IPG PHOTONICS CORP
Form DEF 14A
April 10, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934
Filed by the Registrant ý
Filed by a Party other than the Registrant ¨
Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a- 6(e)(2))

ý Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12
IPG PHOTONICS CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
Payment of Filing Fee (Check the appropriate box):

ý No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:
(2) Aggregate number of securities to which transaction applies:
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4) Proposed maximum aggregate value of transaction:
(5) Total fee paid:
¨ Fee paid previously with preliminary materials.
¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders:

We invite you to attend our annual meeting of stockholders which is being held as follows:

Date:	June 5, 2018
Time:	10:00 a.m. Eastern Time
Location:	IPG Photonics Corporation 50 Old Webster Road Oxford, Massachusetts 01540

At the meeting, we will ask our stockholders to:

1. elect nine directors named in the accompanying proxy statement; and
2. ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2018.

Stockholders will also transact any other business that may properly come before the meeting.

You may vote on these matters in person or by proxy. Whether or not you plan to attend the meeting, we ask that you promptly vote your shares. Only stockholders of record at the close of business on April 6, 2018 may vote at the meeting.

By order of the Board of Directors
IPG PHOTONICS CORPORATION

/s/ Angelo P. Lopresti
Angelo P. Lopresti
Secretary
April 9, 2018
Oxford, Massachusetts

The Notice of Meeting, Proxy Statement and Annual Report on Form 10-K are available free of charge at: investor.ipgphotonics.com. On or about April 18, 2018, we will mail to most of our stockholders a notice containing instructions on how to access this proxy statement and our annual report and to vote via the Internet or by telephone.

Table of Contents

	Page
Notice of Annual Meeting of Stockholders	
Proxy Summary	1
General Information About the Meeting	4
Corporate Governance	8
Related Person Transactions	13
Board of Directors	14
Director Compensation	23
Proposal 1: Election of Directors	25
Common Stock Ownership	26
Executive Officers	28
Compensation Committee Report	29
Compensation Discussion and Analysis	30
Executive Compensation Tables	41
Audit Committee Report	47
Proposal 2: Ratification of Independent Registered Public Accounting Firm	48
Other Matters	50

PROXY SUMMARY

This summary highlights information available within our proxy statement. You should consider all of the information available in the proxy statement prior to voting your shares. Additional information on the Company's performance in 2017 can be found in our 2017 annual report to stockholders.

2018 Annual Meeting Information

Time and Date: 10:00 a.m. Eastern Time on Tuesday, June 5, 2018
Location: IPG Photonics Corporation, 50 Old Webster Road, Oxford, Massachusetts, 01540
Record Date: April 6, 2018
Voting: Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for the other proposal to be voted on.

Voting Your Shares

We encourage you to vote by proxy, even if you plan to attend the annual meeting. Your vote is important. You can vote your shares using one of the following methods:

- Completing and mailing the enclosed proxy card
- Calling (800) 652-8683
- Visiting www.investorvote.com/ipgp
- In person at the annual meeting

If you own shares through a bank, broker, trustee, nominee or other institution, they will provide you with our proxy statement and any other solicitation materials, as well as voting instructions.

Items of Business

Proposal	Description	Board Vote Recommendation	Page Reference
1	Elect nine directors named in the proxy statement to serve for a one-year term	FOR	25
2	Ratify Deloitte & Touche LLP as our independent registered public accounting firm for 2018	FOR	48

Director Nominees

Every member of our Board of Directors (the "Board") is elected annually. You are being asked to vote on the election of these nine nominees, all of whom currently serve as directors.

Name	Age	Director Since	Principal Occupation	Independent	Committee Memberships	Experience and Skills
Valentin P. Gapontsev, Ph.D.	79	1990	CEO and Chm. of Bd. IPG Photonics Corporation	No	None	• Executive management • Technology • Markets and Applications
Eugene A. Scherbakov, Ph.D.	70	2000	COO IPG Photonics Managing Director IPG Laser GmbH	No	None	• Operations • Technology • Markets and Applications
Igor Samartsev	55	2006	Chief Technology Officer IPG Photonics Corporation	No	None	• Technology • Executive Management
Michael C. Child	63	2000	Senior Advisor T.A. Associates, Inc.	Yes	NCGC*	• Management and Operations • Mergers & Acquisitions • Technology Growth Companies
Henry E. Gauthier	77	2006	Former Pres. and Chm. Coherent, Inc.	Yes	Audit	• Laser Industry • Financial Expert • Management and Operations
Catherine P. Lego	61	2016	Principal Lego Ventures, LLC	Yes	Audit Compensation (Chair)	• Accounting and Finance • Mergers & Acquisitions • Technology Growth Companies
Eric Meurice	61	2014	Former President, CEO and Chairman ASML Holding NV	Yes	NCGC* (Chair) Compensation	• Strategy and Strategic Marketing • International Operations • Technology Growth Companies

John R. Peeler	63	2012	CEO and Chm. of Bd. Veeco Instruments, Inc.	Yes	Presiding Ind. Director Compensation NCGC*	• Management and Operations • International Operations • Leadership Development
Thomas J. Seifert	54	2014	Chief Financial Officer Cloudflare, Inc.	Yes	Audit (Chair) NCGC*	• Accounting and Finance • Financial Expert • Technology Growth Companies

* NCGC is the Nominating and Corporate Governance Committee.

Corporate Governance Summary

The Board:

- is comprised of 70% independent directors
- has a presiding independent director
- is comprised of directors with a broad range of leadership, professional skills, and experiences which, when taken as a whole, is invaluable in evaluating our opportunities and executing them
- meets in executive session at each regularly scheduled Board meeting
- is elected annually
- complies with stock ownership guidelines it adopted to align the interests of directors with stockholders
- adopted a policy that prohibits hedging and limits pledging of Company stock by directors and officers
- engages in an annual self-evaluation process
- oversees risk management with a focus on the most significant risks facing IPG
- regularly considers succession planning to ensure boardroom skills are aligned with IPG's long-term strategic plan

The Audit, Compensation, and Nominating and Corporate Governance Committees:

- are comprised entirely of independent directors; The Audit Committee is comprised of four "financial experts"
- annual review of charters to ensure alignment with evolving Committee responsibilities
- engage in an bi-annual self-evaluation process
- have active Committee member engagement with each director participating in more than 75% of the applicable Committee meetings

Executive Compensation Summary

The Compensation Committee:

- is comprised entirely of independent directors who oversee the executive compensation program
- retains an independent compensation consultant to advise the Committee on the executive compensation program and other compensation matters
- annually reviews the executive compensation program to align it with the stockholder interests
- aligns executive pay with performance consistent with our pay-for-performance philosophy
- balances short-term and long-term incentives including multiple measures of performance
- links executive pay to IPG performance with long-term equity incentives
- designs the compensation program to maximize stockholder value while mitigating short-term risk taking

•caps the maximum amount that can be earned for annual incentives

The Named Executive Officers:

- have a majority of total direct compensation tied to performance, thereby aligning a significant portion of executive compensation payouts with the interest of stockholders

•have no retirement benefits and limited perquisites

•do not receive excise tax gross-up protections

•may not hedge Company stock and are permitted limited pledging

•do not receive single-trigger change of control provisions

•comply with stock ownership guidelines to align the interests of officers with stockholders

•are subject to clawback provisions

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION ABOUT THE MEETING

The Board of Directors of IPG Photonics Corporation is soliciting proxies from our stockholders in connection with our annual meeting of stockholders to be held on Tuesday, June 5, 2018 and any and all adjournments thereof. No business can be conducted at the annual meeting unless a majority of all outstanding shares entitled to vote are either present in person or represented by proxy at the meeting. As far as we know, the only matters to be brought before the annual meeting are those referred to in this proxy statement. If any additional matters are presented at the annual meeting, the persons named as proxies may vote your shares in their discretion.

This proxy statement and our 2017 annual report are first being made available to stockholders of record on or about April 18, 2018 at investor.ipgphotonics.com. Information on the website does not constitute part of this proxy statement.

Unless otherwise noted, the information in this proxy statement covers our 2017 fiscal year (or "fiscal 2017"), which ran from January 1, 2017 through December 31, 2017, and in some cases our 2016 fiscal year (or "fiscal 2016"), which ran from January 1, 2016 through December 31, 2016.

Questions and Answers about the Meeting and Voting

When and Where Is the Annual Meeting?

When: Tuesday, June 5, 2018, at 10:00 a.m. Eastern Time

Where: IPG Photonics Corporation
50 Old Webster Road
Oxford, Massachusetts 01540

What Matters Am I Being Asked to Vote On at the Meeting and What Vote is Required to Approve Each Matter?

You are being asked to vote on two proposals.

Proposal 1 requests the election of directors. Each director will be elected by the vote of the plurality of the votes cast when a quorum is present. A "plurality of the votes cast" means that the nine persons receiving the greatest number of votes cast "for" will be elected. "Votes cast" excludes "withhold votes" and any broker non-votes (as defined below). Accordingly, withhold votes and broker non-votes will have no effect on Proposal 1. If you hold your shares in "street name," it is critically important that you submit your voting instructions to your bank or broker if you want your shares to count for Proposal 1.

Proposal 2 requests the ratification of the appointment of our independent registered public accounting firm for 2018. The affirmative vote of a majority of the shares which are present at the meeting in person or by proxy, and entitled to vote thereon, is required for approval of Proposal 2. Abstentions have the same effect as voting against Proposal 2.

Who Is Entitled to Vote at the Meeting?

You are entitled to vote at the meeting if you owned IPG Photonics shares (directly or in "street name," as defined below) as of the close of business on April 6, 2018, the record date for the meeting. On that date, 53,732,790 shares of our common stock were outstanding and entitled to vote and no shares of our preferred stock were outstanding. Each share of our common stock is entitled to one vote with respect to each matter on which it is entitled to vote. There is no cumulative voting with respect to any proposal.

What Do I Need to Do If I Plan to Attend the Meeting in Person?

If you plan to attend the annual meeting in person, you must provide proof of your ownership of our common stock and a form of personal identification, such as a driver's license, for admission to the meeting. If you are a stockholder of record, the top half of your proxy card is your admission ticket and will serve as proof of ownership. If you hold your shares in street name, a recent brokerage statement or a letter from your bank or broker are examples of proof of ownership. If you hold your shares in street name and you also wish to be able to vote at the meeting, you must obtain a proxy, executed in your favor, from your bank or broker.

What Is the Difference Between Holding Shares Directly as a Stockholder of Record and Holding Shares in "Street Name" at a Bank or Broker?

Most of our stockholders hold their shares directly through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are differences between shares held of record and those held in "street name."

Stockholder of Record: If your shares are registered directly in your name with our transfer agent, Computershare, N.A., you are considered the stockholder of record with respect to those shares, and the proxy statement and annual report were sent directly to you. As the stockholder of record, you have the right to vote your shares as described herein.

"Street Name" Stockholder: If your shares are held by a bank, broker or other nominee on your behalf, you are considered the beneficial owner of shares held in "street name," and the proxy statement and annual report were forwarded to you by your bank,broker or other nominee who is considered the stockholder of record with respect to those shares. Your bank, broker or other nominee sent to you, as the beneficial owner, a document describing the procedure for voting your shares. You should follow the instructions provided by your bank, broker or other nominee to vote your shares. You are also invited to attend the annual meeting. However, if you wish to be able to vote at the meeting, you must obtain a proxy card, executed in your favor, from your bank, broker or other nominee.

What Does it Mean to Give a Proxy?

Your properly completed proxy/voting instruction card will appoint Valentin P. Gapontsev and Angelo P. Lopresti as proxy holders or your representatives to vote your shares in the manner directed therein by you. Dr. Gapontsev is our Chairman of the Board and Chief Executive Officer. Mr. Lopresti is our Senior Vice President, General Counsel and Secretary. Your proxy permits you to direct the proxy holders to vote "For" or "Withhold" for the nominees for director (Proposal 1), and "For," "Against," or "Abstain" the vote to ratify the appointment of our independent registered accounting firm (Proposal 2).

All of your shares entitled to vote and represented by a properly completed proxy or voting instruction received prior to the meeting and not revoked will be voted at the meeting in accordance with your instruction.

What Happens If I Sign, Date and Return My Proxy But Do Not Specify How I Want My Shares Voted on One of the Proposals?

Stockholder of Record: Your proxy will be counted as a vote "For" all of the nominees for director (Proposal 1), and "For" the vote to ratify the appointment of our independent registered accounting firm (Proposal 2).

"Street Name" Stockholder: Your bank, broker or nominee may vote your shares only on those proposals on which it has discretion to vote. Under New York Stock Exchange rules, your bank, broker or nominee does not have discretion to vote your shares on non-routine matters such as the election of directors (Proposal 1). This is called a "broker non-vote." However, your bank, broker or nominee does have discretion to vote your shares on routine matters such as the vote to ratify the appointment of our independent registered public accounting firm (Proposal 2). Accordingly, if you do not give your bank, broker or nominee specific instructions with respect to Proposal 2, your shares will be

voted in such entity's discretion (but only with respect to Proposal 2). We urge you to promptly

provide your bank, broker or nominee with appropriate voting instructions so that all of your shares may be voted at the meeting.

Can I Change My Vote Before the Meeting?

You can change your vote at any time before your proxy is exercised by delivering a properly executed, later-dated proxy (including an internet or telephone vote), by revoking your proxy by written notice to the Secretary of IPG Photonics, or by voting in person at the meeting. If you choose to revoke your proxy by attending the annual meeting, you must vote your shares for revocation to be effective. The method by which you vote by a proxy will in no way limit your right to vote at the meeting if you decide to attend in person.

If your shares are held in street name, please refer to the information forwarded by your bank, broker or nominee for procedures on changing your voting instructions.

Is the Proxy Statement Available on the Internet?

Yes. We are delivering our proxy statement and 2017 annual report pursuant to the Securities and Exchange Commission rules that allow companies to furnish proxy materials to their stockholders over the internet. On or about April 18, 2018, we will mail to our stockholders a notice (the “Notice”) containing instruction on how to access this proxy statement and our annual report and to vote via the internet or by telephone. Stockholders can view these documents on the internet by accessing the website at investor.ipgphotonics.com.

What does it mean if I receive more than one Notice of Internet Availability of Proxy Materials?

You may receive more than one Notice, more than one e-mail or multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate Notice, a separate e-mail or a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you may receive more than one Notice, more than one e-mail or more than one proxy card. To vote all of your shares by proxy, you must complete, sign, date and return each proxy card and voting instruction card that you receive and vote over the internet the shares represented by each Notice that you receive (unless you have requested and received a proxy card or voting instruction card for the shares represented by one or more of those Notices).

Who Is Soliciting my Proxy and Who is Paying for the Cost of this Proxy Solicitation?

The Board of Directors of IPG Photonics is soliciting your proxy to vote at the 2018 annual meeting of stockholders. IPG Photonics will bear the expense of preparing, posting to the internet, printing and mailing this proxy material, as well as the cost of any required solicitation. Our directors, officers or employees may solicit proxies on our behalf. We have not engaged a proxy solicitation firm to assist us in the solicitation of proxies, but we may if we deem it appropriate. In addition, we will reimburse banks, brokers and other custodians, nominees and fiduciaries for reasonable expenses incurred in forwarding proxy materials to beneficial owners of our stock and obtaining their proxies.

Who Counts the Votes?

We have engaged Computershare, N.A. as our independent agent to receive and tabulate stockholder votes. Computershare, N.A. will separately tabulate "For," "Against" and "Withhold" votes, abstentions and broker non-votes. Computershare, N.A. will also act as independent election inspector to certify the results, determine the existence of a quorum and the validity of proxies and ballots, and perform any other acts required under the General Corporation Law of Delaware.

How Can I Vote?

Most stockholders have a choice of voting in one of four ways:

- via the internet,
- using a toll-free telephone number,
- completing a proxy/voting instruction card and mailing it in the postage-paid envelope provided or
- in person at the meeting.

The telephone and internet voting facilities for stockholders of record will close at 1:00 a.m. Central Time on June 5, 2018. The internet and telephone voting procedures are designed to authenticate stockholders by use of a control number and to allow you to confirm that your instructions have been properly recorded.
If you hold your shares in "street name," your bank, broker or other nominee will send you a separate package describing the procedures and options for voting your shares. Please read this information carefully. If you hold your shares in "street name," and wish to vote in person at the annual meeting, you must obtain a "legal proxy" from the organization that holds your shares. A legal proxy is a written document that will authorize you to vote your shares held in "street name" at the annual meeting. Please contact the organization that holds your shares for instructions regarding obtaining a legal proxy. You must bring a copy of the legal proxy to the annual meeting and ask for a ballot when you arrive.

