2000 you in fact exercised this Stock Option and acquired 190,000

shares of IPG common stock and exercised other stock options pursuant to which you acquired 50,000 shares of IPG common stock for your service on the National Advisory Board by payment of \$50,000 in cash and \$190,000 non-recourse note.

The Amendment contemplated the 190,000 IPG shares you acquired upon exercise would be subject to a "substantial risk" of forfeiture" within the meaning of Section 83(a) of the Internal Revenue Code, as set forth in Paragraph 1(a) and (b) of the Amendment, and further contemplated you would make a Section 83(b) election, as to which IPG would take a consistent tax reporting position that the \$1.00/share exercise price was equal to the fair market value of an IPG share of common stock. You in fact made the Section 83(b) election by a filing with the IRS, and provided a copy of your election to IPG.

On April 12, 2000 IPG adopted the 2000 Incentive Compensation Plan ("Plan"), effective March 1, 2000. The Plan expressly provides for the grant of non-qualified stock options and restricted stock.

I understand that IPG's outside counsel, Winston & Strawn, has raised some legal concerns as to the structure of the Warrants and its affect upon IPG's proposed initial public offering. For example, shares you acquire upon exercise of the Warrants need to be locked up for 6 months after the IPO to satisfy the underwriters, and in the absence of registration, would have to be held for one year. IPG would also have to file and keep current a registration statement for your 250,000 shares, thereby possibly interfering with IPG's future secondary offerings.

Accordingly, I propose that we give effect to our prior oral agreement surrounding the February 3, 2000 letter (Paragraph 3(b)), by rescinding the grant of the Warrants, and in lieu thereof granting you 250,000 IPG shares of common stock constituting restricted stock ("Restricted Stock") under the Plan at a \$1.00/share purchase price, payable in cash or by a recourse note, or a combination of cash and recourse note, as you choose.

The above grant of Restricted Stock is hereby deemed effective March 1, 2000, and is granted subject to the terms of the Plan and implementing agreements. It is not intended that the Restricted Stock will be subject to a substantial risk of forfeiture within the meaning of Section 83(a). IPG intends to take a tax reporting position that the \$1.00/share purchase equals the fair market value of a share of IPG common stock as of March 1, 2000, unless otherwise required by law or regulation.

Please indicate your agreement by signing the duplicate originals of this letter, and returning one original to me. With many thanks for your good counsel and services to IPG, I am with kind regards,

Sincerely yours,

/s/ Valentin P. Gapontsev

AGREED AND ACCEPTED:

/s/ Robert A. Blair

Robert A. Blair

RECOURSE PROMISSORY NOTE

\$250,000

November 29, 2000

FOR VALUE RECEIVED, Robert A. Blair promises to pay IPG Photonics Corporation, a Delaware corporation (the "Company"), or order, the principal sum of Two Hundred Fifty Thousand Dollars (\$250,000), together with simple interest on the unpaid principal hereof from the date hereof at the then applicable federal rate within the meaning of Section 1274 of the Internal Revenue Code of 1986, as amended ("Code").

Interest only shall be payable in arrears on each anniversary date hereof.

All unpaid principal and accrued and unpaid interest shall become due and payable on the fifth anniversary of the date of this Note. Should the undersigned fail to make full payment of interest for a period of thirty (30) days or more after the due date thereof, the entire unpaid principal balance of this Note and all accrued and unpaid interest thereon shall become immediately due at the option of the holder of this Note. Payments of principal and interest shall be made in lawful money of the United States of America.

The holder of this Note shall have full recourse against the undersigned.

Should any action be instituted for the collection of this Note, the reasonable costs and attorneys' fees of the holder shall be paid by the undersigned.

This Note is non-negotiable. The rights and benefits of this Note shall be non-assignable and non-transferable by either the Company or Robert A. Blair.

/s/ Robert A. Blair

Robert A. Blair

IPG PHOTONICS CORPORATION PURCHASE AND SALE AGREEMENT No. 1/99

This Purchase Agreement ("Agreement") is entered into by IPG Photonics Corporation ("IPG"), representing the IPG Group of companies, and SDL Incorporated ("SDL") in respect of a firm order for _____ of products as specified hereunder, on the following terms and conditions.

1. PURCHASE OF MATERIALS.

- 1.1 This Agreement constitutes a firm purchase and sale obligation between the parties hereto. IPG shall purchase and SDL shall sell the products specified as per the attached Exhibit B ("Products") in the numbers and of the specifications therein, and at the prices specified in Exhibit C. The initial delivery schedule in Exhibit A may be revised by IPG in accordance with the Release Order procedures described in Article 4 ("Release Orders") if IPG's requirements change.

If the numbers of units agreed by IPG for delivery, in accordance with the release procedure, falls short by _____ in any three (3) month period, in comparison with the delivery schedule specified in Exhibit A, or if the committed _____ for delivery during the 18 months term of this Agreement are no longer a reasonable estimate, SDL reserves the right to adjust the prices in negotiation with IPG, provided that the shortfall is not the result of SDL's inability to deliver the Products as per the Release Orders.

Such price adjustment will be based upon, but not limited to, an analysis of the number of units of Products released to date, the remaining Term of this Agreement and the rolling horizon forecast for the remaining Term of this Agreement.

IPG acknowledges that SDL's prices contained in Exhibit C are based on IPG's commitment to purchase _____ within the eighteen (18) months' Term of this Agreement.

2. PRICES AND INVOICES.

- 2.1 The prices for the Products are listed in Exhibit C in U.S. currency, unless otherwise stated, and shall remain in effect during the Term of this Agreement as defined in Article 19.1 of the Agreement ("Term of this Agreement"). If during the Term price changes are put into effect by mutual agreement of IPG and SDL, such prices shall apply to all Release Orders issued by IPG after the effective date(s) of such price change(s).

2.2 All invoices in respect of supplies to IPG from SDL are due for payment thirty (30) days from the date of invoices, provided that:

(a) the goods ("Products") are received by IPG in sound condition;

(b) the goods ("Products") conform to the Release Orders and the agreed specification.

2.3 Freight charges and all applicable taxes and duties in respect of supplies shall be paid directly by IPG. Notwithstanding the foregoing, if appropriate SDL reserves the right to collect all applicable taxes if valid tax exemption certificates are not furnished by IPG to SDL.

2.4 IPG may deduct from SDL's outstanding invoices any monies owed to IPG by SDL as a result of transactions under this Agreement.

3. SHIPMENT AND DELIVERY.

3.1 Each delivery of Products shall be initiated by a written or electronic Release Order issued to SDL by IPG. Each Release Order shall specify: (i) the quantity of Products in numbers, (ii) the unit price, (iii) the required shipment dates, and (iv) the preferred common carrier or freight forwarder. SDL shall confirm receipt and commit to the shipment dates ("Commitment Date") of the Release Order within ten (10) working days from the date thereof. If there is an error, inconsistency with the terms of this Agreement or a problem in committing to the required shipment dates, SDL and IPG agree to negotiate in good faith a mutually acceptable solution for the Release Order in question.

3.2 A Release Order shall be deemed to have been placed as of the issue date thereof. IPG shall not be liable for any costs related to or payments for:

(a) Products not subject to a Release Order from IPG;

(b) Products received by IPG but not conforming to the Release Order or to the agreed specification.

3.3 All deliveries shall be made complete as per the Release Orders. SDL shall, within twenty-four (24) hours of SDL's discovery of any potential failure to ship the specified quantity of Products by the Commitment Date, give IPG both an oral notification, followed by either a written or electronic communication of any such potential failure. Should only a portion of the Products be available for shipment by the Commitment Date, SDL shall ship the available Products unless directed in writing by IPG to rechedule shipment.

3.4 If SDL ships any Product by a method other than as specified in the corresponding Release Order, SDL shall pay any resulting increase in the cost of freight incurred over the cost of freight which would have been incurred had SDL complied with IPG's shipping instructions.

3.5 If SDL fails to make a timely shipment by the Commitment Date, the

Products affected shall be shipped by air transportation or other expedient means. SDL shall pay for any resulting increase in the freight cost over that which IPG would have been required to pay by the specified method of transportation.

- 3.6 If SDL ships more Products than as per the Release Order, the numbers over-shipped may, at IPG's discretion, either be kept by IPG for credit against future Release Orders or returned to SDL pursuant to Article 6. If IPG elects to retain the Products for credit against future Release Orders, SDL shall be authorized to issue an invoice to IPG for such Products, for which payment shall be due thirty (30) days from the agreed delivery date of the subsequent Release Order and in accordance with Article 2.2. However, in no case shall payment be delayed for greater than sixty (60) days from the date of invoice.
- 3.7 SDL shall obtain IPG's approval before making any shipment more than five (5) working days prior to the Commitment Date specified in the Release Order. If SDL ships more than five (5) working days in advance of such Commitment Date without IPG's approval, IPG may at its option either return the Products pursuant to Article 6 or make payment in accordance with the delivery date as per the Release Order and in accordance with Article 2.2. However, in no case shall payment be delayed for greater than sixty (60) days from the date of invoice.
- 3.8 Failure to deliver at least _____ of the specified quantities in a _____ month period according to the Release Order (a "Shortfall") shall constitute a breach of this Agreement. In such an event, IPG will advise SDL in writing providing details of the Shortfall in delivery and will allow SDL thirty (30) days to make good the Shortfall. Failure by SDL to make good the Shortfall within such thirty (30) day cure period shall constitute a material breach of the Agreement. In such an event, the parties agree to meet and negotiate in good faith a recovery plan for the delivery schedule.
- 3.9 Shipment shall be F.O.B. SDL's plant or warehouse in the United States. Upon shipment by SDL i.e. upon delivery of the Products to the common carrier of freight forwarder specified by IPG in the Release Order, title to the Products and the risk of loss or damage shall pass from SDL to IPG, subject to the provisions of Article 3.10.
- 3.10 SDL shall preserve, package, handle and pack the Products adequately to protect the Products from loss or damage, in conformity with sound commercial practice. SDL shall be responsible for any loss or damage due to its failure to adequately preserve, package, handle or pack the Products. In such an event, IPG shall not be required to pursue any claims for such loss or damage against the common carrier involved.
- 3.11 Each delivery of Products to IPG shall include a packing list, which shall contain at least the following information:

(a) The Release Order number;

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(b) the SDL part numbers;

(c) The quantity of Products shipped; and

(d) The date of shipment.