What Is the Quorum Required to Transact Business?
At the close of business on April 6, 2018, the record date, there were 53,732,790 shares of our common stock outstanding. Our by-laws require that a majority of our common stock be represented, in person or by proxy, at the meeting in order to constitute the quorum we need to transact business at the meeting. We will count withhold votes, abstentions and broker non-votes in determining whether a quorum exists.

CORPORATE GOVERNANCE

Significant Corporate Governance Practices and Policies

At IPG Photonics, we believe that strong and effective corporate governance procedures and practices are an extremely important part of our corporate culture. We have summarized several of our corporate governance practices below.

- Independent Director Majority and Presiding Independent Director. Seven of the ten directors currently on our Board of Directors (the "Board") are non-employees of the Company who meet the independence criteria under the applicable rules of the Securities and Exchange Commission ("SEC") and NASDAQ guidelines. Only independent directors sit on our three standing Board Committees. Several years ago, the Board established the role of a presiding independent director who is elected annually by the independent directors.

- Executive Sessions. Our Board meets regularly in executive sessions without the presence of management, including our Chairman and Chief Executive Officer. These sessions are led by our Presiding Independent Director.

- Annual Election of Entire Board. Stockholders elect each director annually. We do not have a classified board.

- Related Person Transactions. Our Nominating and Corporate Governance Committee is responsible for approving or ratifying transactions involving our Company and related persons and determining if the transaction is in, or not inconsistent with, the best interests of our Company and our stockholders.

- Stock Ownership Guidelines. Our directors and executive officers are required to own a minimum amount of IPG Photonics shares. We believe that stock ownership requirements align the interests of the directors and officers with our stockholders. Our directors and executive officers fully complied with our guidelines in 2017.

- Prohibition on Hedging; Limits on Pledging. Our insider trading policy expressly prohibits directors and employees from engaging in short sales of our common stock or buying or selling puts, calls or derivative securities in connection with IPG Photonics shares. The policy also limits the pledging of IPG Photonics shares.

- Annual Self-Assessments. Our Board engages in annual self-evaluations and our committees perform bi-annual self-assessments to determine if they are functioning effectively.

- Oversight of Risk Management. As part of its oversight, the entire Board reviews Company strategy and performance and the principal risks involved. The Board allocates risk oversight responsibility among the full Board, the independent directors acting as a group and the three standing committees.

Additional information is provided below regarding these and certain other key corporate governance policies, which we believe enable us to manage our business in accordance with high standards of business practices and in the best interest of our stockholders. Several of our policies may be found at investor.ipgphotonics.com/corporate-governance/governance-documents. Note that information on our website does not constitute part of this proxy statement.

Corporate Governance Guidelines

Our Board has adopted Corporate Governance Guidelines that outline, among other matters, the roles and functions of the Board, the responsibilities of various Board committees and the mission of the Board. Each of the Board committees has a written charter that sets forth the purposes, goals and responsibilities of the committees as well as qualification for committee membership, procedures for committee membership, appointment and removal, committee structure and operations and committee reporting to the entire Board.

The Corporate Governance Guidelines provide, among other things, that:

- a majority of our Board must be independent,
- the Presiding Independent Director presides over executive sessions of independent directors,
- the Board appoints all members and chairpersons of the Board committees,
- the Audit, Compensation, and Nominating and Corporate Governance Committees consist solely of independent directors,
- the independent directors meet periodically in executive sessions without the presence of the non-independent directors or members of our management,
- directors may not serve on the boards of more than three other public companies or on more than two other audit committees of public companies,
- evaluation of the Board is conducted annually and
- the Board and key officers should have a meaningful financial stake in the Company.

The Board reviews changing legal and regulatory requirements, evolving best practices and other developments. The Board modifies the Corporate Governance Guidelines and its other corporate governance policies and practices from time to time, as appropriate.

Executive Sessions. Our independent directors meet privately, without employee directors or management present, at least four times during the year. These private sessions are generally held in conjunction with the regular quarterly Board meetings. Other private meetings of the independent directors are held as often as deemed necessary by them. The Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee meet without employee directors or management present from time to time as they deem necessary.

Director Meetings and Policy Regarding Board Attendance. It has been the practice of our Board and its committees to hold at least four in-person regular meetings each year. The Board and its committees also have telephone meetings throughout the year. In accordance with our Corporate Governance Guidelines, our directors are expected to prepare for, attend and actively participate in meetings of the Board and its committees. Our directors are expected to spend the time needed at each meeting and to meet as frequently as necessary to properly discharge their responsibilities. We encourage members of our Board to attend annual meetings of stockholders, but we do not have a formal policy requiring them to do so.

Stock Ownership Guidelines. The Board adopted stock ownership guidelines to more closely align the interests of our directors and executive officers with those of our long-term stockholders. Under the guidelines, the following persons are expected to maintain a minimum investment in our common stock as follows: for non-employee directors, the lesser of 3,000 shares or three times their annual cash Board retainer (excluding committee retainers); for the Chief Executive Officer, five times his annual salary; and for senior executive officers, the lesser of 5,000 shares or one times their respective annual salaries. Vested stock options and unvested restricted stock units count toward the stock ownership levels. Indirect ownership of shares through a separate legal entity counts toward fulfillment of the ownership guidelines. These ownership levels are to be achieved no later than four years after the election as a director or as an executive officer, except that prior to such time the director or officer is expected to retain a certain portion of stock issued upon exercise of stock options or vesting of restricted stock units until the minimum ownership levels are attained. All directors and executive officers were in compliance with our stock ownership guidelines as of December 31, 2017.

Board Self-Assessments. The Board conducts annual self-evaluations and the committees conduct bi-annual self-assessments to determine whether they are functioning effectively. The Nominating and Corporate Governance Committee oversees the Board and committee self-assessments. Each committee also reviews its own performance bi-annually and reports the results to the Board. Each committee reviews and reassesses the adequacy of its charter

annually and recommends proposed changes to the Board.

Prohibition on Hedging; Limits on Pledging. Under our insider trading policy, no director or employee may engage in shorting shares of our common stock, or buying or selling puts, calls or derivatives related to our common stock. A director or officer of the Company may not pledge shares constituting more than 20% of his or her total stock ownership. Pledges of shares constituting 20% or less of total stock ownership are subject to certain conditions.

Governance Trends and Director Education. The Board and its committees proactively monitor legislative and regulatory initiatives, as well as other corporate governance trends and their potential impact on the Company. Each director has access to publications and other resources that cover these matters. In addition, we reimburse relevant director education expenses.

The Board receives presentations from professionals with expertise in corporate law, governance and other related topics.These experts have specialized knowledge of regulatory actions, governance trends and various other corporate governance topics. Additionally, our directors participate in continuing education sessions to remain informed on recent trends applicable to their committee duties. Likewise, newly elected directors attend a comprehensive director orientation program that covers, among other things, our strategy, business structure, financial performance, and competitive landscape. New committee members are also provided training on committee policies, practices and trends. As part of this program, directors are invited to participate in a tour of selected facilities of the Company. To further familiarize directors with our expanding operations, we conduct Board meetings at our major facilities from time to time.

The committees actively engage with senior management and other parties when necessary to further assess the current environment or respond to governance related matters. The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee each routinely receive updates on matters applicable to their responsibilities from legal counsel, auditors and independent consultants.

Code of Business Conduct. We have a code of business conduct that applies to all of our directors and employees, including our Chief Executive Officer, Chief Financial Officer and other executive officers. Our code of business conduct includes provisions covering conflicts of interest, business gifts and entertainment, outside activities, compliance with laws and regulations, insider trading practices, antitrust laws, payments to government personnel, bribes or kickbacks, corporate record keeping and accounting records. The code of business conduct is posted on our website at investor.ipgphotonics.com/corporate-governance/governance-documents.

Procedures for Submitting Complaints. We have procedures to treat complaints regarding accounting, internal accounting controls, auditing matters, fight against bribery, banking, and financial crime, including submission of confidential and anonymous concerns regarding questionable accounting, internal accounting controls or auditing matters raised by our directors, officers and employees. These procedures are posted on our website at investor.ipgphotonics.com/corporate-governance/governance-documents.

Board Leadership Structure

As of the date of this proxy statement, the positions of Chairman of the Board and Presiding Independent Director are held by two different individuals. Dr. Gapontsev, our Chief Executive Officer, also serves as the Chairman of the Board. Our independent directors determined several years ago that, for effective board governance, it is important to have a presiding independent director. Mr. Peeler has been selected as the Presiding Independent Director for the term ending June 2018.

Dr. Gapontsev became our Chief Executive Officer and Chairman in 1998. His dual role was created when the Board was first established in 2000. Our directors believe that each of the possible leadership structures for a board has its particular benefits and drawbacks which must be considered in the context of the specific circumstances, culture and challenges facing a company, and that such consideration is the responsibility of a company's board that has a diversity of views and experiences. Our directors come from a variety of organizational backgrounds and have direct experience with a wide range of leadership and management structures. The makeup of our Board puts it in a strong position to evaluate the pros and cons of the various types of board leadership structures and to ultimately decide which form is in the best interests of our stockholders. The independent directors believe that having Dr. Gapontsev serve in both capacities is in the best interest of the Company and its stockholders because it allows Dr. Gapontsev to more effectively execute the Company's strategic initiatives and business plans. He is the founder of the Company and beneficially owns approximately 14% of the Company's common stock. The duality of Dr. Gapontsev's roles as Chairman and Chief Executive Officer creates clear and unambiguous authority, which is essential to effective management. The Board and management can respond more effectively to a distinct line of authority. Further, given that he is closer to the Company's business than any other Board member and he has the benefit of over twenty years of operations and executive management experience within the Company, Dr. Gapontsev is best-positioned to set the Board's agenda and provide leadership. Dr. Gapontsev's extensive scientific and business experience also gives him vast industry knowledge, which the Board believes is critical for the chairman of the board of a company that operates in a highly technical industry. The combined Chairman/Chief Executive structure is a leadership model that has served our stockholders well for many years.

The Board also recognizes the importance of having in place, and building upon, a counterbalancing structure to ensure that it functions in an appropriately independent manner. As a result, the Board enhanced its governance structure several years ago by creating the position of Presiding Independent Director with leadership authority and responsibilities. The duties and responsibilities of the Presiding Independent Director include: setting the agenda for, and leading, executive sessions of the independent directors; providing consolidated feedback from those meetings to the Chairman and Chief Executive Officer; providing input on the agenda for Board meetings; periodically providing feedback on the quality and quantity of information flow from management; having the authority to call meetings of the independent directors; facilitating discussions outside of scheduled Board meetings among the independent directors on key issues as required; serving as a non-exclusive liaison with the Chairman and Chief Executive Officer in consultation with the other independent directors; interviewing Board candidates as appropriate; and leading the determination of the goals and objectives for the Chairman and Chief Executive Officer with the input of the independent directors and the annual performance evaluation for him with the input of the independent directors and providing that evaluation to the Compensation Committee. In the event of a crisis, the Presiding Independent Director would have an increased role in crisis management oversight. The independent directors of our Board elected Mr. Peeler as the Presiding Independent Director for the term ending June 2018, and this position is voted upon annually by our independent directors.

The Board believes that the position and responsibilities of a presiding independent director and the regular use of executive sessions of the independent directors without the Chief Executive Officer or other executive officers present, along with the Company's strong committee system and substantial majority of independent directors, allow the Board to maintain effective oversight.

11

Risk Oversight

The Board and management recognize that effectively monitoring and managing risk are essential to the successful execution of the Company's strategy. The Board reviews strategy regularly with management and provides input to management. As part of its oversight of operations, the entire Board reviews and discusses the performance of the Company and the principal risks involved in the operations and management of the Company. The Board allocates risk oversight responsibility among the full Board, the independent directors acting as a group and the three standing committees of the Board. The Nominating and Corporate Governance Committee periodically reviews risk oversight matters and responsibilities, then makes recommendations to the Board to allocate risk oversight responsibilities.

The Board as a whole reviews risk management practices and a number of significant risks in the course of its reviews of corporate strategy, management reports and other presentations. The independent directors as a group, the Audit Committee and the Compensation Committee all participate in senior executive succession and resource planning. The standing committees also contribute to succession and resource planning oversight for management. The Audit Committee oversees certain financial risks and recommends guidelines to monitor and control such exposures. The Compensation Committee reviews the Company's executive compensation programs, their effectiveness at both linking executive pay to performance and aligning the interests of our executives and our stockholders, and oversees an entity-wide compensation risk assessment. The Nominating and Corporate Governance Committee reviews significant related person transactions with directors, executives and managers and may conduct negotiations on behalf of the Company in connection with related person transactions and retain independent advisors to assist it. The Board's risk oversight role is independent from the Company's day-to-day management, as more than two-thirds of the current directors are independent and therefore have no conflicts that might discourage critical review of the Company's risks.

Communication with our Board of Directors

Interested parties wishing to write to the Board, a specified director or a committee of the Board should send correspondence to the Office of the Secretary, IPG Photonics Corporation, 50 Old Webster Road, Oxford, Massachusetts 01540. All written communications received in such manner from stockholders of the Company will be forwarded to the members or committee of the Board to whom the communication is directed or, if the communication is not directed to any particular member(s) or committee(s) of the Board, the communication shall be forwarded to all members of the Board.

RELATED PERSON TRANSACTIONS

The Board adopted a related person transaction policy that requires the Company's executive officers, directors, nominees for director and owners of more than 5% of the Company's shares to promptly notify the Secretary in writing of any transaction in which (i) the amount exceeds $100,000, (ii) the Company is, was or is proposed to be a participant and (iii) such person or such person's immediate family members ("Related Persons") has, had or may have a direct or indirect material interest (a "Related Person Transaction"). Subject to certain exceptions in the policy, Related Person Transactions must be brought to the attention of the Nominating and Corporate Governance Committee for an assessment of whether the transaction or proposed transaction should be permitted. In deciding whether to approve or ratify the Related Person Transaction, the Nominating and Corporate Governance Committee considers relevant facts and circumstances. If the Nominating and Corporate Governance Committee determines that a Related Person has a direct or indirect material interest in any such transaction, the Committee must review and approve, ratify or disapprove the Related Person Transaction.

Pursuant to our Corporate Governance Guidelines, we expect each of our directors to ensure that other existing and future commitments do not conflict with or materially interfere with his or her service as a director. Directors are expected to avoid any action, position or interest that conflicts with our interests or gives the appearance of a conflict. In addition, directors are required to inform the chairman of our Nominating and Corporate Governance Committee prior to joining the Board of another public company to ensure that any potential conflicts, excessive time demands or other issues are carefully considered.

The Nominating and Corporate Governance Committee reviewed and approved the following Related Person Transactions which were conducted on an "arm's length" basis with the Company. Members of the Nominating and Corporate Governance Committee having an interest in a transaction excuse themselves for the consideration and approval of the transaction in which they have an interest.

In 2017, the Company purchased from Veeco Instruments Inc. various equipment, parts and services amounting to approximately $2,296,000. Mr. Peeler, a non-employee member of our Board, is the Chief Executive Officer and Chairman of the Board of Directors of Veeco Instruments Inc. For several years before Mr. Peeler was elected to our Board, Veeco Instruments Inc. was a provider of equipment, parts and services to the Company.

Previously, Dr. Gapontsev leased the annual right to use 25% of the Company's corporate aircraft under an October 2014 lease (the "2014 Lease"), which was superseded by a new lease signed in July 2017 (the "2017 Lease") in connection with the purchase of a different aircraft. The 2017 Lease expires in July 2022. The annual lease rate under the 2017 Lease is $924,700 and future rent payments are adjusted annually based upon the costs of operating the aircraft. The annual lease rate under the 2014 Lease was $651,000. Dr. Gapontsev paid the Company $753,000 in 2017 for use of the aircraft, and in addition directly paid an unrelated flight management firm for the direct and incidental operating costs of his private use including pilot fees, fuel and other costs.

BOARD OF DIRECTORS

Mr. William Hurley decided to not stand for re-election to our Board of Directors at our 2018 annual meeting. IPG Photonics extends its sincere appreciation to Mr. Hurley for the valuable contributions he provided to our Company and stockholders during his service as a member of our Board since 2006. The Board currently has set the number of directors at ten. The number of directors will be set at nine directors from and after the 2018 annual meeting.

Nominees for Director

The following table sets forth certain information as of the date of this proxy statement regarding the director nominees. Each of our incumbent directors, other than Mr. Hurley who decided to not stand for re-election, has been nominated by the Board for election at our 2018 annual meeting.

Valentin P. Gapontsev, Ph.D.

Director since 1998
Chief Executive Officer and Chairman of the Board
Age 79

Dr. Gapontsev has been the Chief Executive Officer and Chairman of the Board of IPG since our inception. Prior to founding the company in 1990, Dr. Gapontsev served as senior scientist in laser material physics and head of the laboratory at the Soviet Academy of Science's Institute of Radio Engineering and Electronics in Moscow. In 2006, he was awarded the Ernst & Young® Entrepreneur of the Year Award for Industrial Products and Services in New England, and in 2009, he was awarded the Arthur L. Schawlow Award by the Laser Institute of America. In 2011, he received the Russian Federation National Award in Science and Technology, and he was selected as a Fellow of the Optical Society of America. Dr. Gapontsev holds a Ph.D. in Physics from the Moscow Institute of Physics and Technology.

Key Attributes, Experience and Skills

He is the founder of the Company and has successfully led the Company and the Board since the Company was formed. In the roles of Chief Executive Officer and Chairman of the Board, he has been responsible for formulation and execution of IPG's strategy and providing leadership and oversight of IPG's business during a period of rapid and profitable growth, as well as business contractions. He has over thirty years of academic research experience in the fields of solid state laser materials, laser spectroscopy and non-radiative energy transfer between rare earth ions and is the author of many scientific publications and several international patents. His strategic foresight and entrepreneurial spirit along with his deep scientific understanding has guided the Company's continued growth and technology leadership. Under Dr. Gapontsev's leadership, the Company continues to generate strong revenue and earnings growth.

Eugene A. Scherbakov, Ph.D.

Director since 2000
Chief Operating Officer, Managing Director of IPG Laser GmbH and Senior Vice President of Europe
Age 70

Dr. Scherbakov has served as Chief Operating Officer since February 2017, Managing Director of IPG Laser GmbH, our German subsidiary, since August 2000 and Senior Vice President-Europe since 2013. He served as the Technical Director of IPG Laser from 1995 to August 2000. From 1983 to 1995, Dr. Scherbakov 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. Scherbakov graduated from the Moscow Physics and Technology Institute with an M.S. in Physics. In addition, Dr. Scherbakov 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.

Key Attributes, Experience and Skills

Dr. Scherbakov has extensive knowledge of the Company's business as Managing Director of IPG Laser GmbH, which produces a large volume of our products and is the source of many developments in products, technology and applications. The leadership and operational expertise of Dr. Scherbakov have contributed to IPG increasing

production, lowering manufacturing costs and maintaining high margins compared to our industry peers. He also has extensive technological knowledge of fiber lasers, their components and the manufacturing process. His service as an executive officer of the Company provides the Board with a detailed understanding of the Company's operations, sales and customers.

Igor Samartsev

Director since 2006
Chief Technology Officer
Age 55
Since 2011, Mr. Samartsev has served as our Chief Technology Officer and since 2005, he was the Deputy General Manager of our Russian subsidiary, NTO IRE-Polus. Prior to that time, he served in technical leadership roles at NTO IRE-Polus. Mr. Samartsev holds an M.S. in Physics from the Moscow Institute of Physics and Technology.

Key Attributes, Experience and Skills
Mr. Samartsev is one of the founders of the Company and has a significant management role in the Company as Chief Technology Officer. As one of the key developers of the technology platform of the Company and leader in the development of many new optical technologies and products that form part of the Company's strategic plan, the Board values Mr. Samartsev's understanding of technology developments at our company.

Michael C. Child

Director since 2000
Independent Director
Age 63
Nominating and Corporate Governance Committee
Directorship at Other Public Company: Finisar Corporation
Since July 1982, Mr. Child has been employed by TA Associates, Inc., a private equity investment firm, where he currently serves as Senior Advisor and, prior to January 2011, he was Managing Director. Mr. Child holds a B.S. in Electrical Engineering from the University of California at Davis and an M.B.A. from the Stanford University Graduate School of Business. From September 2011 until December 2015, Mr. Child was a Lecturer at the Stanford University Graduate School of Business.

Key Attributes, Experience and Skills
Mr. Child is an established and experienced investor, including in technology companies, from his three decades of experience at TA Associates, Inc., a private equity investment firm. Over the course of his career, he has overseen numerous investments and sales of portfolio companies, and served on the boards of public and private companies. He now serves on the board of Finisar Corporation, a developer and manufacturer of optical subsystems and components for networks. Through his experiences, he has gained valuable knowledge in the management, operations and finance of technology growth companies.

Henry E. Gauthier

Director since 2006
Independent Director
Age 77
Audit Committee - Audit Committee Financial Expert

He served as Chairman of the board of directors of Coherent, Inc., a manufacturer of photonics products, from February 1997 to October 2002 and was its President from 1983 to 1996. Mr. Gauthier served as Vice Chairman of the board of directors of Coherent, Inc. from October 2002 to March 2006. Mr. Gauthier was President from February 2005 to May 2005, consultant from January 2004 to February 2005 and June 2005 to December 2006, and Chairman of the board of directors from May 2005 to December 2008, of Reliant Technologies, Inc., which was acquired in December 2008 by Solta Medical, Inc., a manufacturer of medical laser systems. Since July 1996, Mr. Gauthier has served as a principal at Gauthier Consulting. Mr. Gauthier attended the United States Coast Guard

Academy, San Jose State University, and the Executive Institute of the Stanford University Graduate Business School.

Key Attributes, Experience and Skills
Mr. Gauthier has extensive management and operational experience in the laser industry from over two decades as an executive of a large publicly-held laser company, Coherent, Inc., as well as emerging growth companies such as Reliant Technologies, Inc. He has obtained an in-depth knowledge of operations, manufacturing, sales and markets, and finances through his CEO positions at these laser-related companies. Having been a past member of the audit, compensation, and nominating and corporate governance committees of public and private company boards in the technology field, Mr. Gauthier is familiar with a full range of corporate and board functions and lends this experience to the Company's Board as an independent director.

Catherine P. Lego

Director since 2016
Independent Director
Age 61
Audit Committee - Audit Committee Financial Expert
Compensation Committee (Chair)
Directorship at Other Public Companies: Lam Research Corporation and Cypress Semiconductor Corp.
Ms. Lego is principal and founder of Lego Ventures, LLC, a California-based firm that provides consulting services to early-stage technology companies. From 1999 to 2009 Ms. Lego served as the general partner of The Photonics Fund, LLP, a venture capital investment firm focused on early stage investing in component, module and systems companies in the fiber optic telecommunications market. She served as the director of finance and investment analyst at Oak Investment Partners from 1981 to 1984, and as a general partner from 1985 to 1992. Ms. Lego serves on the board of directors of technology company Lam Research Corporation and is the chair of its compensation committee. Also, she is a member of the Board of Directors of Cypress Semiconductor Corp. and its audit committee.
Ms. Lego holds a B.A. in Economics and Biology from Williams College and an M.S. in Accounting from the New York University Stern Graduate School of Business.

Key Attributes, Experience and Skills
Ms. Lego has extensive experience working with advanced technology and semiconductor companies. From her current and prior service on the boards of several technology companies as well as her memberships of other audit, compensation and nominating and corporate governance committees, she is familiar with the issues faced and the processes that boards use to manage growth, risk, accounting, acquisitions, due diligence and integration, compensation and investor relations. In addition, she is a frequent speaker on board governance, ethics and audit quality at directors' colleges and events, including the E&Y Tapestry and KPMG audit committee round tables. Ms. Lego is a member of the NACD's Audit Committee Advisory Council. She brings valuable perspectives on the latest developments in audit, compensation and other matters to the Board.

Eric Meurice

Director since 2014
Independent Director
Age 61
Nominating and Corporate Governance Committee (Chair)
Compensation Committee
Directorship at Other Public Companies: NXP Semiconductor N.V. and UMICORE S.A.
Mr. Meurice was President and Chief Executive Officer of ASML Holding NV, a provider of semiconductor

manufacturing equipment and technology, from October 2004 to June 2013, and Chairman until March 2014. From 2001 to 2004, he was Executive Vice President of the Thomson Television Division of Thomson, SA, an electronics manufacturer. From 1995 to 2001, he served as head of Dell Computer's Western, Eastern Europe and EMEA emerging market businesses. Before 1995, he gained significant technology experience at ITT Semiconductors and at Intel Corporation. Mr. Meurice served on the boards of Verigy Ltd. (a manufacturer of semiconductor test equipment), until its acquisition by Advantest Corporation in 2011, and ARM Holdings plc (a semiconductor

intellectual property supplier) from July 2013 to March 2014. He has been on the board of NXP Semiconductors N.V. (a semiconductor company) since April 2014 and of UMICORE S.A. (a recycling and materials company), since April 2015. Mr. Meurice earned a Master's degree in mechanics and energy generation at the Ecole Centrale de Paris, a Master's degree in Economics from la Sorbonne University, Paris, and an M.B.A. from the Stanford University Graduate School of Business.

Key Attributes, Experience and Skills
Mr. Meurice has extensive skills and experience as a manager of several rapidly-growing, complex and global businesses in the capital equipment and electronics fields with several billions of dollars in revenues, most recently as former President and Chief Executive Officer of ASML. He has experience managing a publicly-held company as well as experience on serving on several public company boards in the equipment and technology fields, such as NXP Semiconductor N.V., UMICORE, Verigy, Ltd. and ARM Holdings plc. Mr. Meurice also has a record of proven leadership as a strategic thinker, operator and marketer at the businesses he managed.

John R. Peeler

Director since 2012
Presiding Independent Director
Age 63
Compensation Committee
Nominating and Corporate Governance Committee
Directorship at Other Public Company: Veeco Instruments Inc.
Mr. Peeler has been Chief Executive Officer and a director of Veeco Instruments Inc. since July 2007. He has been serving as its Chairman of the Board since May 2012. Veeco is a developer and manufacturer of MOCVD, molecular beam epitaxy, ion beam and other advanced thin film processes equipment. He was Executive Vice President of JDS Uniphase Corp. ("JDSU") and President of the Communications Test & Measurement Group of JDSU, which he joined upon the closing of JDSU's merger with Acterna, Inc. ("Acterna") in August 2005. Before joining JDSU, Mr. Peeler served as President and Chief Executive Officer of Acterna. He has a B.S. and M.E. in Electrical Engineering from the University of Virginia.

Key Attributes, Experience and Skills
Over the course of his career, Mr. Peeler has managed several high-growth technology companies. In addition, he has developed managerial leadership skills through his position as Chief Executive Officer of Veeco, a publicly-traded company with substantial international operations. His managerial positions have provided him with in-depth knowledge of the service needs of customers in demanding markets, including semiconductor capital equipment, various manufacturing models, marketing and sales. In these roles, he has also been responsible for attracting and incentivizing executives on his team. These experiences have provided him important insights in support of his positions as Presiding Independent Director and a member of the Compensation Committee and the Nominating and Corporate Governance Committee.

Thomas J. Seifert

Director since 2014
Independent Director
Age 54
Audit Committee (Chair) - Audit Committee Financial Expert
Nominating and Corporate Governance Committee
Directorship at Other Public Company: CompuGroup Medical, SE

Mr. Seifert is Chief Financial Officer of Cloudflare, Inc., an internet performance and security provider, from June 2017 to the present. Since February 2018, he is a member of the board of CompuGroup Medical SE, a publicly held company in Germany, which provides software to support medical and organization activities in medical offices and facilities. Mr. Seifert was the Executive Vice President and Chief Financial Officer of Symantec Corporation, a provider of security, backup and availability solutions, from March 2014 to December 2016. Mr. Seifert served as Executive Vice President and Chief Financial Officer of Brightstar Corporation, a wireless distribution and services company, from December 2012 to March 2014. He was Senior Vice President and Chief Financial Officer at Advanced Micro Devices Inc., a semiconductor company, from October 2009 to August 2012, and served as Interim

Chief Executive Officer from January 2011 to September 2012. From October 2008 to August 2009, Mr. Seifert served as Chief Operating Officer and Chief Financial Officer of Qimonda AG, a German memory chip manufacturer, and as Chief Operating Officer from June 2004 to October 2008. He also held executive positions at Infineon AG, White Oak Semiconductor, including the position as Chief Executive Officer, and Altis Semiconductor. Mr. Seifert has a Bachelor's degree and a Master's degree in Business Administration from Friedrich Alexander University and a Master's degree in Mathematics and Economics from Wayne State University.

Key Attributes, Experience and Skills

Mr. Seifert has extensive experience as both an operating executive and chief financial officer of large publicly-held international technology businesses, such as Symantec and Advanced Micro Devices. In these and other senior positions, he developed deep financial and accounting knowledge, as well as managerial leadership skills, in larger organizations. With his background in accounting, finance and management, Mr. Seifert brings broad skills and knowledge to the Board, the Audit Committee, and the Nominating and Corporate Governance Committee including internal controls, mergers and acquisitions and integrations.

Director Independence

Seven of our ten current directors are independent. A predominantly independent Board ensures that the Board is acting objectively and in the best interests of our stockholders. The independent directors also bring expertise and a diversity of perspectives to the Board. The culture of the Board enables directors to openly express their opinions in the boardroom and to raise challenges. The NASDAQ listing standards governing independence require that a majority of the members of the Board be independent as defined by NASDAQ. The Board conducted its annual review of director independence in March 2018. During this review, the Board examined all direct and indirect transactions or relationships between the Company or any of its subsidiaries and each director and any immediate family member of the director and determined that no material relationships with the Company existed during 2017. On the basis of this review, the Board determined that each of the following directors qualifies as an independent director as defined in the NASDAQ guidelines and SEC rules: Michael C. Child, Henry E. Gauthier, William S. Hurley, Catherine P. Lego, Eric Meurice, John R. Peeler and Thomas J. Seifert. The Board is comprised of directors with short and long-term tenures with the Company. Different tenures coupled with an independent and objective Board have provided stockholders with strong financial results.

Standing Committees and Board Committee Membership

The Board has a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, each composed entirely of non-employee directors determined to be independent under the listing standards of the NASDAQ stock market. Under their written charters adopted by the Board, each of these committees is authorized and assured appropriate funding to retain and consult with external advisors, consultants and counsel. The table below sets forth the directors who are currently members or chairs of each of the standing Board committees, and the number of meetings held by each committee and the full Board in 2017. All incumbent directors attended 75% or more of the aggregate meetings of the Board and committees on which they served during 2017. We encourage directors to attend the annual meeting of stockholders, but we do not have a formal policy regarding such attendance. Last year, two of the directors in office attended the annual meeting.

	Board of Directors	Audit	Compensation	Nominating and Corporate Governance
Meetings held in 2017	6	7	8	5
Written consents in 2017	2	—	—	1
Valentin P. Gapontsev, Ph.D.	Chair	—	—	—
Michael C. Child	Member	—	—	Member
Henry E. Gauthier	Member	Member	—	—
William S. Hurley	Member	Member	Member	—
Catherine P. Lego	Member	Member	Chair	—
Eric Meurice	Member	—	Member	Chair
John R. Peeler	Member, and Presiding Independent Director	—	Member	Member
Igor Samartsev	Member	—	—	—
Eugene A. Scherbakov, Ph.D.	Member	—	—	—
Thomas J. Seifert	Member	Chair	—	Member

The Audit Committee assists the Board by providing oversight of financial management, the internal auditor function and the independent auditor and providing oversight with respect to our internal controls including that management is maintaining an adequate system of internal control such that there is reasonable assurance that assets are safeguarded and that financial reports are properly prepared; that there is consistent application of generally accepted accounting principles; and that there is compliance with management's financial reporting policies and procedures. The Audit Committee also pre-approves auditing and permissible non-audit services by our independent auditor, reviews and discusses our annual and quarterly financial statements and related disclosures, and coordinates the oversight of our internal and external controls over financial reporting, disclosure controls and procedures and code of business conduct. In performing these functions, the Audit Committee meets periodically with the independent auditor, management and internal auditor function (including in private sessions) to review their work and confirm that they are properly discharging their respective responsibilities. In addition, the Audit Committee appoints the independent auditor. For more information on Audit Committee activities in 2017, see the Audit Committee Report on page 47 of this proxy statement and "Proposal 2: Ratify Independent Registered Public Accounting Firm" on page 48.