4. RELEASE PROCEDURE.

4.1 IPG shall issue Release Orders for Product deliveries in accordance with an 18-month rolling horizon forecast consisting of three time zones: Fixed, Firm and Planning. The Fixed zone shall comprise at all times the first three months of the current balance of this Agreement's Term, initially months 1 through 3. The Firm zone shall be the three month period following the Fixed zone, initially months 4-6. The Planning zone shall be the remaining months in the Term, initially months 7-18. IPG shall provide SDL a written update of the rolling horizon forecast during the first week of each month of the Agreement Term, showing by month the quantities forecast for each of the zones. The initial rolling horizon forecast shall be the delivery schedule contained in Exhibit A attached hereto.

(a) Product quantities for delivery in the Fixed zone are and IPG shall issue Release Orders for such quantities of the Product when a particular month first enters the Fixed zone, which is prior to shipment.

(b) Product quantities for delivery in the Firm zone may be varied by up to + or - prior to a particular month entering the Fixed zone. Such percentage variance shall be calculated by comparing the quantity specified for that month upon entering the Firm zone with that same month's quantity upon entering the Fixed zone.

(c) Product quantities for delivery in the Planning zone are and may be subject to the total order commitment described in Article 1.1.

4.2 Changes to Product deliveries within the Fixed zone or in excess of the allowable variance within the Firm zone as specified in Article 4.1 are not permitted except by mutual agreement.

5. QUALITY PROGRAM, INSPECTION AND WARRANTY.

5.1 SDL shall maintain an objective quality program for all Products supplied pursuant to this Agreement. SDL's program shall be in accordance with the current and updated version of SDL's Quality Policy during the Term of this Agreement. SDL shall, upon IPG's request, provide to IPG copies of SDL's policy

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and procedures and SDL agrees to consider IPG's requests for amendments to such policy and procedures.

5.2 IPG shall have the right to inspect, at a mutually agreed time, at SDL's plant, both Products and nonproprietary testing areas for the Products, Any such inspection of Products shall be prior to shipment; testing areas may be inspected at any time during the Term of this Agreement.

IPG has the right to such inspection provided such inspection is reasonable and relevant to this Agreement, including without limitation to ensure SDL's compliance with the specified and applicable quality requirements. SDL shall provide access for IPG to SDL's facilities and services as may be reasonably required by IPG in performing any such inspection. Acceptance by IPG of any Products inspected pursuant to this Article 5.2 shall be final only after inspection, pursuant to Article 7, of the Products by IPG at its own works after delivery.

5.3 SDL warrants that all Products shall be free from defects in workmanship and materials. This warranty does not apply to Products which have failed, become defective or unworkable due to abuse, mishandling, misuse, alteration, negligence, improper installation, use which is not in accordance with the information and precautions described in the applicable operating manual, or other causes beyond SDL's control. This warranty does not apply to (i) any Products or components not manufactured by SDL or (ii) any aspect of the Products based on IPG's specification, if applicable, unless SDL has reviewed and approved such specification in writing.

5.4 The warranty specified in Article 5.3 shall:

- (a) Survive any inspection, delivery, acceptance, or payment by IPG; and
- (b) Be in effect for _____ following the date of shipment of the Products to IPG; or
- (c) In the case of Products under warranty that are replaced or reworked, be in effect for the remaining unexpired portion of the original warranty period applicable to the replaced or reworked Product, excluding the time period between SDL's receipt of said Product and its return to IPG.

5.5 THE FOREGOING WARRANTY IS EXCLUSIVE AND IS IN LIEU OF ALL OTHER WARRANTIES, WHETHER EXPRESSED OR IMPLIED, AS TO THE PRODUCTS, INCLUDING ANY IMPLIED WARRANTY OF MARKETABILITY OR FITNESS FOR A PARTICULAR PURPOSE. IPG'S SOLE AND EXCLUSIVE REMEDY SHALL BE SDL'S OBLIGATION TO REPLACE THE PRODUCT OR GIVE A CREDIT OR REFUND AS SET FORTH IN ARTICLES 6 and 7. IN NO CASE WILL SDL'S AGGREGATE LIABILITY TO IPG UNDER THIS ARTICLE 5.5 BE GREATER THAN THE PURCHASE PRICE ACTUALLY PAID BY IPG TO SDL FOR THE PRODUCTS WHICH ARE THE SUBJECT OF IPG'S CLAIM.

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6. RETURN OF PRODUCTS.

6.1 All Products returned by IPG to SDL, including Noncomplying Products defined in Article 7.1 below, shall be accompanied by a Return Materials Authorization ("RMA"). Unless further verification is reasonably required by SDL, SDL shall supply an RMA within three (3) working days of IPG's request for the return of suspected Noncomplying Products and for all other Product returns. If further verification is so required, the RMA shall be supplied by SDL within five (5) working days of receipt of the appropriate verification from IPG. With the return of any suspected Noncomplying Product under this Article, IPG will specify, in writing, the reasons for non-compliance with the return.

6.2 All suspected Noncomplying Products shall be returned by IPG freight prepaid to SDL's facility. All overshipments, and early shipments returned by IPG to SDL, and all replacement or reworked Products shipped by SDL to IPG to replace Noncomplying Products, shall be at SDL's risk and expense, including transportation charges to IPG.

7. INSPECTION, ACCEPTANCE AND NONCOMPLYING PRODUCTS.

7.1 All Products shall be subject to acceptance inspection and testing by IPG upon delivery. Unless IPG notifies SDL in writing of rejection by IPG within fifteen (15) working days of receipt of the Product, such received Product shall be deemed to be provisionally accepted. However, IPG reserves the right to conduct lifetime tests of the Products as described in the agreed specification to ensure compliance and unless IPG notifies SDL in writing within sixty (60) working days of receipt of the Product of any such lifetime test failures, such received Product shall be deemed to be accepted.

If any Product is deemed to be defective or otherwise not in conformity with the specification of this Agreement by IPG, IPG shall return the suspected Noncomplying Product in accordance with Article 6. If SDL, after SDL's inspection of the suspect Noncomplying Product, concurs that such Product is not in conformity with the specification and, therefore, deemed a "Noncomplying Product", SDL may elect in its sole discretion, to:

- (a) Replace or rework at SDL's expense the Noncomplying Product; or
- (b) Refund any payment made to SDL for the Noncomplying Product within thirty (30) days from the date of return of the Noncomplying Product.

7.2 SDL shall, if SDL selects the alternative in Article 7.1(a), return the replacement or reworked Product as soon as possible but in any event prior to any further shipment of new units.

7.3 If SDL fails to return the replacement or reworked Product to IPG in a timely manner as specified in Article 7.2, IPG may reject the Noncomplying Product and refuse acceptance of replacement or reworked Product and accept a full refund of

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the original purchase price of the replacement or reworked Product without any deductions by SDL. Any Product refunds pursuant to this Article 7.3 or 7.1(b) shall be counted toward IPG's total purchase obligation set forth in Article 1.1.

7.4 SDL shall provide IPG with SDL's elected disposition of any suspect Noncomplying Products within thirty (30) working days of receipt of the Product at SDL's facility. In the event SDL does not find the suspect Noncomplying Product to be in non-compliance with the specification, SDL shall return the Product to IPG "as is" with a written report of SDL's findings.

7.5 Upon IPG's request, SDL shall promptly furnish a Corrective Action Report on any Noncomplying Product.

8. PROCESS OR DESIGN CHANGES.

8.1 Unless otherwise covered in an applicable general specification referred to in this Agreement:

- (a) With respect to process changes that do not affect the form, fit or function of the Products, no significant process changes shall be made or incorporated in Products without the prior written notification of IPG;
- (b) With respect to process changes that do affect the form, fit or function of the Products, or in the event of the withdrawal of a product line, SDL shall provide six (6) months' prior written notice to IPG. The form, fit, or function of the Products includes all characteristics that affect compliance to the specification including all external dimensions. SDL shall discuss changes with IPG and as far as practicable changes shall accommodate IPG's requirements.

8.2 In the event that changes to the Products affect its form, fit or function, or SDL plans to withdraw a Product from its product line, IPG shall have the right to make a last buy of the Product prior to the effective date of the change or withdrawal. This last buy option shall be a firm non-cancelable order. Shipment dates and quantities under this last buy provision will be mutually agreed upon by the parties. IPG will be relieved of any further purchase obligation for the specified Product.