The Board has determined that Mr. Seifert, the Chairman of the Audit Committee, as well as each of Messrs. Gauthier and Hurley and Ms. Lego qualify as an audit committee financial expert (as defined under the rules and regulations of the SEC) after determining that each has the necessary experience and qualifications.

The primary function of the Compensation Committee is to discharge the Board's duties and responsibilities relating to compensation of our non-employee directors and executive officers, and oversee the design and management of the long-term incentive and savings plans that cover our employees. The Compensation Committee's duties and responsibilities under its charter with respect to the compensation of our executive officers and directors include:

- reviewing and approving the Chairman and Chief Executive Officer's base salary compensation;

- determining the annual performance bonus of the Chairman and Chief Executive Officer based upon the corporate goals and objectives set by the independent directors and their input on the attainment of such goals and objectives;

- reviewing and approving compensation decisions recommended by the Chairman and Chief Executive Officer for the other executive officers, including setting base salaries, annual performance bonuses, long-term incentive awards, severance benefits and perquisites;

- setting our compensation philosophy and composition of the group of peer companies used for

comparison of executive compensation; and

- reviewing and recommending for approval by the Board the compensation for the non-employee directors.

The Compensation Committee has retained an independent compensation consultant firm, Radford, a unit of Aon Hewitt ("Radford"), for matters related to executive officer and director compensation. The Compensation Committee also retains outside legal counsel to provide advice on compensation-related matters, including executive officers, directors and compensation plans. For further discussion of the role of the Compensation Committee in the executive compensation decision-making process and activities in 2017, and for a description of the nature and scope of the consultant's assignment, see "Compensation Discussion and Analysis - Role of Compensation Committee" on page 37 of this proxy statement. Additionally, the Compensation Committee reviews the Compensation Discussion and Analysis, prepares the Compensation Committee Report in this proxy statement on page 29 and oversees management's risk assessment of the Company's compensation for all employees and compensation-related risks as delegated by the Board.

The Nominating and Corporate Governance Committee is responsible for overseeing matters of corporate governance, including the evaluation of the performance and practices of the Board. The Nominating and Corporate Governance Committee develops and recommends criteria for Board membership (see "Board of Directors- Nomination of Directors" for a description of such criteria), reviews possible candidates for the Board as discussed on pages 20 and 21 of this proxy statement, and recommends the nominees for directors to the Board for approval. In addition, the Nominating and Corporate Governance Committee oversees the process for the performance evaluations of the Board and its committees. An important role of this Committee is to engage in Board succession planning to ensure boardroom skills are aligned with IPG’s long-term strategic plan. It is also within the responsibilities of the Nominating and Corporate Governance Committee to review and recommend director orientation, stock ownership guidelines, delegation of authority to management, insider trading guidelines, and consider questions of possible conflicts of interest, including related party transactions, as such questions arise. The Nominating and Corporate Governance Committee also reviews and recommends risk oversight responsibilities of the Board and its committees and of the independent directors as a group.

Copies of the charters of each of the three committees can be found on our website at investor.ipgphotonics.com/corporate-governance/governance-documents.

Nomination of Directors

Director Eligibility. Our Corporate Governance Guidelines and director membership guidelines approved by the Nominating and Corporate Governance Committee contain Board membership criteria considered by the Nominating and Corporate Governance Committee in recommending nominees for a position on IPG’s Board. The Nominating and Corporate Governance Committee believes that, at a minimum, a director candidate must possess the qualities of high personal integrity and ethics, sound business judgment and support for our Code of Business Conduct. A director candidate must also have sufficient time to devote to the affairs of IPG and service on the Board and committees, and not be engaged in any activity adverse to the Company's interest. The Nominating and Corporate Governance Committee considers, among other things, the following criteria when reviewing a director candidate or an incumbent director:

- the extent that the director/potential director has demonstrated excellence, leadership and significant experience in a field of endeavor,
- whether the director/potential director assists in achieving a collective membership on the Board with a broad spectrum of experience and expertise,
- whether the director/potential director meets the independence requirements of the listing standards of the NASDAQ guidelines and SEC rules (where independence is desired),
- whether the director/potential director can read and understand financial statement fundamentals and is committed to representing the long-term interests of the Company’s stockholders, while keeping in perspective the interests of the

Company’s customers, employees and the public and

- whether the director/potential director, by virtue of relevant technical expertise, experience or specialized skill relevant to IPG’s current or future business, can add specific value as a Board member.

In addition, no potential director (excluding any incumbent director) with an age less than 21 years or greater than 72 years is eligible for election as a Board member. Each director/potential director must comply with the limits on other board memberships in our Corporate Governance Guidelines.

The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. In addition to the criteria set forth above, the Nominating and Corporate Governance Committee considers how the skills and attributes of each individual candidate or incumbent director work together to create a Board that is collegial, engaged and effective in performing its duties. The Nominating and Corporate Governance Committee seeks a Board that reflects diversity, in experience, gender and ethnicity, although it does not have formal objective criteria for determining the degree of diversity desired on the Board.

In the last few years, the Board has taken an active approach to refreshing its members in order to increase the effectiveness of the Board, including by increasing its focus on Board diversity. For example, the Board has added a female director and two directors born in Europe with significant international experience. Of these newer directors, two were under 60 years old when they joined our Board. The Board seeks a diverse set of backgrounds, experiences and skills in its directors to help guide IPG as it grows and enters new businesses as part of our long-term strategy. We typically seek candidates with experience on public company boards as such candidates understand the role and duties of directors. As described in the director biographies under "Key Attributes, Experiences and Skills," our Board seeks directors who add different sets of experience and skills that are important to the Company. Based on this criterion, we have added directors with photonics, electronics and semiconductor equipment industry backgrounds, larger company and entrepreneurial experience, non-U.S. and Asia experience, as well as experience in positions associated with accounting, finance and information technology, all of which contribute to the quality of the review and oversight by the Board, Board-management discussions and IPG's long-term strategy.

Director Nomination Process. The Nominating and Corporate Governance Committee identifies potential director nominees through contacts of the Board, executives and a variety of other sources. The Committee may retain a search firm or utilize third-party database search tools to identify director nominees. Stockholders may nominate candidates for election as directors as described below.

The Nominating and Corporate Governance Committee will consider several factors prior to nominating a candidate. Generally, the Committee will consider the existing size, future requirements of the Board, composition and skills of the Board, evaluate biographical information and other background material and interview each candidate selected. The Nominating and Corporate Governance Committee will apply any director selection criteria adopted by it based on the circumstances at the time and the criteria set forth in our Corporate Governance Guidelines.

The Nominating and Corporate Governance Committee will consider all director candidates identified through the processes described above and will evaluate each of them, including incumbents, based on the same criteria. Director candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee and may be considered at any point during the year. If based on the Committee’s initial evaluation, a director candidate continues to be of interest to the Nominating and Corporate Governance Committee, the chair of such Committee and other Committee members will interview the candidate and communicate the evaluation to the Committee and executive management. Additional interviews are conducted and all members of the Board may interview the final candidates. Ultimately, the Nominating and Corporate Governance Committee will meet to finalize its list of recommended candidates for the Board’s consideration.

The Nominating and Corporate Governance Committee will also consider candidates for nomination as a director submitted by stockholders. The Nominating and Corporate Governance Committee’s evaluation process and criteria does not vary based upon whether a candidate is recommended by a stockholder. However, the procedural requirements set forth in our by-laws and the procedures described under "Other Matters - 2018 Annual Meeting and Nominations" must be met.

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee (Ms. Lego and Messrs. Peeler, Hurley and Meurice) is or has been an officer or employee of our Company or any of our subsidiaries. None of our executive officers served as a member of:

- the compensation committee of another entity in which one of the executive officers of such entity served on our Compensation Committee,

- the compensation committee of another entity in which one of the executive officers of such entity served as a member of our Board or
- the board of directors of another entity, one of whose executive officers served on our Compensation Committee.

DIRECTOR COMPENSATION

The objectives for our non-employee director compensation program are to attract and attain highly-qualified individuals to serve on our Board and align their interests with those of our stockholders. Our non-employee directors are paid pursuant to our non-employee director compensation plan described below. Our Compensation Committee reviews our director compensation program periodically to confirm that the program remains appropriate and competitive and recommends any changes to our full Board for consideration and approval.

Director Compensation Plan

Our non-employee director compensation plan provides for both cash and equity compensation for our non-employee directors. Directors who are also our employees receive no additional compensation for their service on the Board. In 2017, the Compensation Committee engaged independent compensation consultant firm, Radford, to provide a comprehensive review of compensation for non-employee directors in comparison to the Company's compensation peer group. The compensation our Directors received in 2017 reflects Radford’s recommendations and is provided in the chart below.

Cash Compensation. Our non-employee directors receive the annual retainers from us set forth in the table below. Directors do not receive separate fees for attending meetings of the Board, committees or stockholders.

	Amount
Board Retainer	$ 40,000
Presiding Independent Director Retainer	$ 20,000
Audit Committee Retainers	
Chair	$ 25,000
Non-Chair	$ 12,500
Compensation Committee Retainers	
Chair	$ 22,500
Non-Chair	$ 10,000
Nominating and Corporate Governance Committee Retainers	
Chair	$ 17,500
Non-Chair	$ 7,500

Equity Compensation. Each non-employee director continuing in office after the annual meeting of stockholders receives a dollar value annual grant of equity totaling $250,000 (determined pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC Topic 718")). Of this award, one-third is service-based stock options and two-thirds are service-based restricted stock units. The annual awards vest in a single installment on the earlier of the one-year anniversary of the date of grant or the next annual meeting of stockholders. Upon initial election to the Board, each new non-employee director receives a grant (determined pursuant to ASC Topic 718) of $125,000 in stock options and $125,000 in restricted stock units vesting on the first anniversary of the date of grant subject to the director's continued service on the Board. The exercise price of each of the stock options is the closing market price of our common stock on the date of grant. Any director who retires after at least eight years of service on the Board will be entitled to full vesting of all options and restricted stock units then held by the director.

Director Compensation Table

The following table summarizes the compensation of each of our non-employee directors for 2017:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)(1)	Total ($)
Michael C. Child	51,458	165,091	83,319	299,868
Henry E. Gauthier	65,208	165,091	83,319	313,618
William S. Hurley	67,708	165,091	83,319	316,118
Catherin P. Lego	76,042	165,091	83,319	324,452
Eric Meurice	73,125	165,091	83,319	321,535
John R. Peeler	80,833	165,091	83,319	329,243
Thomas J. Seifert	75,417	165,091	83,319	323,827

(1) Valuation based on the fair value of the restricted stock unit and stock option awards as of the grant date determined pursuant to ASC Topic 718 with respect to 2017. The assumptions that we used with respect to the valuation of restricted stock unit and stock option awards are set forth in Note 2 to our Consolidated Financial Statements in our Annual Report on Form 10-K filed with the SEC on February 28, 2018. On June 1, 2017, each continuing director serving on the Board was granted restricted stock units for 1,185 shares of common stock and options to purchase 2,993 shares of common stock at an exercise price of $140.64 per share. Both restricted stock units and options vest in a single installment on June 1, 2018.

.

Outstanding Equity Awards Table

The following table provides information regarding unexercised stock options and unvested restricted stock units held by each of our non-employee directors on December 31, 2017:

Name	Unvested Restricted Stock Units (#)	Total Option Awards Held (#)	Exercisable Option Awards (#)
Michael C. Child	1,185	52,264	49,925
Henry E. Gauthier	1,185	7,596	5,257
William S. Hurley	1,185	14,096	11,757
Catherine P. Lego	3,444	10,847	2,127
Eric Meurice	2,175	17,019	12,324
John R. Peeler	1,185	25,596	23,257
Thomas J. Seifert	2,175	4,695	—

We also reimburse directors for all reasonable out-of-pocket expenses incurred for attending Board and committee meetings and director education programs. Non-employee directors do not receive any additional payments or perquisites.

Our certificate of incorporation limits the dollar amount of personal liability of our directors for breaches by them of their fiduciary duties. Our certificate of incorporation requires us to indemnify our directors to the fullest extent permitted by the Delaware General Corporation Law. We have also entered into indemnification agreements with all of our directors and we have purchased directors' and officers' liability insurance.

PROPOSAL 1: ELECTION OF DIRECTORS

The stockholders are being asked to elect Dr. Gapontsev, Dr. Scherbakov, Mr. Samartsev, Mr. Child, Mr. Gauthier, Ms. Lego, Mr. Meurice, Mr. Peeler and Mr. Seifert to terms ending with the annual meeting to be held in 2019, until a successor is elected and qualified or until his or her earlier death, resignation or removal. The Board nominated each of these individuals for election at the 2018 annual meeting of stockholders upon the recommendation of the Nominating and Corporate Governance Committee. Each nominee is currently a director of our company. All of the director nominees set forth in the proxy card have consented to being named in this proxy statement and to serving if elected. For more information regarding the nominees for director, see "Board of Directors."
The Board does not contemplate that any of the nominees will be unable to stand for election, but should any nominee become unable to serve or for good cause will not serve, all proxies (except proxies marked to the contrary) will be voted for the election of a substitute nominee nominated by the Board.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE
"FOR" ALL OF THE NOMINEES FOR DIRECTOR

COMMON STOCK OWNERSHIP

The following table provides information about the beneficial ownership of our common stock as of April 6, 2018 by:

- each of the Named Executive Officers,
- each person who is a director or nominee,
- all of our executive officers and directors as a group and
- each person or entity known by us to own beneficially more than five percent of our common stock.

Percentage of beneficial ownership is based on 53,732,790 shares of common stock outstanding as of April 6, 2018.

Name	Shares Owned	Right to Acquire Shares within 60 Days	Total Beneficial Ownership (1)	Percent
Named Executive Officers and Directors (2)				
Michael C. Child	10,719	53,449	64,168	*
Valentin P. Gapontsev, Ph.D. (3)	7,249,935	—	7,249,935	13.5 %
Henry E. Gauthier	13,919	8,781	22,700	*
William S. Hurley	9,820	11,781	21,601	*
Catherine P. Lego	3,753	7,914	11,667	*
Angelo P. Lopresti (4)	16,512,586	35,296	16,547,882	30.8 %
Timothy P.V. Mammen	20,186	23,900	44,086	*
Trevor D. Ness	4,074	18,968	23,042	*
Eric Meurice	6,291	19,194	25,485	*
John R. Peeler	5,819	20,596	26,415	*
Igor Samartsev (5)(6)	884,283	7,300	891,583	1.7 %
Eugene Scherbakov, Ph.D. (4)(5)	16,489,381	24,092	16,513,473	30.7 %
Thomas J. Seifert	4,156	6,870	11,026	*
All executive officers and directors as a group (15 persons)	17,771,401	289,712	18,061,113	33.4 %
Other >5% Stockholders				
The Valentin Gapontsev Trust I (2)(7)	14,612,004	—	14,612,004	27.2 %
IP Fibre Devices (UK) Ltd. (2)(8)	7,014.004	—	7,014.004	13.1 %
BlackRock, Inc. (9)	3,874,614	—	3,874,614	7.2 %
The Vanguard Group (10)	3,121,013	—	3,121,013	5.8 %

*Less than 1.0%

(1) In accordance with SEC rules, beneficial ownership includes any shares for which a person or entity has sole or shared voting power or investment power and any shares for which the person or entity has the right to acquire beneficial ownership within 60 days after April 6, 2018 through the exercise of any option or the vesting of a restricted stock unit.

(2) The contact address for each person or entity is in care of IPG Photonics Corporation, 50 Old Webster Road, Oxford, Massachusetts 01540.

(3) Includes 7,014,004 shares beneficially owned by IP Fibre Devices (UK) Ltd. (“IPFD”), of which Dr. Gapontsev is the sole managing director. See note 8 below.

(4) Includes (a) 7,598,000 shares owned of record by Valentin Gapontsev Trust I (“Gapontsev Trust I”), (b) 7,014,004 shares owned of record by IPFD which are deemed to be beneficially owned by Gapontsev Trust I (see notes 7 and 8 below), (c) 908,450 shares beneficially owned by Valentin Gapontsev Trust II ("Gapontsev Trust II"), and (d) 962,450 shares beneficially owned by Valentin Gapontsev Trust III ("Gapontsev Trust III"), because such person is a trustee of each said trust. Gapontsev Trust I, Gapontsev Trust II and Gapontsev Trust III were formed by CEO

Valentin Gapontsev. Dr. Scherbakov and Mr. Lopresti are trustees of Gapontsev Trust I, Gapontsev Trust II and Gapontsev Trust III.