9. PATENT INDEMNIFICATION.

9.1 SDL shall defend, indemnify, and hold harmless IPG and its affiliates, and subsidiaries, from and against all legal proceedings in respect of any alleged infringement of any Products furnished hereunder of any United States patents and against all claims, losses, demands, fees, damages, liabilities, costs, expenses, and obligations, which may be assessed against IPG on account of such infringement; provided that SDL:

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- (a) shall have reasonable written notice of all claims and/or legal proceedings alleging such infringement;
- (b) shall have full opportunity and authority to assume the sole defense and settlement of such claims and/or legal proceedings; and
- (c) shall be furnished, upon SDL's request and at SDL's expense, all reasonable information and assistance from IPG for such defense.

9.2 In addition to providing information requested by SDL in Article 9.1(c), IPG, at its option, shall have the right to participate fully in any such defense at IPG's own expense.

9.3 If any Product in any such legal proceedings or claim is held to

constitute an infringement ("Infringing Product"), SDL shall at its option and expense:

- (a) Procure for IPG the right to continue using the Infringing Product;
- (b) Replace the Infringing Product with a non-infringing Product of like form, fit or function;
- (c) Modify the Infringing Product to be non-infringing; or
- (d) If unable to replace or modify the Infringing Product, remove the Infringing Product and refund in full the purchase price paid by IPG for the Infringing Product without any deductions by SDL.

9.4 IPG agrees to indemnify, defend and hold harmless SDL from and against all legal proceedings and from all claims, losses, demands, fees, damages, liabilities, costs, expenses, and obligations, which may be assessed in any legal proceedings alleging that the Product infringes any United States patent, and only:

- (a) to the extent any such infringement by the Product is found to arise from the adherence to specifications or drawings relating to the Product which IPG directs SDL to follow; or
- (b) to the extent any such infringement by the Product is caused by the incorporation of the Product into devices.

9.5 IPG's duty to indemnify is contingent upon SDL:

- (a) providing reasonable written notice of all claims and legal proceedings alleging such infringement;
- (b) providing IPG the full opportunity and authority to assume the sole defense and settlement of such claims and/or legal proceedings; and
- (c) furnishing upon IPG's request and at IPG's expense, all reasonable information and assistance from SDL for such defense. In addition to providing information requested by IPG, SDL, at its option, shall have the right to participate fully in any such defense at SDL's own expense.

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10. LIMITATION OF LIABILITY.

10.1 IN NO EVENT WILL SDL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO LOSS OF ANTICIPATED PROFITS OR BENEFITS, EVEN IF SDL HAS BEEN INFORMED OF THE POSSIBILITY IN ADVANCE, ARISING OUT OF THE SALE OF PRODUCTS OR IN ANY WAY ARISING OUT OF THIS AGREEMENT. EXCEPT FOR WARRANTY OBLIGATIONS UNDER ARTICLE 5.5, IN NO CASE WILL SDL'S AGGREGATE LIABILITY TO IPG BE GREATER THAN EITHER THE LESSER OF I) THE PURCHASE PRICE ACTUALLY PAID BY IPG TO SDL FOR THE PRODUCTS, WHICH ARE THE SUBJECT OF IPG'S CLAIM OR II) ONE MILLION DOLLARS.

11. GOVERNMENTAL COMPLIANCE.

- 11.1 SDL shall comply with all federal, state, local, and foreign laws, rules, and regulations applicable to its obligations under this Agreement or to Products supplied hereunder.
- 11.2 SDL shall furnish to IPG any information reasonably required during the Term of this Agreement and a reasonable period thereafter to enable IPG to comply with the requirements of any federal, state, local, or foreign government agency in its use of the Products.
- 11.3 Without limiting the obligations under Article 11.1, SDL warrants that:
- (a) SDL shall comply with the requirements of Executive Order 11246, the Vocational Rehabilitation Act, and the Vietnam Era Veterans Readjustment Assistance Act;
 - (b) Each chemical substance contained in the Products is on the inventory of chemical substances compiled and published by the Environmental Protection Agency pursuant to the Toxic Substances Control Act;
 - (c) All Products shall be shipped in conformity with government or freight regulations and requirements applicable to chemicals; and
 - (d) All Material Safety Data Sheets required to be provided by SDL for any Product shall be provided to IPG prior to shipment of the corresponding Products and shall be complete and accurate.

12. FORCE MAJEURE.

- 12.1 SDL shall not, subject to the provisions of this Article 12, be liable for any delay in performance under this Agreement caused by fire, flood, earthquake, explosion, war, strike, embargo, governmental regulations, civil or military authority, an act of God or any other cause beyond SDL's control excluding SDL's fault or

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negligence (collectively "Delaying Cause"). SDL shall, in the event of a Delaying Cause, immediately give notice to IPG of the Delaying Cause.

- 12.2 In the event of a Delaying Cause, IPG may elect in its sole discretion, and as its exclusive remedy hereto, to:
- (a) Terminate this Agreement if such Delaying Cause is not cured within 120 days of said notice to IPG or any part hereof as to Products not shipped; or
 - (b) Suspend this Agreement in whole or in part for the duration of Delaying Cause, buy similar products elsewhere, and

deduct from any quantities specified under this Agreement the quantity so purchased.

12.3 If IPG selects the alternative specified in Article 12.2(b) for any Delaying Cause, IPG may resume performance under this Agreement once the Delaying Cause ceases to exist and extend the Term up to the length of time the Delaying Cause endured.

12.4 Unless IPG gives notice of termination pursuant to Article 12.2(a) 120 days after notice from SDL of the Delaying Cause, IPG shall be deemed to have selected alternative 12.2(b).

13. TERMINATION.

13.1 If either party commits a material breach of any provision or obligations of this Agreement, the injured party may by sixty (60) days prior written notice to the other party terminate the whole or any part of this Agreement unless:

- (a) during such notice period the defaulting party shall have remedied any such failure; or
- (b) if the breach is one which by its nature cannot be fully remedied in the sixty (60) day notice period, the parties shall have negotiated in good faith an additional cure period and the defaulting party shall have remedied any such failure within this extended cure period.

A "Material Breach" herein is a failure of either party to perform any substantive promise or performance under this Agreement when due without reasonable cause.

13.2 This Agreement may be terminated forthwith, at the option of either party, upon written notice to the other party upon the occurrence of any of the following events with respect to the other party:

- (a) Proceedings under state or federal law, whether voluntary or involuntary, in bankruptcy, insolvency or debtor's relief law by or against such party, which proceedings are not dismissed within sixty (60) days;
- (b) Appointment, with or without such party's consent, of a receiver or an assignee for the benefit of creditors;

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- (c) Such party ceases to carry on its business;
- (d) Such party is liquidated or dissolved.

13.3 The rights and remedies granted to the parties pursuant to this Article 13 are in addition to, and shall not limit or affect, any other rights or remedies available to the parties in law or in equity.

14. NOTICES.

- 14.1 Any notice given pursuant to this Agreement shall be in writing and shall be deemed received as of five (5) working days after posting by registered or certified mail, return receipt requested, postage prepaid (or upon actual receipt thereof, whichever occurs first) to the addresses specified on the signature page of this Agreement.
- 14.2 Either party may change address for purposes of notice in writing to the other party.

15. COUNTRY OF MANUFACTURE AND DUTY DRAWBACK RIGHTS.

- 15.1 Upon IPG's request, SDL shall provide IPG with appropriate certification stating the country of origin for the Products, sufficient to satisfy the requirements of:
- (a) The customs authorities of the country of receipt; and
 - (b) Any applicable export licensing regulations, including those of the United States.
- 15.2 SDL shall mark each Product (or the Product's container if there is no room on the Product) with the country of origin. SDL shall, in marking Products, comply with the requirements of the customs authorities of the country of receipt.

16. CONFIDENTIAL INFORMATION.

- 16.1 IPG and SDL agree that in pursuance of transactions under this Agreement, the parties are likely to become both disclosing parties of their own Confidential Information and receiving parties of Confidential Information. Any such Confidential Information shall be used only for performance under this Agreement. As used in this Article 16, the term "Confidential Information" shall include, without limitation:
- (a) All information or data concerning or related to either party's products (including discovery, invention, research, improvement, development, manufacture, or sale of products) or business operations (including sales costs, profits, pricing methods, organizations, employee or customer lists, and processes);
 - (b) All forecasts for production, support, or service requirements submitted by IPG pursuant to this Agreement.
- 16.2 All Confidential Information divulged pursuant to this Agreement shall be disclosed in writing marked with a "confidential" or "proprietary" or similar legend. If Confidential Information is divulged other than in writing, it shall be identified as proprietary at the time and shall, within 30 days thereof, be confirmed in writing, so marked and transmitted to the receiving

party.

16.3 All information so identified or marked shall remain the disclosing party's property and will be used by the receiving party only for performance under this Agreement unless first authorized in writing by the disclosing party. The receiving party shall not disclose to any person or entity, other than those employees of the receiving party who have a need to know, any Confidential Information of the disclosing party, which the receiving party may obtain from the disclosing party. The receiving party shall maintain all Confidential Information in strict confidence. The receiving party shall take all reasonable steps to ensure that no unauthorized person or entity has access to Confidential Information, and that all authorized persons having access to Confidential Information refrain from any unauthorized disclosure. Any Confidential Information furnished hereunder shall be returned or destroyed when the receiving party no longer needs the information for the stated purpose or upon the disclosing party's request.

16.4 The obligation imposed by this Article 16 shall continue in full force and effect for a period of five (5) years from the date of the disclosure, regardless of whether this Agreement is terminated earlier.

16.5 The provisions of this Article 16 shall not apply to any information that:

- (a) is rightfully known to the receiving party prior to disclosure;
- (b) is rightfully obtained by the receiving party from any third party without any obligation of confidentiality;
- (c) is or is made available to the public without restrictions;
- (d) is disclosed by the receiving party with the prior written approval of the disclosing party;
- (e) is developed independently by the receiving party without benefit of the information received pursuant to this Agreement; or
- (f) is disclosed in response to a valid order of the court or authorizing agency of government provided however that notice first be given to the disclosing party so that, if appropriate, the disclosing party may seek protection.

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17. ASSIGNMENT.

17.1 Except as provided in this Article, neither IPG nor SDL shall assign this Agreement or any right or interest under this Agreement, nor delegate any duties or assign any rights or claims under this Agreement to any third party without the other party's

prior written consent. Any such attempted delegation or assignment shall be void and ineffective. Either party has the right to assign this Agreement in whole or in part at any time and without the other party's consent to any corporate parent, or to any present or future affiliate or subsidiary of the party.

18. PRECEDENCE.

18.1 This Agreement takes precedence over either party's additional or different terms and conditions, to which objection is hereby made by the parties hereto. Acceptance by the parties of a contract to purchase and supply the Products is limited to the terms and conditions of this Agreement.

18.2 This Agreement comprises the entire understanding between the parties and supersedes any previous communications, representations, or agreements, whether oral or written. No modification of this Agreement shall be binding on either party unless in writing and signed by an authorized representative of each party.

18.3 In the event of any conflict between the provisions of this Agreement and any Release Order or Exhibit, the order of precedence is as follows:

- (a) This Agreement;
- (b) The Exhibits to this Agreement; and
- (c) Any instructions in a written or electronic Release Order.

19. TERM.

19.1 This Agreement shall be effective for the period of eighteen (18) months (the "Term of this Agreement") commencing on the date specified by the parties as under (the "Commencement Date") unless terminated earlier by mutual agreement of the parties or in accordance with the provisions of Articles 12 and 13.

The Commencement Date shall be 01 April 1999, retrospectively.

19.2 Upon the expiry or termination of this Agreement, the parties may mutually agree to extend the terms and conditions contained herein to apply to any or all outstanding Release Orders previously accepted by SDL and to all Products shipped under such Release Orders.

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19.3 The provisions of Articles 5.3, 5.4, 5.5, 9, 10, 16, and 19 shall survive any expiry or termination of this Agreement.

20. MISCELLANEOUS.

20.1 The waiver of any term, condition, or provision of this Agreement by IPG or SDL must be in writing and signed by an authorized

representative of the party providing the waiver. No such waiver or delay in enforcement of any right hereunder shall be construed as a waiver of any other term, condition, or provision except as provided in writing, nor as a waiver of any subsequent breach of the same term, condition, or provision.

- 20.2 This Agreement shall be interpreted and governed in all respects by the laws of the State of California. SDL and IPG hereby consent to the jurisdiction and venue of such courts.
- 20.3 All references in this Agreement to "days" shall, unless otherwise specified herein, mean calendar days.
- 20.4 The Article headings used in this Agreement are for convenience of reference only. They shall not limit or extend the meaning of any provision of this Agreement, and shall not be relevant in interpreting any provision of this Agreement.
- 20.5 Stenographic, typographical, or clerical errors contained in this Agreement are subject to correction by IPG or SDL or contained in any Release Order issued thereunder are subject to correction by IPG.
- 20.6 The parties hereto are independent contractors; under this Agreement and no other relationship is intended, including partnership, franchise, joint venture, agency, or other business organization of any kind or nature whatsoever.
- 20.7 If any term or provision of this Agreement is found to be invalid under any applicable statute or rule of law, the individual term or provision notwithstanding, then the remainder of the Agreement shall remain in full force and effect and such term or provision shall be deemed omitted.

21. ARBITRATION.

- 21.1 In the event of breach of this Agreement or disputes arising out of this, both parties shall make reasonable efforts to reach an amicable settlement thereof. If the parties cannot reach an amicable settlement within 90 (ninety) days, all disputes arising in connection with this Agreement shall be settled under the rules of conciliation and arbitration of the American Institution of Arbitration by three arbitrators appointed in accordance with the said rules. Arbitration shall be held in the United States. The findings of the arbitrators shall be final and binding on both parties. The language of the proceedings shall be English.

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22. EXHIBITS.

- 22.1 All Exhibits attached to this Agreement shall be deemed a part of this Agreement and incorporated herein by reference. Subject to Article 18.3, the term "Agreement" includes the Exhibits listed in this Article 22.

22.2 Terms which are defined in this Agreement and used in any Exhibit shall have the same meaning in the Exhibit as in this Agreement.

22.3 The following Exhibit(s) are hereby made a part of this Agreement:

- EXHIBIT A: Delivery Schedule
- EXHIBIT B: Product Specification
- EXHIBIT C: Product Pricing

APPROVED AND AGREED TO:

(SDL)

(IPG)

By: /s/ Richard Craig

By: /s/ Valentin Gapontsev

Typed Name: Richard Craig

Typed Name: Valentin Gapontsev

Title: Vice President

Title: President & Chief Executive Officer

Date Signed: May 11, 1999

Date Signed: May 14, 1999

Address: 80 Rose Orchard Way, San Jose,

CA 95134-1365

Address: IPG Photonics Corporation,
Galileo

Park, 660 Main Street, Sturbridge, MA
01566

Attention: Stephen Eglash

Attention: David Hardwick

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Exhibit A

Delivery Schedule

Month	Quantity	Cum
Apr 99		
May 99		
Jun 99		
Jul 99		

I. Purpose of Amendment:

This Amendment to IPG Photonics Corporation Purchase and Sales Agreement No. 1/99 is to extend the period of performance of the Agreement and establish additional terms and conditions to govern the sale and purchase of Product(s) for a new commitment by IPG to purchase and take delivery of an additional /1/within a twenty-four month period beginning 01 October 2000 through 30 September 2002 ("Extended Purchase Period").

II. Article I Purchase of Materials is hereby amended to include the following:

1.2 IPG shall purchase and SDL shall sell the Products for the Extended Purchase Period at the prices set forth in Exhibit C and pursuant to the delivery schedule in Exhibit A. The initial delivery schedule in Exhibit A may be revised by IPG in accordance with the Release Order procedure described in Article 4 if IPG's requirements change. However IPG acknowledges that the unit prices provided for the Product(s) in Exhibit C are based on an agreed minimum run rate for total ordered Product. In the event IPG does not place Release Orders for Products to meet the minimum total quantities stated below for the specified time periods, IPG shall be subject to the following for the units ordered in such time period. Any incurred will be invoiced to GP, within any such quarter that such a of Product quantities occurs:

/1/ This total quantity may be adjusted due to product mix allowances for quantities as described in Exhibit A.

<TABLE>

<CAPTION>

Period	Minimum Qty
<S>	<C>
Any given Quarter Q4 '00 thru Q3 '01	Exhibit A Total Quarterly Demand
Any given Quarter Q4 '00 thru Q3 '02	Exhibit A Total Quarterly Demand

<S>

<C>

Where ATQD = Actual Total Quarterly,
EATQD = Exhibit A Total Quarterly Demand.

</TABLE>

If IPG does not place orders to take delivery of at least of the total quantity in any given quarter shown in Exhibit A, IPG shall be deemed in material breach of this Agreement in accordance with Article 13 and shall be subject to the and below, based upon the sum total of parts up to and including the quarter in question.

1.3 Subject always to SDL conforming in all material respects with its obligations as set out in this Agreement, then IPG undertakes to purchase from SDL a quantity of units/2/ of Products during the Extended

Purchase Period. If upon expiry or termination of the Extended Purchase Period of this Agreement the total quantity of Product for which IPG has taken delivery is less than _____ of the total units, /2/ then IPG shall in addition to any obligations it may have pursuant to Article 13 "Termination" pay to SDL a sum calculated as follows:

- a) For a requested total two-year demand up to _____ of the two year cumulative total in Exhibit A:

- b) For a requested total two-year demand greater than _____ units:

The payment of any such sum shall be in full and final settlement of any claim by SDL in respect of its infrastructure investment resulting from IPG's failure to take delivery of a quantity of _____ of the total units/2/ of Product within the Extended Purchase Period.

III. Article 4 Release Procedure is hereby amended to include the following:

- 4.1 (d) IPG shall issue Release Orders for Product deliveries in the Extended Purchase Period in accordance with a 24-month rolling horizon forecast. All time zones shall remain as defined in this Article 4.1. For purposes of the Extended Purchase Period, the Planning zone shall initially be months 7-24. Product quantities forecasted for delivery in the

/2/ This total quantity may be adjusted due to prodcut mix allowances for _____ quantities as described in Exhibit A.

various zones of the Extended Purchase Period may be varied as described, subject always to the terms of Article I . However, in no event shall IPG's forecasted quantity for Product in any given quarter be increased by greater than _____ over that same quarter's initial forecasted demand contained in Exhibit A. Additionally, any forecasted demand for total Product may not be increased by greater than _____ over the initial total quantity for Product in Exhibit A. In the event IPG requests such increases, SDL reserves the right to equitably adjust the _____ and _____ accordingly.