(5) Such person disclaims beneficial ownership of the shares held by IPFD except to the extent of his economic interest therein. See note 8 below.

(6) Includes 539,650 shares held by the spouse of Mr. Samartsev and family trusts formed by her. Mr. Samartsev disclaims beneficial ownership of such shares.

(7) Includes 7,014,004 shares beneficially owned by IPFD, in which Gapontsev Trust I has a 48% economic interest. Gapontsev Trust I disclaims beneficial ownership of the shares held by IPFD except to the extent of its economic interest therein. See note 8 below.

(8) Dr. Gapontsev has sole voting and investment power with respect to the shares held of record by IPFD. The following officers and directors of the Company or related parties have economic interests in IPFD: Gapontsev Trust I (48%), Dr. Gapontsev (3%), Mr. Samartsev (8%), Dr. Scherbakov (8%) and Gapontsev Trust III (2%). Each such person and entity (other than Dr. Gapontsev) does not possess voting or investment power with respect to such interest and each disclaims beneficial ownership of the shares held by IPFD except to the extent of his or its economic interest therein.

(9) The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055. Based solely on a Schedule 13G filed with the SEC on January 25, 2018.

(10) The address of The Vanguard Group is 100 Vanguard Boulevard, Malvern, PA 19355. Based solely on a Schedule 13G filed with the SEC on February 9, 2018.

EXECUTIVE OFFICERS

The following table sets forth certain information regarding our executive officers as of April 1, 2018.

Name	Age	Position
Valentin P. Gapontsev, Ph.D.	79	Chief Executive Officer and Chairman of the Board
Eugene A. Scherbakov, Ph.D.	70	Chief Operating Officer, Managing Director of IPG Laser GmbH, Senior Vice President, Europe and Director
Timothy P.V. Mammen	48	Chief Financial Officer and Senior Vice President
Angelo P. Lopresti	54	General Counsel, Secretary and Senior Vice President
Alexander Ovtchinnikov, Ph.D.	57	Senior Vice President, Components
Trevor D. Ness	45	Senior Vice President, World Wide Sales and Marketing
Igor Samartsev	55	Chief Technology Officer and Director
Felix Stukalin	56	Senior Vice President, North America Operations

The biographies of Dr. Gapontsev, Dr. Scherbakov and Mr. Samartsev are presented on pages 14 and 15 of this proxy statement. The biographies of our other executive officers are presented below.

Timothy P.V. Mammen has served as our Chief Financial Officer since July 2000 and as Vice President since November 2000. He was promoted to Senior Vice President in February 2013. Between May 1999 and July 2000, Mr. Mammen served as the Group Finance Director and General Manager of the United Kingdom operations for IPFD. Mr. Mammen was Finance Director and General Manager of United Partners Plc, a commodities trading firm, from 1995 to 1999 and, prior to that, he worked in the finance department of E.I. du Pont de Nemours and Company. Mr. Mammen holds an Upper Second B.Sc. Honours degree in International Trade and Development from the London School of Economics and Political Science. He is a Chartered Accountant and a member of the Institute of Chartered Accountants of Scotland.

Angelo P. Lopresti has served as our General Counsel and Secretary and one of our Vice Presidents since February 2001. He was promoted to Senior Vice President in February 2013. Prior to joining us, Mr. Lopresti was a partner at the law firm of Winston & Strawn LLP from 1999 to 2001. He was a partner at the law firm of Hertzog, Calamari & Gleason from 1998 to 1999 and an associate there from 1991 to 1998. He is on the board of Coastway Bancorp, Inc., the holding company of Coastway Community Bank. Mr. Lopresti holds a B.A. in Economics from Trinity College and a J.D. from the New York University School of Law.

Alexander Ovtchinnikov, Ph.D., has served as our Vice President, Components, since September 2005 and as Director of Material Sciences from October 2001 to September 2005. He was promoted to Senior Vice President in February 2013. Prior to joining us, Dr. Ovtchinnikov was Material Science Manager of Lasertel, Inc., a maker of high-power semiconductor lasers, from 1999 to 2001. For 15 years prior to joining Lasertel, Inc., he worked on the development and commercialization of high power diode pump technology at the Ioffe Institute, Tampere University of Technology, Coherent, Inc. and Spectra-Physics Corporation. He holds an M.S. in Electrical Engineering from the Electrotechnical University of St. Petersburg, Russia, and a Ph.D. from Ioffe Institute of the Russian Academy of Sciences.

Trevor D. Ness has served as our Senior Vice President, World Wide Sales and Marketing since February 2013. From January 2011 until February 2013, he served as our Vice President-Asian Operations. Prior to joining us, Mr. Ness was Director of GSI Precision Technologies China from May 2005 to December 2010 and prior to that he held technical sales management roles with GSI Group, Inc. and Cobham Plc, located in UK, Japan and Taiwan. Mr. Ness holds a B.S. in Geology from Imperial College, a H.N.C. from Bournemouth University and an M.B.A. from The Open University.

Felix Stukalin has served as our Senior Vice President, North America Operations since February 2013. From March 2009 until February 2013, he served as our Vice President, Devices. Prior to joining us, he was Vice President, Business Development of GSI Group Inc. from April 2002 to September 2008, and from March 2000 to April 2002 he was Vice President of Components and President of the Wave Precision divisions of GSI Lumonics, Mr. Stukalin holds a B.S. in Mechanical Engineering from the University of Rochester and he is a graduate of the Harvard Business

School General Management Program.

28

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors has reviewed and discussed with management the Compensation Discussion and Analysis included in this proxy statement. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's proxy statement for the Company's 2018 annual meeting of stockholders and in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

The information in this Compensation Committee Report shall not be considered "soliciting material" or "filed" with the SEC, nor shall this information be incorporated by reference into any previous or future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company incorporates it by specific reference.

COMPENSATION COMMITTEE

Catherine P. Lego, Chair
William S. Hurley
Eric Meurice
John R. Peeler

March 28, 2018

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides a review of our executive compensation philosophy and program, and Compensation Committee decisions for fiscal 2017. The discussion in this section focuses on the compensation of our "Named Executive Officers" or "NEOs" for fiscal 2017, who were:

- Valentin P. Gapontsev, Ph.D., our Chairman and Chief Executive Officer
- Eugene Scherbakov, Ph.D., our Chief Operating Officer, the Managing Director of IPG Laser GmbH, our subsidiary, and Senior Vice President, Europe
- Timothy P.V. Mammen, our Senior Vice President and Chief Financial Officer
- Trevor Ness, our Senior Vice President, World Wide Sales and Marketing
- Angelo P. Lopresti, our Senior Vice President, General Counsel and Secretary

2017 Business Summary

We are committed to delivering increasing value to our shareholders by: (1) enhancing our core market leadership through the growing market penetration of our fiber laser technology over other lasers and non-laser technology and (2) expanding into multiple new markets and applications. In 2017, IPG delivered record revenue, operating margin, net income, and cash flow from operations, while we continued to make investments to drive future growth.

In 2017, we:

- increased revenue by 40%, our strongest annual growth in six years, and achieved a four-year compounded annual growth rate of 21%,
- used our vertical integration and direct sales model to increase our industry-leading gross margins to 56.6%,
- deepened our penetration in laser cutting and expanded laser welding sales,
- continued to gain sales from other laser and non-laser technologies and
- introduced new products, systems and accessories to expand our addressable markets.

IPG recorded $1,408.9 million in net sales in 2017, which is the highest level of revenues for any fiscal year in our history. We delivered $6.36 in diluted earnings per share, up 31% year-over-year, which includes charges of $0.90 related to the U.S. Tax Cuts and Jobs Act.

Our operating income increased 51% in 2017 and achieved its highest levels to date, reaching $551 million compared to $364 million in 2016 and $342 million in 2015.

Our gross margin increased to 56.6% in 2017 up from 54.9% in 2016, as a result of increased manufacturing efficiency offset by increasing depreciation from increased investment in plant and equipment. IPG's gross margins are industry-leading as compared to our laser peers.

We also increased our cash and cash equivalents and short term investments to $1.12 billion at December 31, 2017, compared to $831 million at December 31, 2016, while investing $127 million in property, plant, equipment and technology in 2017 so that we are well-positioned for future demand growth for our industry-leading products.
For more information about our business, please read "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the SEC on February 28, 2018.

Summary of Executive Compensation Pay Practices

The guiding principles of our executive compensation philosophy and practice continue to be pay-for-performance, accountability for annual and long-term performance, alignment to stockholders' interests, and providing competitive pay to attract and retain executives. We believe our compensation program strikes the appropriate balance between utilizing responsible, measured pay practices and effectively incentivizing our executives to dedicate themselves fully to value creation for our stockholders.

Executive Compensation Design

Our executive compensation program is designed to focus executive officers on both annual and long-term financial and operational performance, without encouraging unnecessary risk. The following graphs show approximately 63 percent of the Chief Executive Officer's total direct compensation and approximately 78 percent of the average total direct compensation of all of the other Named Executive Officers' compensation, as reflected in the 2017 column of the Summary Compensation Table, is at risk.

Our Chief Executive Officer, the Company's founder, does not receive long-term incentives because of his significant level of common stock ownership. As a result, a smaller percentage of his total compensation is performance-based as compared to the chief executives of our peer companies who typically receive additional compensation in the form of long-term incentives.

The performance-based stock units in the chart below are presented at target based upon grant date fair value.

The following provides details on the components of our executive compensation program:

Compensation Element	Objective
Base salary	• Provide a competitive fixed component of cash compensation to attract and retain talented and experienced executives with the knowledge and skills necessary to achieve the Company's strategic business objectives. • The Compensation Committee uses the services of an independent compensation consultant to assess the base salaries as compared to a competitive target range of the Company's named peer group. • The Compensation Committee considers these when setting base salaries of the executive officers: scope of the executive's responsibilities, performance, contributions, skills and experience, annual and long-term Company performance.
Annual incentive plan	• Offer a variable cash compensation opportunity earned based upon the level of achievement of challenging corporate goals, with additional compensation opportunity based upon individual performance. • Foster a shared commitment among executives through establishment of uniform Company financial goals. • Award payouts are subject to a cap of 225% of target in a performance period.
Long-term incentives	• Align interests of our executives and stockholders by motivating executive officers to increase long-term stockholder value. • Service-based equity awards offer certainty and long-term retention while providing additional compensation opportunity based upon increased stock price levels. • Performance-based stock units provide additional incentive to our NEOs (other than the CEO) and are earned based on IPG's total stockholder return relative to the Russell 3000 index. • Enhance retention with vesting over four years.
401(k) Retirement Savings Plan	• Provides participants the opportunity to defer a portion of their compensation and receive a company match of 50% of deferrals subject to a maximum of 6% of eligible compensation. • The plan is available to all eligible U.S. employees of the Company.
Pension Plan	• We provide no pension plan or deferred compensation plan.
Perquisites	• Perquisites are limited.

2017 Base Salaries

We provide base salary to our Named Executive Officers and other employees to compensate them for services rendered on a day-to-day basis during the fiscal year. Unlike annual cash incentives and long-term equity incentives, base salary is not subject to performance risk. The Compensation Committee reviews information provided by its compensation consultant and considers the experience, skills, knowledge and responsibilities of the executive and the individual's performance assessment provided by the Chief Executive Officer to assist it in evaluating base salary for each Named Executive Officer. With respect to the Chief Executive Officer, the Compensation Committee additionally considers the performance of the Company as a whole.

In 2017, the Compensation Committee evaluated the base salaries and total cash compensation for the Named Executive Officers with the assistance of Radford. The Compensation Committee reviewed Radford's assessment in connection with positioning the midpoint of the Company's target total cash compensation range near the 65th percentile of our peer group. Based upon this review, the Compensation Committee approved increases of the Named Executive Officers in the following manner: Dr. Gapontsev received an increase in base salary of 13% bringing his base salary in line with the market 65th percentile of our peer group, which also factored in the fact that the Compensation Committee does not grant any equity awards to Dr. Gapontsev. Likewise, the salary of Dr. Scherbakov increased from approximately $500,000 to $540,000 which also factored in his additional management responsibilities

related to his appointment as Chief Operating Officer in February 2017. Finally, the Compensation Committee approved merit increases of 5%, 8% and 3% for the base salaries of Messrs. Mammen, Ness and Lopresti.

Update 2018. In 2018, the Compensation Committee approved increases to each of the Named Executive Officers following an updated assessment of base salaries and total cash compensation conducted by Radford. The CEO's base salary was increased by12% to $930,000. Also, the salary of Dr. Scherbakov increased from approximately $540,000 to $679,400. Finally, the Compensation Committee approved increases of 5%, 6% and 5% to the base salaries of Messrs. Mammen, Ness and Lopresti, respectively.

2017 Cash Incentive Awards

To focus each executive officer on the importance of the Company's performance, a significant portion of the individual's potential short-term compensation is in the form of annual cash incentive pay that is tied to the achievement of goals set by the Compensation Committee. Our Named Executive Officers participate in our Senior Executive Annual Incentive Plan (the "AIP") administered by the Compensation Committee. The Compensation Committee determines who is eligible to receive awards under the AIP, defines performance goals and objectives for executives, establishes target awards for each participant for the relevant performance period, and determines the percentage of the target award that should be allocated to the achievement of each of the chosen performance goals in consultation with the Chief Executive Officer with respect to other executive officers. The target award percentages established by the Compensation Committee are chosen with input from the compensation assessment conducted by Radford and the seniority level of the executive.

Consistent with prior years, in 2017 the Compensation Committee identified two financial performance measures: net sales and adjusted EBIT and assigned a 50% weighting factor to each financial performance goal. "Adjusted EBIT" is a performance measure that is equal to our earnings before interest income and expense, income taxes, equity-based compensation expenses and expenses for litigation matters approved by the Compensation Committee. Further, the Compensation Committee intentionally focused on net sales growth and pretax profits so that our executive officers would be incentivized to deliver the types of growth that benefit our stockholders, namely increasing sales and profits. Under the 2017 AIP, the executives could receive cash incentive payments in the table below as a percentage of base salaries based upon achievement of the minimum to maximum objectives for both financial performance measures and for individual performance. If the financial performance exceeds one or more of the stretch objectives, the incentive payments to the executive would increase as determined by linear interpolation, subject to limits on maximum award payouts. Consistent with our pay-for-performance philosophy, no cash incentive payments would be made if the minimum financial objectives established by the Compensation Committee in 2017 were not met. The individual goals and objectives for the Chief Executive Officer include operational and strategic targets determined by the independent directors.

The overall target awards in the table below are a percentage of the respective base salaries. The company-wide financial objectives are the same for all executive officers in order to foster a shared commitment among executives.

Name	Target as % of Base Salary	Financial Performance Minimum	Financial Performance Maximum	Individual Performance Maximum	Maximum Award Payout (1)	Target Award ($)(2)	Actual Payout ($)
Valentin P. Gapontsev, Ph.D.	100%	18.8%	225.0%	25.00%	225%	832,000	1,399,100
Eugene A. Scherbakov, Ph.D.	75%	14.0%	225.0%	19.00%	225%	405,000	769,300
Timothy P.V. Mammen	75%	14.0%	225.0%	19.00%	225%	344,000	577,000
Trevor D. Ness	75%	14.0%	225.0%	19.00%	225%	308,000	516,200
Angelo P. Lopresti	75%	14.0%	225.0%	19.00%	225%	316,000	530,000

(1) Maximum award payout is presented as a percentage of the target award.

(2) Target award includes both financial and individual performance targets.

While objectives were intended to be achievable by the Company, a maximum bonus would require very high levels of Company performance. In 2017, the Compensation Committee adjusted the targets to reflect the acquisition of OptiGrate Corporation and Innovative Laser Technology, Inc. The adjusted target levels for net sales and Adjusted EBIT were $1,134 million and $422 million, respectively, representing 13% and 7% increases, respectively, from prior year levels. The Compensation Committee's adjusted minimum and stretch targets for net sales were $964

million and $1,304 million, and for Adjusted EBIT were $338 million and $507 million.