IV. Article 13 Termination is hereby amended to include the following:

- 13.4 In the event of a material breach by IPG, IPG shall remain responsible for all penalties. liabilities and other obligations to SDL as of the date of termination.

- 13.5 In the event of a material breach of this Agreement by SDL, SDL shall be liable to IPG for a _____ of _____ . _____ by SDL to IPG shall constitute full and final settlement between the parties for such material breach by SDL.

- 13.5 In the event IPG cancels a Release Order at any time prior to delivery and

SDL is not in material breach of this Agreement, IPG shall be liable for:

IPG shall take delivery of the Fixed zone Product quantities in the event of any such cancellation.

V. Article 16 Confidential Information is hereby amended to include the following:

16.6 IPG and SDL agree that this Agreement is considered Confidential Information and subject to the provisions of this Article 16. Neither party shall without the prior written consent of the other party, publicize the fact or contents of this Agreement. In the event that SDL is required to release information related to this Agreement, timely consent shall be provided by IPG for such release of information.

VI. Article 19 Term is hereby amended to include the following:

19.1 The term of this Agreement is hereby extended for an additional twenty-four (24) month period for a total of forty-two (42) months from the Commencement Date.

19.3 The provisions of this Amendment Articles 1.2, 1.3 and 13 shall also survive any expiry or termination of this Agreement.

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VII. Exhibits, A - Delivery Schedule, B - Product Specification, and C -Product Pricing, are modified as set forth in this Amendment 01 and attached hereto.

VIII. The above specified modifications constitute a formal Amendment to the Agreement. Except as herein modified, all other specifications, terms and conditions currently applicable to the Agreement remain unchanged.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment 01 by their respective duly authorized representatives as of the last date set forth below:

Signed for and on behalf of IPG Corp.

<TABLE>

<CAPTION>

<S>	<C>	<C>
Authorized Signatory:	/s/David Hardwick /s/Valentin P. Gapontsev	Date: 19/05/2000
Name:	David Hardwick/Valentin Gapontsev, Ph.D.	5/19/2000
Title:	VP & GM/President & GM	

Signed for and on behalf of SDL, Inc.

Authorized Signatory: _____ Date: _____
Name: Gordon Mitchard

Title: General Manager
Industrial Laser Group, SDLI

</TABLE>

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Exhibit A

Exhibit A is hereby amended to include the following initial delivery schedule for the Extended Purchase Period:

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Exhibit C

Exhibit C is hereby amended to include the following pricing for the Extended Purchase Period.

Product Pricing:

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AMENDMENT 02

IPG Photonics Corporation Purchase and Sales Agreement No. 1/99

WHEREAS, IPG and SDL desire to continue the relationship established under this agreement for the Product(s) by entering into a new purchase period, and;

WHEREAS, IPG is desirous of obtaining substantially increased quantities of Product(s) by entering into a new purchase period and;

WHEREAS, SDL is willing to supply IPG the increased demand for Product(s) under certain terms and conditions;

NOW, THEREFORE in consideration of the covenants herein, the parties hereto agree as follow:

I. Purpose of Amendment:

This Amendment to IPG Photonics Corporation Purchase and Sales Agreement No. 1/99 is to extend the period of performance of the Agreement and establish additional terms and conditions to govern the sale and purchase of Product(s) for a new commitment by IPG to purchase and take delivery of an additional /1/ within a twenty-four month period beginning January 01, 2001 through December 31, 2002 ("Extended Purchase Period"). The parties shall continue to perform their respective obligations under and remain subject to the provisions of Amendment 01 until December 31, 2000, after which the provisions of this Amendment 02 will apply to the Extended Purchase Period (January 01, 2001, through December 31, 2002).

II. Article 1 Purchase of Materials is hereby amended to include the following:

1.2 IPG shall purchase and SDL shall sell the Products for the Extended Purchase

Period at the prices set forth in Exhibit C and pursuant to the delivery schedule in Exhibit A. The initial delivery schedule in Exhibit A may be revised by IPG in accordance with the Release Order procedure described in Article 4 if IPG's requirements change. However IPG acknowledges that the unit prices provided for the Product(s) in the Exhibit C are based on an agreed minimum run rate for total ordered Product. In the event IPG does not place Release Orders for Products to meet the minimum total quantities stated below for the specified time periods. IPG shall be subject to the following for the units ordered in such time period. Any incurred will be invoiced to IPG within any such quarter that such a of Product quantities occurs:

Period	Minimum Qty
Any given Quarter Q1 '01 thru Q4'01	Exhibit A Total Quarterly Demand
Any given Quarter	Exhibit A Total

/1/ This total quantity may be adjusted due to product mix allowances for quantities as described in Exhibit A.

Q1 '02 thru Q4'02 Quarterly Demand

Where ATQD=Actual Total Quarterly Demand,
EATQD=Exhibit A Total Quarterly Demand.

If IPG does not place orders to take delivery of at least of the total quantity in any given quarter shown in Exhibit A, IPG shall be deemed in material breach of this Agreement in accordance with Article 13 and shall be subject to the and below, based upon the sum total of parts up to and including the quarter in question.

1.3 Subject always to SDL conforming in all material respects with its obligations as set out in this Agreement, then IPG undertakes to purchase from SDL a quantity of /2/ of Products during the Extended Purchase Period. If upon expiry or termination of the Extended Purchase Period of this Agreement the total quantity of Product for which IPG has taken delivery is less than of the total /2/ then IPG shall in addition to any obligations it may have pursuant to Article 13 "Termination" pay to SDL a sum calculated as follows:

a) For a requested total two-year demand up to of the two year cumulative total in Exhibit A:

b) For a requested total two-year demand greater than units:

The payment of any such sum shall be in full and final settlement of any claim by SDL in respect of its infrastructure investment resulting from IPG's failure to take delivery of a quantity of _____ of the total units/2/ of Product within the Extended Purchase Period.

III. Article 4 Release Procedure is hereby amended to include the following:

4.1 (d) IPG shall issue Release Orders for Product deliveries in the Extended Purchase Period in accordance with a 24-month rolling horizon forecast. All time zones shall remain as defined in this Article 4.1. For purposes of the Extended Purchase Period, the Planning zone shall initially be months 7-24. Product quantities forecasted for delivery in the various zones of the Extended Purchase Period may be varied as described, subject always to the terms of Article 1. However, in no event, shall IPG's forecasted quantity for Product in any given quarter be increased by greater than _____ over that same quarter's initial forecasted demand contained in Exhibit A. Additionally, any forecasted demand for total Product may not be increased by greater than _____ over the initial total quantity for Product in Exhibit A. In the event IPG requests such increases, SDL reserves the right to equitably adjust the _____ and _____ accordingly.

/2/ This total quantity may be adjusted due to product mix allowances for _____ quantities as described in Exhibit A.

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SDL reserves the right to equitably adjust the _____ and _____ accordingly.

IV. Article 13 Termination is hereby amended to include the following:

13.4 In the event of a material breach by IPG, IPG shall remain responsible for all penalties, liabilities and other obligations to SDL as of the date of termination.

13.5 In the event of a material breach of this Agreement by SDL, SDL shall be liable to IPG for a _____ of _____. _____ by SDL to IPG shall constitute full and final settlement between the parties for such material breach by SDL.

13.6 In the event IPG cancels a Release Order at any time prior to delivery and SDL is not in material breach of this Agreement, IPG shall be liable for:

V. Article 16 Confidential Information is hereby amended to include the following:

16.6 IPG and SDL agree that this Agreement is considered Confidential Information and subject to the provisions of this Article 16. Neither party shall without the prior written consent of the other party, publicize the fact or contents of this Agreement, except as the company is required to be disclosed under applicable law, or as the company discloses to it's accountants, lawyers, commercial and investment bankers or other advisors, notwithstanding anything herein to the contrary. In the event that SDL or IPG is required to release information related to this Agreement (other than to the party's accountants, lawyers, commercial and investment bankers or other advisors), timely consent notice to the other party shall be provided by IPG for prior to such release of information to the extent possible.

VI. Article 19 Term is hereby amended to include the following:

19.1 The term of this Agreement is hereby extended for an additional twenty-four (24) month period for a total of forty-five (45) months from the Commencement Date.

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VII. Exhibits. A - Delivery Schedule, B - Product Specification, and C - Product Pricing, are modified as set forth in this Amendment 02 and attached hereto.

VIII. The above specified modifications constitute a formal Amendment to the Agreement. Except as herein modified, all other specifications, terms and conditions currently applicable to the Agreement remain unchanged.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment 02 by their respective duly authorized representatives as of the last date set forth below:

Signed for and on behalf of IPG Corporation,

Authorized Signatory: /s/ Valentin Gaponstev, Ph.D. Date: 11/14/00

Name: Valentin Gaponstev, Ph.D./John Dalton
Title: CEO/President, IPG Corporation

Signed for and on behalf of SDL, Inc.

Authorized Signatory: /s/ Gordon Mitchard, Ph.D. Date: 11/15/00

Name: Gordon Mitchard, Ph.D.
Title: General Manager
Industrial Laser Group, SDLI

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Exhibit A

Exhibit A is hereby amended to include the following initial delivery schedule for the Extended Purchase Period:

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Exhibit B: PRODUCT SPECIFICATION

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Exhibit B: PRODUCT SPECIFICATION

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Exhibit B - Specifications

Device Characteristics*	Symbol	Min.	Typ.	Max.	Units
Power					
Peak Wavelength					
Spectral Width					
Slope Efficiency					
Conversion Efficiency					
Emitting Dimension					
Beam Divergence					
Parallel					
Perpendicular					
Threshold Current					
Operating Current					
Operating Voltage					
Series Resistance					
Thermal Resistance					
Recommended Case Temp.					
Absolute Maximum Ratings					
Reverse Voltage					
Case Operating Temp.					
Storage Temp. Range					
Lead Soldering Temp.					

Accepted By: /s/ Ben Li

Date: Nov. 13, 2000

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80 Rose Orchard Way

Exhibit B: Product Specification

Device Performance Rating:

No other device rating performance testing is included or implied.

Note: All specifications to be reviewed subsequent to completion of evaluation

order and prior to placement of high volume qty. order.

Accepted By: /s/ Ben Li

Date: Nov. 13, 2000

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Exhibit B: PRODUCT SPECIFICATION

Accepted By Ben Li

Date Nov. 13, 2000

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Exhibit B: PRODUCT SPECIFICATION

Accepted By /s/ Ben Li

Date Nov. 13, 2000

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Exhibit C

Exhibit C is hereby amended to include the following pricing for the Extended Purchase Period:

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STOCK ISSUANCE AGREEMENT
FOR AWARDS OF RESTRICTED STOCK

Pursuant to the
IPG PHOTONICS
2000 INCENTIVE COMPENSATION PLAN

THIS STOCK ISSUANCE AGREEMENT ("Agreement") is made effective as of the 22nd day of January, 2001, and is entered into by and between IPG Photonics Corporation, (hereinafter called the "Company") and Vincent Au-Yeung (hereinafter called the "Awardee").

WHEREAS, the Awardee has become employed by the Company, an Affiliate or Group Company in an important capacity, commencing January 22, 2001 as set forth in Awardee's Employment Agreement dated November 29, 2000 ("Employment Agreement");

WHEREAS, the Company desires to provide an incentive to the Awardee so that he will exert his utmost efforts on the Company's behalf and thus enhance its chances of success;

WHEREAS, the Company believes that this may be accomplished by encouraging the Awardee to acquire a proprietary or an increased proprietary interest in the Company; and

WHEREAS, in furtherance thereof, the Company wishes to grant certain of its shares of voting common stock ("Shares") to the Awardee under the IPG Photonics 2000 Incentive Compensation Plan (the "Plan") subject, however, to certain restrictions under the Plan, and consistent with the terms and conditions of Awardee's Employment Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the parties hereto mutually covenant and agree as follows:

1. Definitions. All terms used herein that are not otherwise defined shall -----
have the meanings ascribed to them in the Plan, unless otherwise expressly provided herein as being defined in the Employment Agreement.
2. Grant of Stock Subject to Restrictions. The Awardee hereby acknowledges -----
that the Company has on this date granted to the Awardee 500,000 Shares. The Company and Awardee acknowledge that such Shares have been granted pursuant to the restrictions contained herein and shall hereinafter sometimes be referred to as the "Restricted Stock."

3. Purchase Price; Other Deliveries. The aggregate purchase price for the

Restricted Stock shall be Five Hundred Thousand Dollars (\$500,000), and shall be paid by certified check or wire transfer. Awardee shall also deliver a duly-executed blank Assignment Separate from Certificate (in the form attached hereto as Exhibit A) with respect to the Restricted Stock. The Company shall deliver to Awardee a certificate representing 250,000 of such shares
- of Restricted Stock, and a separate certificate representing 250,000 of such shares of Restricted Stock shall be held by the Company, subject to the terms and conditions of the Pledge Agreement, dated of even date herewith. Awardee hereby agrees that if he shall sell any shares of Restricted Stock, that he shall use the proceeds of such sale to repay the Promissory Note of Awardee to the Company dated of even date herewith, regardless of whether such shares are subject to the Pledge Agreement.
4. Restrictions; Risk of Forfeiture. Awardee hereby agrees that until such

restrictions lapse as herein provided, he will not sell, assign, transfer, pledge or encumber or otherwise dispose of any of the Restricted Stock, except as provided herein, without the prior written consent of the Company as authorized by the Committee. If and only if the Awardee's employment is terminated by the Company for Cause, or Awardee terminates his employment for any reason other than Good Reason, both terms being defined in the Employment Agreement, in either case on or before July 19, 2001, the Restricted Stock shall be immediately subject to a right of repurchase by the Company for the purchase price set forth in Section 3, and the Company shall have the right to defer payment pursuant to the terms and conditions set forth in the Plan and Section 10 herein.
5. Lapse of Restrictions. The risk of forfeiture set forth in Section 4 shall

lapse effective July 20, 2001, subject to the further restrictions set forth in Section 7.
6. Incorporation by Reference. The terms and conditions of the Plan, as it

now exists and as it may be amended from time to time, are hereby incorporated by reference into this Agreement. The Restricted Stock is granted herein pursuant to and subject to the Plan. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control, except as expressly provided in Section 4 above and Section 8 below.
7. Further Transfer Restrictions.

- a. Restriction on Transfer. Subject to the other provisions of this

Agreement for the first 6 months following the date of grant of the Restricted Stock, but in no event prior to July 20, 2001, Awardee may not sell, exchange, or transfer the Restricted Stock to anyone, without the prior written consent of the Company, which consent may be withheld in its sole and absolute discretion, except for Permitted Transfers (as defined below).

b. Transferee Obligations. Each person (other than the Company) to whom

the Restricted Stock is transferred by means of a transfer expressly permitted under this Agreement must, as a condition precedent to the validity of such transfer, acknowledge in writing to the Company that such person is bound by the provisions of this Agreement and that the transferred Shares are subject to (i) the Call Right (as defined below), (ii) the First Refusal Right (as defined below) and (iii) the Lock-Up (as defined below), to the same extent such Shares would be so subject if retained by Awardee.

c. Lock-Up.

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(i) In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, Awardee shall not sell, make any short sale of, loan, hypothecate, pledge, grant any option for the purchase of, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any Restricted Stock without the prior written consent of the Company or its underwriters. Such restriction (the "Lock-Up") shall be in effect for a period of up to 180 days from and after the effective date of the final prospectus for the offering or otherwise as may be required by such underwriters. Such Lock-Up may be subject to such other restrictions, conditions and limitations as the underwriters impose.

(ii) Awardee shall be subject to the Lock-Up only if and to the extent that the officers and directors of the Company are also subject to similar restrictions, including restrictions on Permitted Transfers (as defined below).

8. Call Right.

a. Grant. If the Awardee's employment is terminated by the Company for

Cause as defined in the Employment Agreement, effective on such date and prior to the completion of an IPO, the Company shall have the right to purchase, and the Awardee shall have the corresponding obligation to sell, upon delivery of written notice to Awardee, all and not less than all of the Shares then owned by Awardee, ownership of which Shares was acquired hereunder (such repurchase rights of the Company, being referred to hereinafter as the "Call Rights"). The purchase price of the Shares subject to the Company's Call Rights shall be the Fair Market Value of such Shares as of the date the Company mails or otherwise delivers such written notice to the Awardee, provided, however, the purchase price shall be the price set

forth in Section 3 of the Agreement for terminations occurring during the period and for the reasons set forth in Section 4 herein.

b. The Company shall have the right to defer payment of the purchase price under Section 8.a pursuant to the terms and conditions set forth in the Plan and Section 10 herein.

9. Right of First Refusal.

a. Grant. Prior to an IPO, the Company shall have a right of first

refusal (the "First Refusal Right"), exercisable in connection with any proposed transfer of the Shares, except with respect to any Permitted Transfer (as defined below).

b. Notice of Intended Disposition. In the event Awardee desires to

accept a bona fide third-party offer for the transfer of any or all of the Restricted Stock (the Restricted Stock subject to such offer to be hereinafter referred to as the "Target Shares"), Awardee shall promptly (i) deliver to the Company written notice (the

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"Disposition Notice") of the terms of the offer, including the purchase price and the identity of the third-party offeror, and (ii) provide satisfactory proof that the disposition of the Target Shares to such third-party offeror would not be in contravention of the provisions set forth in Sections 4, 7 and 11.

c. Exercise of the First Refusal Right. The Company shall, for a period

of ten (10) days following receipt of the Disposition Notice, have the right to repurchase all and not less than all of the Target Shares subject to the Disposition Notice upon the same terms as those specified therein or upon such other terms (not materially different from those specified in the Disposition Notice) to which Awardee

consents. Such right shall be exercised by delivery of written notice (the "Exercise Notice") to Awardee prior to the ten (10) day exercise period. The Company shall effect the repurchase of such shares, including payment of the purchase price, not more than five (5) business days after delivery of the Exercise Notice; and at such time the certificates representing the Target Shares shall be delivered to the Company.