During 2017, the Company achieved net sales of $1,409 million and Adjusted EBIT of $593 million. These results represented a 40% increase in net sales and a 51% increase in Adjusted EBIT over 2016 levels. Despite exceeding the stretch targets in 2017, payouts were not limited by the plan maximums, which are set at 225% of the target award for financial and individual performance. The independent directors set

the individual goals and objectives for the Chief Executive Officer in 2017. In 2017, the independent directors also reviewed the Chief Executive Officer's attainment of goals and objectives and approved his payout under the 2017 AIP. As a result of this process, the independent directors awarded the Chief Executive Officer 25.0% of his base salary for his individual performance during 2017. The Compensation Committee, with input from the Chief Executive Officer, awarded the other Named Executive Officers 19.0% of their respective base salaries for their individual performances in 2017.

The Compensation Committee may award discretionary bonuses to executives for exceptional performance. For 2017, the Compensation Committee did not exercise this right.

2018 Update. In February 2018, the Committee approved annual targets and incentive payouts to the Named Executive Officers for fiscal year 2018 under the AIP, as set forth below. The awards noted below have financial and individual performance goals. The Compensation Committee approved the targets under the AIP to the Named Executive Officers in February 2018 in the following payout amounts:

Name	Target as % of Base Salary	Financial Performance Minimum	Financial Performance Maximum	Individual Performance Maximum	Maximum Award Payout (1)
Valentin P. Gapontsev, Ph.D.	110%	20.63%	220.0%	27.50%	225%
Eugene A. Scherbakov, Ph.D.	100%	18.75%	200.0%	25.00%	225%
Timothy P.V. Mammen	80%	15.00%	160.0%	20.00%	225%
Trevor D. Ness	80%	15.00%	160.0%	20.00%	225%
Angelo P. Lopresti	80%	15.00%	160.0%	20.00%	225%

(1) Maximum award payout is presented as a percentage of the target award.

Equity-Based Incentives Granted in 2017

The goal of our equity-based award program is to provide employees and executives with the perspective of an owner with a long-term financial stake in our success, further increasing alignment with stockholders. Our equity-based incentives align the interests of our executives and stockholders by motivating executive officers to increase long-term stockholder value.

In 2017, our equity-based award program for executives included service-based stock options (33%), service-based restricted stock units (33%), and performance-based stock units (at target, 33%). The type and proportion of the equity grants reflected a 2017 review by our Compensation Committee with the assistance of Radford of grant practices at peer companies. The value of stock options, restricted stock units and performance-based stock units are tied to the Company stock price which links pay to performance.

Consistent with our pay-for-performance philosophy, the service-based stock option awards have no value unless our stock price increases after the grant date. Another reason why we use service-based stock options is because it fosters an innovative environment focused on long-term growth of the Company and stockholder value.

The addition of performance-based stock units in 2015 to the equity mix increases the portion of the executives' compensation that is based upon the Company's performance. The Compensation Committee decided to measure performance of the Company's stock as compared to the Russell 3000 Index, which includes the Company. Also, it directly aligns executives' compensation with stockholders interest because the number of shares earned depends upon performance against the Russell 3000 Index and the value of the shares fluctuates based on the stock price. For each

1% that IPG's common stock exceeds the performance of the Russell 3000 Index for the trailing 60 trading days from the end of the performance measurement period (March 1, 2020) against the comparable period from the beginning of the performance measurement period (March 1, 2017), the grant recipient would receive a 2% increase in the number of shares above target (up to a maximum cap of 200% of the target award). For each 1% below the Russell 3000 Index's performance, the grant recipient would receive a 2% decrease in the number of shares (down to zero). In addition, Name Executive Officers cannot receive a number of shares that exceeds 400% of the value of the target award on the date of grant. The vesting date is March 1, 2020, should any performance-based stock units vest at all.

In 2017, the Compensation Committee targeted granting equity compensation near the 65th percentile of the target compensation of our peer group, balancing the perspective of delivering competitive compensation based upon Black-Scholes option pricing values and Monte Carlo simulations for performance-based stock units. The Compensation Committee analyzed several aspects of the equity grant program, including (i) the "in the money" value, the degree to which executives have incentives to remain employed by the Company through unvested option values, and (ii) the aggregate equity usage in terms of (a) annual usage, typically called burn rate, and (b) cumulative equity delivery, typically called overhang, to determine the dilutive effect of equity awards on investors. The majority of outstanding equity award holdings of the executives were allocated to unvested shares in the aggregate, and all such executives had a minimum of two years' worth of annual award values in unvested equity value. Based upon this information, Radford advised the Compensation Committee that our equity program provides strong retention incentives.

Since the Company's initial public offering in 2006, the Compensation Committee has not granted the Chief Executive Officer any equity compensation awards. As the Company's founder and the beneficial owner of a large number of our shares, he has the perspective of an owner with a significant financial stake in the Company's success. This practice has resulted in substantially lower total compensation earned by our Chief Executive Officer as compared to the chief executives of our named peers despite our outstanding business and earnings growth. In addition, this practice results in a lower compensation expense and lower equity burn rate for the Company.

The table below provides information on grants of service-based stock options, service-based restricted stock units and performance-based stock units to the Named Executive Officers in 2017. All awards in the table below vest on March 1, 2021, except for the performance-based stock units which vest on March 1, 2020.

Name	Service-Based Stock Options (#)	Exercise Price ($)	Service-Based Restricted Stock Units (#)	Performance-Based Stock Units (at Target) (#)	Performance-Based Stock Units Range (Based upon Achievement) (#)
Valentin P. Gapontsev, Ph.D.	—	—	—	—	—
Eugene A. Scherbakov, Ph.D.	10,367	119.50	3,388	3,388	0 - 6,776
Timothy P.V. Mammen	8,799	119.50	2,876	2,876	0 - 5,752
Trevor D. Ness	7,871	119.50	2,572	2,572	0 - 5,144
Angelo P. Lopresti	7,184	119.50	2,348	2,348	0 - 4,696

The Compensation Committee believes that vesting of awards of service-based options and restricted stock units over four years provides a strong incentive for executives to remain employed by us and to focus on increasing our financial performance over the long-term, while discouraging excessive short-term risk taking. The Compensation Committee believes that the performance-based stock units should vest over three years, instead of four years, because having a four year performance period would reduce the utility of the performance award and not properly align pay with performance. The service-based restricted stock units granted in 2017 may be entitled to dividends, should any be paid, at the discretion of the Compensation Committee. Any dividends on shares underlying the performance-based stock units do not vest until the performance-based stock units vest.

2018 Update. The Compensation Committee approved the grant of service-based stock options and restricted stock units and performance-based stock units to the Named Executive Officers in February 2018. All equity awards in the table below vest according to the vesting schedule approved by the Compensation Committee: service-based stock

options and restricted stock units vest 25% on each anniversary of March 1, 2018 and performance-based stock units vest on March 1, 2021, the last day of the performance period which is three years after the start of the performance period on March 1, 2018.

Name	Service-Based Stock Options (#)	Exercise Price ($)	Service-Based Restricted Stock Units (#)	Performance-Based Stock Units (at Target) (#)	Performance-Based Stock Units Range (Based upon Achievement) (#)
Valentin P. Gapontsev, Ph.D.	—	—	—	—	—
Eugene A. Scherbakov, Ph.D.	13,744	239.72	4,014	4,014	0 - 8,028
Timothy P.V. Mammen	6,642	239.72	1,940	1,940	0 - 3,880
Trevor D. Ness	5,689	239.72	1,661	1,661	0 - 3,322
Angelo P. Lopresti	5,786	239.72	1,690	1,690	0 - 3,380

All Other Compensation

Severance Benefits. The severance benefits we offer assist us in recruiting and retaining talented individuals and are consistent with the range of severance benefits offered by our peer group. The severance provisions of our employment agreements are summarized below in the section titled "Potential Payments upon Termination or Change in Control."

Retirement Benefits. We do not offer an executive retirement plan or a non-qualified deferred compensation plan. Executive officers in the United States are eligible to participate in our 401(k) retirement savings plan on the same terms as all other U.S. employees. Our 401(k) retirement savings plan is a tax-qualified plan and therefore is subject to certain Internal Revenue Code limitations on the dollar amounts of deferrals and Company contributions that can be made to plan accounts. These limitations apply to our more highly-compensated employees (including the Named Executive Officers). We made matching contributions to our employees at a rate of 50% of deferrals subject to a maximum of 6% of eligible compensation under the 401(k) retirement savings plan, including the Named Executive Officers, who participate in the plan as set forth in the Summary Compensation Table. Our executives outside of the United States participate in government-sponsored retirement programs.

Personal Benefits. Our executives are eligible to participate in employee benefit plans, including medical, dental, life and disability insurance and vacation plans as well as an employee stock purchase plan, which is intended to be qualified under Section 423 of the Code. The employee stock purchase plan allows participants to purchase Company shares at a price equal to 85% of the lesser of the fair market value at the first day or last day of the six month offering period, subject to limitations on the amount of shares. These plans generally are available to all salaried employees and do not discriminate in favor of executive officers. Benefits are intended to be competitive with the overall market in order to facilitate attraction and retention of high-quality employees.

The Compensation Committee compared the Company's executive perquisites policies against the 2017 peer group and made no changes. The Company provides the use of a corporate aircraft to the Chief Executive Officer and other executives for business travel integral to the performance of their duties. Executives are encouraged to use the aircraft for efficiency, safety and security. However, executives are not allowed to use the aircraft for personal use that has not been paid for, except that family and other guests may accompany executives on the aircraft for business travel. The Company provides the Chief Executive Officer with a car and driver in the United States so that he may use his travel time for company purposes. The Company also provides Dr. Scherbakov use of an automobile, as it does for other high-ranking employees in Germany.

Role of Compensation Committee

The Compensation Committee determines, approves and administers the compensation programs for our executive officers, including our Named Executive Officers. The Compensation Committee recommends to the independent directors the CEO's annual base salary, annual incentive opportunity and long-term incentive opportunity. The independent directors approve the CEO's compensation and our Compensation Committee approves the compensation

for other executive officers in consultation with our CEO. Our Compensation Committee is also responsible for making recommendations to the Board with respect to the adoption of equity plans and certain other benefit plans. The Compensation Committee may delegate authority whenever it deems appropriate. In 2017, the Compensation Committee delegated authority to grant

equity awards for non-executive officers to the Chief Executive Officer subject to certain conditions including amounts of awards and review of awards by the Compensation Committee.

Our Compensation Committee's policy is to set executive officer pay in accordance with the objectives of the Company's compensation programs as described above. In the Compensation Committee's view, the Company's executive compensation program provides an overall level of compensation opportunity that is competitive with peer companies. Actual compensation levels may be greater or less than target compensation levels provided by similar companies based upon annual and long-term Company performance, as well as individual performance, contributions, skills, seniority, knowledge, experience and responsibilities.

Role of Management

The Chief Executive Officer participates in the establishment of the compensation targets and payout levels for the other Named Executive Officers. He assesses the performance of all Named Executive Officers and recommends to the Compensation Committee the overall levels of achievement, and personal performance in the year. Upon request, Named Executive Officers provide supplemental material to the Compensation Committee to assist in the determination and implementation of compensation, policies and practices. The Chief Executive Officer is not involved in decisions regarding the setting of any component of his compensation. The Chief Executive Officer and other members of senior management attend Compensation Committee meetings at the invitation of the Compensation Committee.

Role of Independent Consultant

The Compensation Committee engaged Radford, an independent compensation consultant, to conduct a comprehensive review and analysis of our executive and non-employee director compensation programs and to make recommendations for compensation related to 2017. The consultation included non-executive compensation data and valuation services for equity incentives. Radford’s parent company does not perform any other work for the Company. The Compensation Committee reviews the independence of Radford in light of SEC rules and NASDAQ listing standards regarding compensation consultants. The Compensation Committee believes that there were no actual or potential conflicts of interest with Radford in 2017.

Pay Positioning Strategy

In 2017, the midpoint of the Company's target total cash compensation range was adjusted to near the 65th percentile. The Compensation Committee positioned our targeted total compensation competitively within our peer group. An individual's actual compensation may fall below or above the target positions based on the individual's experience, seniority, skills, knowledge, performance, responsibilities and contributions as well as the Company's performance. These factors are weighed by the Compensation Committee in its judgment, and no single factor takes precedence over others nor is any formula used in making these decisions.

In analyzing our executive compensation program relative to this target market positioning, the Compensation Committee utilizes a comparative analysis of the compensation of our executive officers measured against a group of peer companies selected by the Compensation Committee. The peer companies are companies in the laser source and photonics industry, as well as a broader group of technology companies of comparable size and complexity with international scope that experience growth.

For 2017, the peer companies were:

Barnes Group, Inc.	Cognex Corporation	Coherent, Inc.
Dolby Laboratories, Inc.	Entegris, Inc.	Fabrinet
FLIR Systems, Inc.	Graco, Inc.	II-VI Incorporated
IDEX Corporation	ITT, Inc.	MKS Instruments, Inc.
National Instruments, Inc.	Nordson Corporation	OSI Systems, Inc.
Teradyne, Inc.	Trimble Navigation Limited	Zebra Technologies, Inc.

38

The Compensation Committee reviews this peer group annually with input from Radford to ensure that the comparisons are meaningful. In this review, the Compensation Committee considers several factors in developing a peer group: it considers the current peer group to determine appropriateness, the peers used by institutional governance advisors, the companies that list our company as peer to understand crossover peers and broader research based upon established selection criteria to identify potential future peers. The Committee then develops criteria for business sector, market capitalization, revenue and headcount. Radford also supplements its peer analysis with the data from a broader list of high-technology public company participants in the AON Radford Executive Technology Survey targeting technology companies with comparable revenue levels. Companies that are no longer publicly traded have been omitted from the peer group. Based upon the process and applying the criteria above, the Compensation Committee (i) added Dolby Laboratories, Inc., Fabrinet, IDEX Corporation, ITT, Inc. and Trimble Navigation Limited to the peer group and (ii) removed Analogic Corporation, Brooks Automation, Inc., Diodes, Inc., FEI Company and Rofin-Sinar Technologies, Inc. from the peer group.

2018 Update. For 2018 compensation determinations, the Compensation Committee applied the methodology above and removed Fabrinet and OSI Systems, Inc. because such peers fell below the targeted scope of one or more of market value, revenue and headcount or were acquired. Additionally, the Compensation Committee added Arista Networks,Inc., Donaldson Company and Waters Corporation to the peer group for 2018.

Other Factors Affecting Compensation

Tax Deductibility under Section 162(m). Section 162(m) of the Internal Revenue Code ("Section 162(m)") limits the deductibility for federal income tax purposes of certain compensation paid in any year by a publicly held corporation to its "covered employees" as defined by Section 162(m) to $1 million per executive (the "$1 million cap"). Due to the recently enacted U.S. Tax Cuts and Jobs Act, the "performance-based" compensation exception to the $1 million cap does not apply for tax years after 2017, unless certain limited transition relief is met. The Compensation Committee retains the discretion to grant or pay compensation that may exceed the $1 million cap or may not qualify for the performance-based compensation exception to Section 162(m).

Accounting Considerations. We consider the accounting implications of our executive compensation program. In addition, accounting treatment is just one of many factors impacting plan design and pay determinations. Our executive compensation program is designed to achieve a favorable accounting and tax treatment as long as doing so does not conflict with the intended plan design or program objectives.

Compensation Risk

Management conducts an annual risk assessment of the Company's compensation policies and practices for all employees, including non-executive officers, and reports its findings to the Compensation Committee. In 2017, management concluded that the Company's compensation policies and practices are balanced and do not motivate imprudent risk taking. Management believes that IPG’s compensation policies do not create risks that are reasonably likely to have a material adverse effect on IPG.

In reaching this conclusion, they considered the following factors:

- our compensation program is designed to provide a mix of both fixed and variable incentive compensation,
- our senior executives are subject to stock ownership guidelines, which we believe incentivize our executives to consider the long-term interests of the Company and our stockholders and discourage excessive risk-taking that could negatively impact our stock price, and
- our incentive compensation programs are designed with vesting terms that are relatively consistent, spread out over several years, and do not contain steep payout "cliffs" that might encourage short-term business decisions in order to meet a vesting or payout threshold.

Other Policies

Anti-Hedging and Limitations on Pledging of Company Stock. The Board adopted policies prohibiting hedging transactions and limiting the pledging of our common stock. Under our insider trading policy, no director or employee may engage in shorting shares of our common stock, or buying or selling puts,

calls or derivatives related to our common stock. A director or officer of the Company may not pledge shares constituting more than 20% of his or her total stock ownership. Pledges of shares constituting 20% or less of total stock ownership are subject to certain conditions.

Stock Ownership Guidelines. The Board adopted stock ownership guidelines to closely align the interests of our executive officers with those of our long-term stockholders. Under the guidelines, the Chief Executive Officer is expected to maintain a minimum investment on our common stock of five times his annual salary and other senior executive officers are expected to maintain a minimum investment on our common stock of the lesser of 5,000 shares or one times their respective annual salaries. All of our senior executive officers substantially exceed the ownership requirements under our stock ownership guidelines. These ownership levels are to be achieved no later than four years after the election as an executive officer, except that prior to such time the officer is expected to retain a certain portion of stock issued upon exercise of stock options or vesting of restricted stock awards until the minimum ownership levels are attained. For more information, see "Corporate Governance - Stock Ownership Guidelines."

Clawback Policies. In 2015, the Compensation Committee approved a compensation recovery policy that allows the Company to recapture performance-based compensation from executives if the amount of the award was based upon achieving certain financial results that were later restated due to the participant's misconduct. In addition, all equity awarded to employees since 2007 contain a provision under which employees may be required to forfeit equity awards or profit from equity awards if they engage in certain conduct, including competing against the Company, disclosing confidential information, or soliciting its employees or customers.

EXECUTIVE COMPENSATION TABLES

Summary Compensation Table

The following table provides information regarding compensation earned by our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executives for the fiscal years indicated below:

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)(2)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
Valentin P. Gapontsev, Ph.D.	2017	832,000	—	—	—	1,399,100	53,583	2,284,683
Chief Executive Officer and	2016	735,400	—	—	—	709,044	36,953	1,481,397
Chairman of the Board (5)	2015	687,981	—	—	—	713,582	11,853	1,413,416
Eugene A. Scherbakov, Ph.D.	2017	510,000	—	899,514	340,038	769,300	23,028	2,541,880
Chief Operating Officer, Managing	2016	510,677	—	643,031	228,899	361,928	30,138	1,774,672
Director of IPG Laser GmbH,								
Senior Vice President, Europe and	2015	450,449	—	636,664	305,714	363,675	30,231	1,973,841
Director(5)								
Timothy P.V. Mammen,	2017	458,300	—	763,578	288,607	577,000	8,910	2,096,395
Chief Financial Officer and Senior	2016	436,025	—	643,031	228,899	315,694	8,760	1,632,409
Vice President	2015	440,067	—	823,772	305,714	342,223	8,764	1,920,540
Trevor Ness, Senior Vice	2017	410,000	—	682,866	258,169	516,200	8,910	1,876,145
President, World Wide Sales and	2016	379,724	—	527,502	187,744	275,121	8,490	1,378,581
Marketing	2015	383,543	—	673,995	250,130	298,267	8,511	1,614,446
Angelo P. Lopresti, Senior Vice	2017	421,000	—	623,394	235,635	530,000	9,342	1,819,372
President, General Counsel and	2016	408,256	—	496,333	176,709	263,042	9,192	1,353,532
Secretary	2015	412,015	—	636,664	236,234	284,911	9,240	1,579,063

(1) Salaries for 2015 reflect 27 pay periods occurring in the year.

(2) Valuation based on the fair value of such award as of the grant date determined pursuant to ASC Topic 718. The assumptions that we used with respect to the valuation of service-based restricted stock unit, performance-based stock units and stock option awards are set forth in Note 2 to our Consolidated Financial Statements in our Annual Report on Form 10-K filed with the SEC on February 28, 2018. The amounts in the Stock Awards column reflect service-based restricted stock units and performance-based stock units granted in 2017. The value of the performance-based stock units is based on the probable outcome of the performance conditions (at the grant date) in accordance with ASC Topic 718 assuming no forfeiture. The values of performance-based stock units at the grant date assuming the highest level of performance conditions will be achieved are $1,619,464, $1,374,728, $1,229,416 and $1,122,344 for Dr. Scherbakov and Messrs Mammen, Ness and Lopresti, respectively. There is no assurance that any of the performance targets will be achieved, that the service-based awards will vest or that the any of the recipients will realize the values listed above.

(3) Represents amounts earned under our AIP for services rendered in 2017, 2016 and 2015, respectively.

(4) The amount in 2017 for Dr. Gapontsev consists of premiums paid for group life insurance, the incremental cost for non-employee guests accompanying him on the Company's aircraft and the cost of a car and driver ($36,776) at the Company's headquarters. The amount in 2017 for Dr. Scherbakov is the expense of an automobile provided by us. Portions of the amounts paid to Dr. Gapontsev and Dr. Scherbakov were denominated in Euros and Rubles. Dr. Scherbakov's salary is approved in US dollars and payments are converted to Euro at then prevailing Euro exchange rate. Amounts paid in foreign currencies were translated into U.S. Dollars at the average daily exchange rates for the full years. The average daily rates in 2017, 2016 and 2015, for the Euro were 0.89, 0.90 and 0.90, respectively, and for the Ruble were 58.3, 67.0 and 61.2, respectively. As a result of compensation being paid in one or more currencies that fluctuate against the U.S. Dollar, the amount of salary paid may vary slightly from the salary stated in an employment agreement or approved by the Compensation Committee.

(5)

Employment Agreements

The Company has entered into employment agreements with each of the above-named executives, effective through December 31, 2018. Upon expiration, the employment agreements will automatically renew for successive one year periods, unless the Company or a Named Executive Officer provides written notice of non-renewal at least six months prior to the end of the then current term. In the event of a change in control, the agreements would extend through the second anniversary of the change in control.

The employment agreements set the annual base salaries and stipulate that the Compensation Committee may adjust the salaries annually, as noted in the above "Compensation Discussion and Analysis - 2017 Base

Salaries" section. The agreements entitle these executive officers to participate in bonus plans, standard insurance plans such as life, short-term disability and long-term disability insurance and retirement benefits, such as the 401(k) retirement savings plan and equity award plans described above, on similar terms and on a similar basis as such benefits are available to executives at similar levels within the Company. Each of these executive officers also entered into a separate restrictive covenant agreement with the Company in 2013 that prohibits each of them from competing with the Company for a period of one year after the termination of his employment with the Company for any reason and from hiring or attempting to hire the Company's employees or soliciting customers or suppliers of the Company for a period ending eighteen months following the termination of his employment for any reason. Each of the officers is entitled to receive his base salary for the period during which the Company enforces the non-competition provisions of the agreement but not for more than one year following the termination of his employment. The severance provisions of the agreements are summarized below in the section titled "Potential Payments upon Termination or Change in Control."

2017 Grants of Plan-Based Awards

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ($)(1)			Estimated Future Payouts Under Equity Incentive Plan Awards (#)(2)			All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	Option Awards Number of Securities Underlying Options (#)(3)	Exercise or Base Price of Option Awards ($/Sh)	Grant Fair V of Stock Optio Awar ($)(4)
		Threshold	Target	Maximum	Threshold	Target	Maximum				
Valentin P. Gapontsev	2/17/2017	364,000	832,000	1,872,000	—	—	—	—	—	—	—
	2/17/2017	178,200	405,000	911,250	—	—	—	—	—	—	—
Eugene A. Scherbakov	2/17/2017	—	—	—	1,694	3,388	6,776	—	—	—	498,8
	2/17/2017	—	—	—	—	—	—	3,388	—	—	400,6
	2/17/2017	—	—	—	—	—	—	—	10,367	119.50	340,0
Timothy P.V. Mammen	2/17/2017	151,239	343,725	773,381	—	—	—	—	—	—	—
	2/17/2017	—	—	—	1,438	2,876	5,752	—	—	—	423,4
	2/17/2017	—	—	—	—	—	—	2,876	—	—	340,0
	2/17/2017	—	—	—	—	—	—	—	8,799	119.50	288,6
	2/17/2017	135,300	307,500	691,875	—	—	—	—	—	—	—
Trevor D. Ness	2/17/2017	—	—	—	1,286	2,572	5,144	—	—	—	378,7
	2/17/2017	—	—	—	—	—	—	2,572	—	—	304,1
	2/17/2017	—	—	—	—	—	—	—	7,871	119.50	258,1
	2/17/2017	138,930	315,750	710,438	—	—	—	—	—	—	—
Angelo P. Lopresti	2/17/2017	—	—	—	1.694	2.348	4.696	—	—	—	345,7
	2/17/2017	—	—	—	—	—	—	2,348	—	—	277,6
	2/17/2017	—	—	—	—	—	—	—	7,184	119.50	235,6

(1) Amounts shown include the payouts under the AIP for 2017 financial performance at the three goals plus individual performance at maximum for each. The performance goals used in determining AIP payments are discussed in the above Compensation Discussion and Analysis above. Actual amounts paid for 2017 performance are shown in the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table above.

(2) For a description of the performance-based stock units, see Compensation Discussion and Analysis-Equity-Based Incentives Granted in 2017.

(3) The amounts listed reflect service-based restricted stock units and stock options granted under our 2006 Incentive Compensation Plan and are described in the Outstanding Equity Awards Table below.

(4)

The awards are reported based on the fair value of such award as of the grant date determined pursuant to ASC Topic 718. The assumptions that we used with respect to the valuation of equity awards are set forth in Note 2 to our Consolidated Financial Statements in our Annual Report on Form 10-K filed with the SEC on February 28, 2018. The option exercise price has not been deducted from the amounts indicated above and we disregard an estimate of forfeitures. Regardless of the value placed on an equity award on the grant date, the actual value of the equity award will depend on the market value of our common stock at such date in the future when the restricted stock unit vests or the stock option is exercised, and the performance of our common stock in relation to the Russell 3000 on the measurement date with respect to the performance-based stock unit. For informational purposes, if the maximum level of performance was achieved for the performance-based stock units, the values as limited by the 400% value cap are $1,619,464, $1,374,728, $1,229,416 and $1,122,344 for Dr. Scherbakov and Messrs. Mammen, Ness and Lopresti, respectively.

2017 Outstanding Equity Awards at Fiscal Year-End

		Option Awards (1)				Stock Awards (1)			
Name	Year of Grant	Securities Underlying Unexercised Options Exercisable (#)	Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)(2)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)(1)(4)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)(4)
Valentin P. Gapontsev	—	—	—	—	—	—	—	—	—
Eugene A. Scherbakov	2/26/2010	1,000	—	15.82	2/25/2020	—	—	—	—
	3/1/2011	3,000	—	53.76	2/28/2021	—	—	—	—
	2/14/2012	1,500	—	58.65	2/13/2022	—	—	—	—
	3/1/2013	3,000	—	60.11	2/28/2023	—	—	—	—
	2/28/2014	—	13,000	71.77	2/27/2024	2,000	428,620	—	—
	2/25/2015	—	7,326	97.65	2/24/2025	3,663	785,018	7,326	1,430,768
	2/18/2016	—	7,592	81.89	2/17/2026	3,796	813,521	7,592	1,243,418
	2/17/2017	—	10,367	119.50	2/16/2027	3,388	726,082	6,776	1,619,464
Timothy P.V. Mammen	2/14/2012	10,000	—	58.65	2/13/2022	—	—	—	—
	3/1/2013	15,000	—	60.11	2/28/2023	—	—	—	—
	2/28/2014	—	14,200	71.77	2/27/2024	2,200	471,482	—	—
	2/25/2015	—	7,326	97.65	2/24/2025	3,663	785,018	7,326	1,430,768
	2/18/2016	—	7,592	81.89	2/17/2026	3,796	813,521	7,592	1,243,418
	2/17/2017	—	8,799	119.50	2/26/2027	2,876	616,356	5,752	1,374,728
Trevor D. Ness	2/14/2012	4,000	—	58.65	2/13/2022	—	—	—	—
	3/1/2013	2,000	—	60.11	2/28/2023	—	—	—	—
	2/28/2014	—	11,000	71.77	2/27/2024	1,700	364,327	—	—
	2/25/2015	—	5,994	97.65	2/24/2025	2,997	642,287	5,994	1,170,628
	2/18/2016	—	6,227	81.89	2/17/2026	3,114	667,361	6,228	1,020,022
	2/17/2017	—	7,871	119.50	2/16/2027	2,572	551,205	5,144	1,229,416
Angelo P. Lopresti	3/1/2011	9,500	—	53.76	2/28/2021	—	—	—	—
	3/1/2013	13,000	—	60.11	2/28/2023	—	—	—	—
	2/28/2014	—	11,000	71.77	2/27/2024	1,800	385,758	—	—
	2/25/2015	—	5,661	97.65	2/24/2025	2,831	606,712	5,662	1,105,789
	2/18/2016	—	5,861	81.89	2/17/2026	2,930	627,928	5,860	959,751
	2/17/2017	—	7,184	119.50	2/16/2027	2,348	503,200	4,696	1,122,344

(1) The vesting dates assume the continued service of the Named Executive Officer. All awards granted in 2014, 2015 and 2016 vest in one installment on March 1, 2018, 2019 and 2020, respectively. Service-based stock options and restricted stock units granted in 2017 vest in four annual installments commencing on March 1, 2018 and performance-based stock units granted in 2017 vest in one installment on March 1, 2020.

(2) Represents the closing common stock price of a share on the grant date.

(3) Based upon the closing common stock price on December 31, 2017, which was $214.31 per share.

(4) The performance-based stock unit performance determination dates are March 1, 2018, 2019 and 2020 for units granted in 2015, 2016 and 2017, respectively. The numbers of unearned awards range from 0% to 200% based upon achievement of performance metrics and assumes attainment of the maximum performance levels not limited by dollar value cap. The dollar payout values represent estimated values assuming attainment of maximum performance levels as limited by the dollar value cap of 400% of target values on the dates of grant.

Option Exercises and Stock Vested in 2017

Name	Option Awards Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(2)
Valentin P. Gapontsev	—	—	—	—
Eugene A. Scherbakov	31,954	3,290,285	2,200	265,650
Timothy P.V. Mammen	37,850	4,251,554	2,500	301,875
Trevor D. Ness	25,000	2,435,923	1,900	229,425
Angelo P. Lopresti	11,750	1,230,011	2,000	241,500

(1) The value realized is based on the difference between the reported closing common stock price on the date of exercise and the exercise price of the stock option.

(2) The value realized is based on the reported closing common stock prices on the vesting dates of the restricted stock units.

Potential Payments upon Termination or Change in Control

If the Company terminates the employment of any of the Named Executive Officers without cause (as defined in the respective employment agreements) or any of the Named Executive Officers terminates his employment for good reason (as defined in the respective employment agreements) ("cause" and "good reason" are referred to below as "Involuntary Terminations"), then the officer would receive:

(a) continuation of salary for eighteen months, except in the case of Dr. Gapontsev, who would receive continuation of salary for thirty-six months,

(b) a portion of the annual bonus that the executive would have received had he remained employed through the end of the applicable bonus period, based on actual performance, including the individual performance element (the portion based upon the percentage of the year that he was employed by the Company),

(c) cash reimbursement for continuation of health benefits for up to eighteen months, except in the case of Dr. Gapontsev, who would receive continuation of health benefits by payment of the officer's COBRA premiums for thirty-six-months; and

(d) accelerated vesting of equity compensation awards that otherwise would have vested within twelve months of termination of employment.

Upon an Involuntary Termination within twenty-four months following a change in control of the Company, the Named Executive Officer would be entitled to continuation of salary and reimbursement of COBRA premiums for health benefits for twenty-four months, the pro-rated bonus for the year of termination plus a payment of two times the average annual bonus paid to the Named Executive Officer for the three full years preceding the year of termination. In the case of the Chief Executive Officer, he would be entitled to continuation of salary and health benefits for thirty-six months, the pro-rated bonus for the year of termination plus a payment of three times the average annual bonus paid to him for the three full years preceding the termination. Under the employment agreements, all equity awards vest fully if a change in control occurs followed within two years by an Involuntary Termination. Upon a change in control, the officers' employment periods under the agreements would automatically be extended to the second anniversary of the change in control if such date is later than expiration of the current term.

If the total value of all payments and benefits, including any equity vesting ("total payments"), made to a Named Executive Officer following a change in control would result in an excise tax under the provisions of Internal Revenue Code Section 4999 (the "golden parachute tax"), the total payments will be reduced so that the maximum amount of total payments (after reduction) is $1.00 less than the amount that would cause the total payments to be subject to the golden parachute tax; provided, however, that the total payments will only be reduced to the extent that the after-tax value of amounts received by the officer after application of the above reduction would exceed the after-tax value of the total payments received without application of such reduction (so called "best after-tax treatment").