Should the purchase price specified in the Disposition Notice be payable in property other than cash or evidences of indebtedness, the Company shall have the right to pay the purchase price in the form of cash equal in amount to the value of such property. If Awardee and the Company cannot agree on such cash value within ten (10) days after the Company's receipt of the Disposition Notice, the valuation shall be made by an appraiser of recognized standing selected by Awardee and the Company or, if they cannot agree on an appraiser within twenty (20) days after the Company's receipt of the Disposition Notice, each shall select an appraiser of recognized standing and the two (2) appraisers shall designate a third appraiser of recognized standing, whose appraisal shall be determinative of such value. The cost of such appraisal shall be shared equally by Awardee and the Company. The closing shall then be held on the later of (i) the fifth (5th)

business day following delivery of the Exercise Notice or (ii) the fifth (5th) business day after such valuation shall have been made.

d. Non-Exercise of the First Refusal Right. In the event the Exercise

Notice is not given to Awardee prior to the expiration of the ten (10) day exercise period, Awardee shall have a period of ninety (90) days thereafter in which to sell or otherwise dispose of the Target Shares to the third-party offeror identified in the Disposition Notice upon terms (including the purchase price) no more favorable to such third-party offeror than those specified in the Disposition Notice; provided, however, that any such sale or disposition must not be

effected in contravention of the provisions of Sections 4, 7 and 11. The third-party offeror shall acquire the Target Shares subject to the provisions of this Agreement as set forth in 7.b. In the event Awardee does not effect such sale or disposition of the Target Shares within the specified (90)-day period, the First Refusal Right shall continue to be applicable to any subsequent disposition of the Target Shares by Awardee until such right lapses.

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e. Recapitalization/Reorganization.

(i) Any new, substituted or additional securities or other property

which is by reason of any Recapitalization distributed with respect to the Restricted Stock shall be immediately subject to the First Refusal Right, but only to the extent the Restricted Stock is at the time covered by such right.

(ii) In the event of a Reorganization, the First Refusal Right shall remain in full force and effect and shall apply to the new capital stock or other property received in exchange for the Restricted Stock in consummation of the Reorganization, but only to the extent the Restricted Stock are at the time covered by such right.

f. Lapse. The First Refusal Right shall lapse on the date the Shares

become readily tradable on an established securities market. However, the Lock-Up shall continue to remain in full force and effect following the lapse of the First Refusal Right.

g. Permitted Transfer. For the purpose of Section 9(a), the term

"Permitted Transfer" shall mean, with respect to the Shares, any sale, conveyance, exchange, assignment, pledge, encumbrance, gift, bequest, hypothecation or other transfer or disposition by any other means, whether for value or no value and whether voluntary or involuntary (including, without limitation, by merger or operation of law), or any agreement to do any of the foregoing, by Awardee to his Immediate Family. The term "Immediate Family" means, and is limited to, Awardee's current spouse, parents, parents-in-law, grandparents, children, siblings (and their lineal descendents), grandchildren, and Awardee's beneficiaries and heirs. A trust, estate, family partnership, limited liability company or corporation entitled to federal income tax treatment pursuant to subchapter S of the Internal Revenue Code, all of the beneficiaries, partners, members or shareholders of which consist of Awardee or members of his Immediate Family, shall be considered his Immediate Family for the purposes of this Agreement.

10. Right to Defer Payment. At the discretion of the Committee, payments to

Awardee may be made by the Company in the form of a single lump sum or installments, provided in the case of installment payments the Company has represented in writing to Awardee that its corporate cash flow needs do not permit a lump sum payment, as determined in good faith by the Board of Directors of the Company. Installment payments shall be made in full no later than six (6) months from the date of disposition and will, be credited monthly with interest using an interest rate equal to the annual rate of interest on 30-year Treasury securities as of the beginning of each such monthly crediting period (as determined by the Committee).

11. Restrictive Legend; Restrictions on Disposition; Securities Matters.

- (a) Awardee hereby agrees that the certificates for the Restricted Stock shall be inscribed with the following legend:

"The shares of stock evidenced by this certificate are subject to the terms and restrictions of the IPG Photonics 2000 Incentive Compensation Plan and the terms of the Stock Issuance Agreement ("Agreement") between the Company and Vincent Au-Yeung dated as of January 22, 2001. Such shares are subject to repurchase and cancellation under the terms of such Plan and Agreement, and such shares shall not be sold, transferred, assigned, pledged, encumbered or otherwise alienated or hypothecated except pursuant to the provisions of such Plan and Agreement. A copy of the Plan is available from the Company upon request."

In addition, if shares are awarded prior to a completed public offering, the certificates shall also be inscribed with the following:

"The shares of stock evidenced by this certificate have not been registered under the Securities Act of 1933 (the "Securities Act") or the securities laws of any state. These shares may not be sold or transferred unless the transaction is registered under the Securities Act and applicable state law or exempt from registration thereunder."

- (b) Awardee shall make no disposition of the Restricted Stock unless and until there is compliance with all of the following requirements:
- (i) Awardee shall have provided the Company with written summary of the terms and conditions of the proposed disposition.
 - (ii) Awardee shall have complied with all requirements of this Agreement applicable to the disposition of the Restricted Stock.
 - (iii) Awardee shall have provided the Company with written assurances, including an opinion of counsel, in form and substance satisfactory to the Company, that (a) the proposed disposition does not require registration of the Restricted Stock under the Securities Act or applicable state securities laws, or (b) all appropriate action necessary for compliance with the registration requirements of the Securities Act and applicable state securities laws or any exemption from registration available under the Securities Act (including Rule 144) and applicable state securities laws has been taken.

- (c) The Company shall not be required (i) to transfer on its books Restricted Stock which has been sold or transferred in violation of the provisions of this Agreement or (ii) to treat as the Awardee, owner or holder of the Restricted Stock, or otherwise to accord voting, dividend or liquidation rights to, any transferee to whom the Restricted Stock has been transferred in contravention of this Agreement.
- (d) The Restricted Stock has not been registered under the Securities Act and is being issued to Awardee in reliance upon the exemption from such registration provided by SEC Rule 701 for stock issuances under compensatory benefit plans such as the Plan. Awardee hereby confirms that Awardee has been informed that the Restricted Stock constitutes restricted securities under the Securities Act and may not be resold or transferred unless the Restricted Stock is first registered under the Federal securities laws and applicable state securities laws or unless an exemption from such registration is available. Accordingly, Awardee hereby acknowledges and agrees that Awardee is prepared to hold the Restricted Stock for an indefinite period and that Awardee is aware that SEC Rule 144 issued under the Securities Act which exempts certain resales of securities is not presently available to exempt the resale of the Restricted Stock from the registration requirements of the Securities Act.
- (e) Awardee hereby represents and warrants to the Company that Awardee is acquiring the Restricted Stock for Awardee's own account, for investment purposes, and not with a view to, or for resale in connection with, the distribution of such Restricted Stock.

12. Additional Restricted Stock. Awardee agrees that the term "Restricted

Stock" shall include any shares or other securities which he may receive or be entitled to receive as a result of the ownership of the original Restricted Stock whether the same are issued as a result of a Recapitalization or Reorganization.

13. Severability. In the event that any one or more of the provisions or

portion thereof contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement and this Agreement shall be construed as if the invalid, illegal, or unenforceable provision or portion thereof had never been contained herein.

14. Entire Agreement. Except as set forth in the Employment Agreement, this

Agreement constitutes and contains the entire Agreement and understanding between the parties with respect to the subject matter hereof and supersedes any and all prior agreements, if any, understandings and negotiations relating thereto. No promise, understanding, representation, inducement,

condition or warranty not set forth herein has been made or relied upon by any party hereto.

15. Notice. Any notice which either party hereto may be required or permitted

to give to the other shall be in writing, and may be delivered personally or by mail, postage prepaid, if to the Company, addressed to the Company at the following address:

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IPG Photonics Corporation
P.O. Box 519
660 Main Street
Sturbridge, MA 01566
Attention: Angelo Lopresti, Esq.

or at any other address as the Company, by notice to the Awardee, may designate in writing from time to time; and, if to the Awardee, addressed to the Awardee at the Awardee's address as set forth next to the Awardee's signature below, or at any other address as the Awardee by notice to the Company, may designate in writing from time to time.

16. Binding Effect. Subject to the other terms hereof, this Agreement shall be

binding upon and inure to the benefit of the heirs, beneficiaries, legal representatives and successors of the parties.
17. Governing Law. This Agreement shall be construed by, enforced in accordance

with and governed by the substantive laws of the State of Delaware without giving effect to the conflicts of laws provisions thereof.
18. Waiver. No waiver by either party of the application of any term, provision

or condition of this Agreement, or a breach thereof by the other party, shall constitute a waiver of any succeeding breach of the same or any other provision hereof. No such waiver shall be valid unless executed in writing by the party making the waiver.
19. Transferability. The Awardee shall not transfer, sell, pledge, assign or

otherwise dispose of or encumber the Shares awarded hereunder other than as set forth in this Agreement and the Plan. Any attempted transfer, sale, pledge, assignment or other disposition or encumbrance of such Shares, or of Awardee's rights and obligations under this Agreement, contrary to the provisions of this Agreement shall be null and void.
20. Cancellation of Shares. If the Company shall make available, at the time

and place and in the amount and form provided in this Agreement, the consideration for the Restricted Stock to be repurchased in accordance with the provisions of this Agreement, then from and after such time, the person from whom such shares are to be repurchased shall no longer have any rights as a holder of such shares (other than the right to receive payment of such consideration in accordance with this Agreement). Such shares shall be deemed purchased in accordance with the applicable provisions hereof, and the Company shall be deemed the Awardee and holder of such shares, whether or not the certificates therefor have been delivered as required by this Agreement.

21. Awardee Undertaking. Awardee hereby agrees to take whatever additional

action and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either Awardee or the Restricted Stock pursuant to the this Agreement.

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22. Counterparts. This Agreement may be executed in one or more counterparts,

each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and date first set forth above.

IPG PHOTONICS CORPORATION

By: /s/ Dr. Valentin P. Gapontsev

Title: Dr. Valentin P. Gapontsev

AWARDEE

By: /s/ Vincent Au-Yeung

Name: Vincent Au-Yeung

Address:

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SPOUSAL ACKNOWLEDGMENT

The undersigned spouse of Awardee has read and hereby approves the foregoing Stock Issuance Agreement. In consideration of the Company's granting Awardee the right to acquire the Restricted Stock in accordance with the terms of such Agreement, the undersigned hereby agrees to be irrevocably bound by all the terms of such Agreement.

AWARDEE'S SPOUSE

By:

Name:

Address:

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EXHIBIT A

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED _____ hereby sell(s), assign(s) and transfer(s) to IPG Photonics Corporation (the "Company"), _____ (_____) shares of the voting common stock, par value \$0.0001 per share, of the Company standing in his or her name on the books of the Company represented by Certificate No. _____ herewith and do(es) hereby irrevocably constitute and appoint _____ Attorney to transfer such stock on the books of the Company with full power of substitution in the premises.

Dated: _____

Signature

Vincent Au-Yeung

Instruction: Please do not fill in any blanks other than the signature line. Please sign exactly as you would like your name to appear on the issued stock certificate. The purpose of this assignment is to enable the Company to exercise the Call Rights without requiring additional signatures on the part of Awardee.

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THIS SERVICES AGREEMENT (this "Agreement"), is made as of January 1, 2001, by and between IPG Photonics (UK) Ltd., a company organized under the laws of the United Kingdom ("IPG"), and IP Fibre Devices Ltd., a company organized under the laws of the United Kingdom ("Fibre Devices").

WITNESSETH:

WHEREAS, Fibre Devices rents certain parcels of real estate and employs certain personnel; and

WHEREAS, IPG plans to commence operations in the United Kingdom and would like to share an allocated portion of certain real estate and other costs of Fibre Devices and offer employment to certain employees of Fibre Devices.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties, intending to be legally bound, hereby agree as follows:

ARTICLE I
COST SHARING

1.1 Costs.

a. Fibre Devices shall provide use of its offices, including electricity, heating, furniture and office equipment (collectively, "Office Expenses"), to IPG.

b. IPG shall pay directly for its telecommunications charges.

c. For the year beginning January 1, 2001, IPG shall pay the amount of \$[250,000] for its portion of Office Expenses. In subsequent years, the amount that IPG will pay shall be agreed to by the parties and shall reflect actual directly related costs of such Office Expenses used by IPG.

1.2 Employment. IPG agrees to offer employment to Dr. Sergei Popov and Alice Ordabaeva substantially the same as their terms of employment by Fibre Devices, provided that such terms are reasonably acceptable to IPG.

1.3 Salary. During the first year of the term of this Agreement, IPG agrees to

pay 75% of the current salary of Caesar Vishowaty for as long as he is employed by Fibre Devices. Mr. Vishowaty shall dedicate not less than 75% of his business time and attention to IPG. After the first year, the parties hereto

shall agree on the appropriate allocation for the following year.

1.4 Term. The term of this Agreement shall be two years, commencing on the

date of this Agreement. Provided that neither party has given written notice of termination to the other at least ninety days prior to the expiration of the term of this Agreement, or any renewal term, this

Agreement shall be deemed to be renewed for successive one year terms at the expiration of the original or any renewal term.

ARTICLE II INDEMNIFICATION

Each party (the "Indemnifying Party") shall defend, indemnify and hold harmless the other party, including its directors, officers and employees (collectively, the "Indemnified Party"), from and against any and all demands, claims, actions or causes of action, losses, damages, liabilities, costs and expenses, including, without limitation, judgments, interest, penalties, settlement amounts, court costs and reasonable attorneys' fees and expenses, asserted against, imposed upon or incurred by the Indemnified Party arising out of or relating to any actual or alleged act or omission of the Indemnifying Party related to its performance of its obligations hereunder. The foregoing indemnification obligation shall survive the expiration or earlier termination of this Agreement.

ARTICLE III MISCELLANEOUS

3.1 Assignment. This Agreement shall not be assigned by IPG without the prior

written consent of Fibre Devices. Any attempted assignment or transfer of any rights, or attempted delegation of any duties or obligations, under this Agreement by IPG without such prior written consent shall be void and of no effect. Fibre Devices reserves the right to assign any rights and delegate any duties or obligations hereunder to another affiliate of Fibre Devices upon written notice to IPG.

3.2 Notices. Any notice required or permitted by this Agreement to be given

shall be in writing and shall be addressed to either party at its principal place of business, or at such other address as it may notify to the other party. Each such notice shall be sent by registered or certified mail or delivered by hand, or by facsimile or a private delivery service and shall be deemed to have been given on the date of its receipt at the address to which such notice is so directed, regardless of any other date that may appear thereon.

3.3 Waiver. The failure of either party to insist upon a strict performance of

any of the terms or provisions of this Agreement or to exercise any option, right or remedy herein contained, shall not be construed as a waiver or as a relinquishment for the future of such term, provision, option, right or remedy, but the same shall continue and remain in full force and effect throughout the term of this Agreement. No waiver by either party of any term or provision hereof shall be deemed to have been made unless expressed in writing and signed by an authorized representative of such party.

3.4 Severability. In the event that any one or more of the provisions

contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never

been contained herein and, in lieu of each such illegal, invalid or unenforceable provision, there shall be added as a part of this Agreement, a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

3.5 Entire Agreement; Amendment. This Agreement, together with all other

writings signed by the parties expressly stated to be supplementary hereto and together with any instruments to be executed and delivered pursuant hereto constitutes the entire agreement between the parties, and supersedes all prior understandings and writings concerning the subject matter hereof. This Agreement may be amended only by a writing signed by authorized representatives of both parties.

3.6 Further Assurances. Each of the parties shall from time to time, at the

request of the other party, execute and deliver such other agreements and instruments and take such other action as may reasonably be requested in order to more effectively consummate the transactions contemplated hereby.

3.7 Successors and Assigns. All of the terms and provisions of this Agreement

shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns becoming such in accordance with the terms of this Agreement. Nothing contained in this Agreement shall be deemed to create any third party beneficiary or other rights hereunder in favor of any person, firm, corporation or other entity not a party to this Agreement.

3.8 Governing Law. This Agreement, and the rights and obligations of the

parties hereto, shall be governed by and construed in accordance with the laws of the United Kingdom without reference to its conflict of laws rules.

3.9 Headings. The headings of the articles and sections herein are for

convenience only and shall not affect the construction hereof.

3.10 Counterparts. This Agreement may be executed in one or more counterparts,

each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed in their respective corporate names by their duly authorized officers as of the date first written above.

IPG PHOTONICS (UK) LTD.

By: /s/ Angelo P. Lopresti

Name: Angelo P. Lopresti

Title: Secretary

IP FIBRE DEVICES LTD.

By: /s/ Timothy P.V. Mammen

Name: Timothy P.V. Mammen

Title: General Manager and Secretary

Independent Auditors' Consent

The consolidated financial statements give effect to the completion of a 2-for-1 stock split described in Note 7 which will take place prior to the effective date of the offering. The following consent is in the form which will be provided by Deloitte & Touche GmbH upon completion of the stock split and assuming that no other material events have occurred that would affect the consolidated financial statements or require disclosure therein.

"To the Board of Directors and Shareholders of IPG Laser GmbH:

We consent to the use in this Amendment No. 1 to Registration Statement No. 333-51560 of IPG Photonics Corporation of our report dated December 6, 2000, appearing in the Prospectus, which is a part of such Registration Statement, and to the reference to us under the heading "Experts" in such Prospectus.

Duesseldorf, Germany,
2001"

/s/ Deloitte & Touche GmbH

Duesseldorf, Germany
February 2, 2001

Independent Auditors' Consent

The combined consolidated financial statements give effect to the completion of a 2-for-1 stock split described in Note 7 which will take place prior to the effective date of the offering. The following consent is in the form which will be provided by Deloitte & Touche LLP upon completion of the stock split and assuming that no other material events have occurred that would affect the combined consolidated financial statements or require disclosure therein.

"To the Board of Directors and Shareholders of IPG Photonics Corporation:

We consent to the use in this Amendment No. 1 to Registration Statement No. 333-51560 of IPG Photonics Corporation of our report dated December 6, 2000, appearing in the Prospectus, which is a part of such Registration Statement, and to the reference to us under the heading "Experts" in such Prospectus.

Boston, Massachusetts
 ,2001"

/s/ Deloitte & Touche LLP

Boston, Massachusetts
February 2, 2001

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