If the employment period of any of the Named Executive Officers terminates and the Company does not offer such officer continued employment in the same or a substantially similar position or in a higher position than the officer's position at the end of the employment period and at a compensation level that is the same or substantially similar to the compensation level in effect at the end of the employment period, then such officer may resign from employment and would receive continuation of salary and health benefits for twelve months, except for the Chief Executive Officer who would receive the same for twenty-four months, plus a pro-rated bonus for the year of termination.

If a Named Executive Officer's employment is terminated by death or disability, the officer would receive a pro-rated bonus for the year of termination. Under the employment agreements, the Company would not be obligated to make any cash payments if employment were terminated by the Company for cause or by the executive not for

good reason. Additionally, if the officer's employment is terminated due to death, the non-vested portions of stock options, service-based restricted stock units and performance-based stock units would immediately vest.

Severance payments to the officers are conditioned upon the release of claims by the Named Executive Officer in favor of the Company. Each of the Named Executive Officers also has an agreement with the Company that prohibits him from competing with the Company for a period of one year after the termination of his employment with the Company for any reason and from hiring or attempting to hire the Company's employees or soliciting customers or suppliers of the Company for a period ending eighteen months following the termination of his employment for any reason. Each of the Named Executive Officers is entitled to receive his base salary for the period during which the Company enforces the non-competition provisions of the agreement but not for more than one year following termination of his employment.

The following table provides information regarding compensation and benefits that would be payable to our Named Executive Officers as of December 31, 2017, upon an Involuntary Termination absent a change in control and preceded by a change in control and upon terminations in other circumstances. The incentive plan severance was calculated using the actual amount awarded under the 2017 AIP. There can be no assurance that the event triggering payments would produce the same or similar results as those described below if such event occurs on any other date or at any other price, or if any other assumption used to estimate the potential payments and benefits is incorrect. Any actual payments and benefits may be different due to a number of factors that affect the nature and amount of any potential payments or benefits.

Name	Benefit	Termination Without Cause or For Good Reason ($)	Termination Without Cause or For Good Reason Following a Change in Control ($)	Termination following Death ($)	Termination following Disability ($)	Termination following Non-Renewal ($)
Valentin P. Gapontsev	Salary Severance and Benefits Continuation	2,539,383	2,539,383	—	—	1,692,922
	Incentive Plan Severance	1,399,100	3,431,506	1,399,100	1,399,100	1,399,100
	Equity Acceleration	—	—	—	—	—
	Total	3,938,483	5,970,889	1,399,100	1,399,100	3,092,022
Eugene A. Scherbakov	Salary Severance and Benefits Continuation	816,921	1,089,228	—	—	544,614
	Incentive Plan Severance	769,300	1,473,816	769,300	769,300	769,300
	Equity Acceleration	2,324,502	11,785,651	11,785,651	—	—
	Total	3,910,723	14,348,695	12,554,951	769,300	1,313,914
Timothy P.V. Mammen	Salary Severance and Benefits Continuation	719,973	959,963	—	—	479,982
	Incentive Plan Severance	577,000	1,215,050	577,000	577,000	577,000
	Equity Acceleration	2,495,550	11,453,574	11,453,574	—	—
	Total	3,792,523	13,628,588	12,030,574	577,000	1,056,982
Trevor D. Ness	Salary Severance and Benefits Continuation	647,523	863,363	—	—	431,682
	Incentive Plan Severance	516,200	1,068,970	516,200	516,200	516,200
	Equity Acceleration	1,932,267	9,483,276	9,483,276	—	—
	Total	3,095,990	11,415,609	9,999,476	516,200	947,882
Angelo P. Lopresti	Salary Severance and Benefits Continuation	664,023	885,363	—	—	442,682

Incentive Plan Severance	530,000	1,051,163	530,000	530,000	530,000
Equity Acceleration	1,953,698	8,997,062	8,997,062	—	—
Total	3,147,721	10,933,589	9,527,062	530,000	972,682

(1) Equity acceleration is calculated using the full value of service-based restricted stock units and the maximum amount of shares for performance-based stock units based upon the closing sale price of our common stock on December 31, 2017 of $214.31 per share and the aggregate difference between the exercise prices of outstanding stock options and the closing sale price of our common stock on December 31, 2017.

CEO PAY RATIO

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, we are providing the following information on the relationship of the annual total compensation of our employees and the annual total compensation of Dr. Valentin P. Gapontsev, our Chief Executive Officer. The pay ratio included in this information is a reasonable estimate calculated in a manner consistent with rules promulgated by the SEC.

Determining our Median Employee: As of December 31, 2017, the measurement date, we employed 5,389 employees, 63% of whom were located outside of the U.S.A. This includes all full-time, part-time, and temporary employees. It does not include independent contractors.

We have employees in nineteen countries. As permitted by the SEC rules, in identifying our median employee, we excluded 158 workers in the following jurisdictions (employees excluded in parenthesis): Belarus (38), Korea (29), India (23), Turkey (15), Poland (13), United Kingdom (10), Brazil (7), France (6), Spain (5), Czech Republic (5), Mexico (5) and Russia (2). We also excluded approximately 107 employees who became our employees as a result of our 2017 acquisitions of OptiGrate Corporation, Innovative Laser Technology, LLC and Laser Depth Dynamics, Inc.

The SEC rules required us to identify our median employee by use of a consistently applied compensation measure ("CACM"). We chose a CACM that closely approximates the annual total cash compensation of our employees. Specifically, we identified the median employee by looking at total wages and bonuses paid in 2017. After applying our CACM methodology and excluding the employees listed above, we identified the median employee.

Calculating the Pay Ratio: As required by the SEC rules, we then calculated our median employee's total annual compensation in accordance in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K (which is the calculation method for reporting CEO compensation in the Summary Compensation Table).

The compensation of our median employee was $32,676. Our CEO's compensation as reported in the Summary Compensation Table was $2,231,100. Therefore, our CEO to median employee pay ratio is approximately 68.3:1.

This information is being provided solely for compliance purposes. The Compensation Committee does not consider this ratio when evaluating compensation arrangements.

AUDIT COMMITTEE REPORT

The primary role of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial information proposed to be provided to stockholders and others, the adequacy of the system of internal control over financial reporting and disclosure controls and procedures established by management and the Board, and the audit process and the independent registered public accounting firm's qualifications, independence and performance.

Management has primary responsibility for the financial statements and is responsible for establishing and maintaining the Company's system of internal controls over preparation of the Company's financial statements. The Company's independent registered public accounting firm, Deloitte & Touche LLP, is responsible for performing an integrated audit of the Company's consolidated financial statements and the effectiveness of internal controls over financial reporting in accordance with standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and issuing an opinion on the financial statements and the effectiveness of internal controls over financial reporting. The Audit Committee also employs an international auditing firm to conduct internal audits throughout the Company of various financial, operational and information technology areas as selected each year by the Audit Committee. The Audit Committee periodically met and held separate discussions with the internal auditors and the Company's independent registered public accounting firm, with and without management present, to review the adequacy of the Company's internal controls, financial reporting practices and audit process.

The Audit Committee has reviewed and discussed the Company's audited consolidated financial statements for the year ended December 31, 2017 with management and the independent registered public accounting firm. As part of this review, the Audit Committee discussed with Deloitte & Touche LLP the required communications described in Auditing Standard No. 16, Communication with Audit Committees, and those matters required to be reviewed pursuant to Rule 2-07 of Regulation S-X as well as the results of their audit of the effectiveness of internal controls over financial reporting.

The Audit Committee has received from Deloitte & Touche LLP a written statement describing all relationships between that firm and the Company that might bear on their independence, consistent with PCAOB Ethics and Independence Rule 3526, Communications with Audit Committees Concerning Independence. The Audit Committee has discussed the written statement with the independent registered public accounting firm and has considered whether its provision of any other non-audit services to the Company is compatible with maintaining the auditors' independence.

Based on the above-mentioned reviews and discussions, the Audit Committee recommended to the Board of Directors that the Company's audited consolidated financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC.

The information in this Audit Committee Report shall not be considered "soliciting material" or "filed" with the SEC, nor shall this information be incorporated by reference into any previous or future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company incorporated it by specific reference.

AUDIT COMMITTEE

Thomas J. Seifert, Chair
Henry E. Gauthier
William S. Hurley
Catherine P. Lego
March 28, 2018

PROPOSAL 2: RATIFY INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP currently serves as our independent registered public accounting firm and audited our consolidated financial statements for the year ended December 31, 2017. Our Audit Committee has appointed Deloitte & Touche LLP to serve as our independent registered public accounting firm for 2018, and to conduct an integrated audit of our consolidated financial statements for the year ending December 31, 2018 and of our internal control over financial reporting as of December 31, 2018. Deloitte & Touche LLP has served as the Company's auditor since 1999.

The Audit Committee is solely responsible for the appointment, retention, termination and oversight of the work of our independent registered public accounting firm, including the approval of all engagement fees, terms, and the annual audit plan. In determining whether to reappoint Deloitte & Touche LLP as the Company's independent external auditor, the Audit Committee took into consideration several factors, including an assessment of the professional qualifications and past performance of the lead audit partner and the Deloitte & Touche LLP team, the quality and level of transparency of the Audit Committee's relationship and communications with Deloitte & Touche LLP. The Audit Committee considered, among other things, the knowledge and skills of Deloitte & Touche LLP's auditing experts that would be providing services to the Company, international scope and knowledge of the Company and its operations. After its assessment, the Audit Committee concluded that the best course of action was to reappoint Deloitte & Touche LLP as the Company's independent external auditor for 2018. Lead and concurring audit partners are subject to rotation requirements that limit the number of consecutive years an individual partner may provide services. The maximum number of consecutive years of service in that capacity is five years and 2019 will be a year of lead audit partner rotation. The Audit Committee was directly involved in the selection process of the current and prior lead audit partners. In 2014, the process for rotation of the Company's lead audit partner involved a meeting between the Audit Committee and the successor candidate, as well as meetings with management.

Fees Paid to Deloitte & Touche. The fees for services provided by Deloitte & Touche LLP, member firm of Deloitte Touche Tohmatsu, and their respective affiliates, to the Company were:

	Fees	
Fee Category	2017	2016
Audit fees	$1,873,535	$1,662,214
Audit-related fees	$212,072	$150,258
Tax fees	$95,200	$278,753
All other fees	$—	$—
Total Fees	$2,180,807	$2,091,225

Audit fees. These fees comprise fees for professional services rendered in connection with the audit of the Company's consolidated financial statements that are customary under auditing standards generally accepted in the United States. Audit fees also include fees for consents and reviews related to SEC filings and quarterly services with respect to the preparation of our unaudited quarterly financial statements.

Audit-related fees. These fees comprise fees for services that are reasonably related to the performance of the audit or review of the Company's financial statements. The increase in audit-related fees in 2017 primarily relate to additional audit work required for acquisitions completed in 2017.

Tax fees. Fees for tax services consist of fees for tax compliance services and tax planning and advice services. Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred to document, compute and obtain government approval for amounts to be included in tax filings. Tax planning and advice are services rendered with respect to proposed transactions or that alter a transaction to obtain a particular tax result. The tax fees in 2017 and 2016 relate primarily to assistance with the analysis of research and development tax credits and incentives and assistance. The decrease in tax fees relates to one-time work for research and development tax incentives outside the United States in 2016.

All other fees. These are fees for any services not included in the other three categories.

Policy on Pre-Approval of Audit and Permissible Non-Audit Services. The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These

48

services may include audit services, audit-related services and tax services as well as specifically designated non-audit services that, in the opinion of the Audit Committee, will not impair the independence of the independent registered public accounting firm. Pre-approval is generally provided for each fiscal year, and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and our management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with the pre-approval, including the fees for the services performed to date. In addition, the Audit Committee also may pre-approve particular services on a case-by-case basis, as required.

Our Audit Committee is solely responsible for selecting and appointing our independent registered public accounting firm, and this appointment is not required to be ratified by our stockholders. However, our Audit Committee has recommended that the Board submit this matter to the stockholders in a non-binding advisory vote as a matter of good corporate practice. If the stockholders fail to ratify the appointment, the Audit Committee will reconsider whether to retain Deloitte & Touche LLP, and may retain that firm or another without re-submitting the matter to our stockholders. Even if the appointment is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our stockholders.

OUR BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR"
RATIFICATION OF DELOITTE & TOUCHE LLP AS OUR
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who beneficially own more than 10% of a registered class of our equity securities to file reports of ownership of, and transactions in, our securities with the SEC. These directors, executive officers and 10% stockholders are also required to furnish us with copies of all Section 16(a) forms that they file. Based solely on its review of such forms received by it and the written representations of its Reporting Persons, the Company has determined that no such persons known to it were delinquent with respect to their reporting obligations as set forth in Section 16(a) of the Exchange Act.

2019 Annual Meeting and Nominations

Stockholders may present proposals for action at a future meeting and nominations for director if they comply with applicable SEC rules and our by-laws. If you would like us to consider including a proposal in our proxy statement pursuant to Rule 14a-8 under the Exchange Act, it must be received by our Secretary, at IPG Photonics Corporation, 50 Old Webster Road, Oxford, Massachusetts 01540, on or before December 10, 2019. If you would like to present a proposal at the 2019 annual meeting of stockholders or nominate a director next year, but not to have such proposal or nominee included in our proxy statement relating to that meeting, such proposal or nomination must be received by our Secretary not earlier than February 5, 2019 and not later than March 7, 2019. Our by-laws contain additional specific requirements regarding a stockholder's ability to nominate a director or to submit a proposal for consideration at an upcoming meeting. Our by-laws require that the notice to the Company include (i) information relating to the name, age and experience of the nominee and such other information concerning such nominee as would be required under the then-current rules of the SEC to be included in a proxy statement soliciting proxies for the election of the nominee, (ii) the nominee's written consent to being named in the proxy statement and serving as a director, if elected and (iii) the name and address of the record holder and beneficial holder of the shares, the number of shares held of record or beneficially owned, and representations as described in our by-laws. If the Nominating and Corporate Governance Committee or the Board determines that any nomination made by a stockholder was not made in accordance with the Company's procedures, the rules and regulations of the SEC or other applicable laws or regulations, such nomination will be void. If you would like a copy of the requirements contained in our by-laws, please contact our Secretary.

No Incorporation by Reference

In our filings with the SEC, information is sometimes "incorporated by reference." This means that we are referring you to information that has previously been filed with the SEC and the information should be considered as part of the particular filing. As provided under SEC regulations, the Compensation Committee Report and the Audit Committee Report contained in this proxy statement specifically are not incorporated by reference into any of our other filings with the SEC, are not to be deemed soliciting materials or subject to the liabilities of Section 18 of the Exchange Act. In addition, this proxy statement includes several website addresses. These website addresses are intended to provide inactive, textual references only. The information on these websites is not part of this proxy statement.

Stockholders Sharing the Same Address

Under the rules adopted by the SEC, we may deliver a single set of proxy materials to one address shared by two or more of our stockholders. This delivery method is referred to as “householding” and can result in significant cost savings. To take advantage of this opportunity, we have delivered only one set of proxy materials to multiple stockholders who share an address, unless we received contrary instructions from the impacted stockholders prior to the mailing date. We agree to deliver promptly, upon written or oral request, a separate copy of the proxy materials, as requested, to any stockholder at the shared address to which a single copy of these documents was delivered. If you prefer to receive separate copies of the Notice, proxy statement or annual report, call 877-373-6374 if you are a stockholder of record, or contact your bank or broker if you own shares in "street name."

In addition, if you currently are a stockholder who shares an address with another stockholder and would like to receive only one copy of future notices and proxy materials for your household, you may notify your bank or broker if your shares are held in "street name." You may notify us if you are a stockholder of record by calling 877-373-6374.

IMPORTANT ANNUAL MEETING INFORMATION

Using a black ink pen, mark your votes with an X as shown in this example. Please do not write outside the designated areas. ý

Admission Ticket

Electronic Voting Instructions
You can vote by Internet or telephone!
Available 24 hours a day, 7 days a week!
Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.
VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.
Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Central Time, on June 5, 2018.
Vote by Internet
• Log on to the Internet and go to www.investorvote.com/ipgp

• Follow the steps outlined on the secured website.
Vote by telephone
Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada any time on a touch tone telephone. There is NO CHARGE to you for the call.
• Follow the instructions provided by the recorded message.

Annual Meeting Proxy Card

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

Proposals — The Board recommends a vote FOR all nominees and Proposal 2.

1. Election of Directors	For	Withhold		For	Withhold		For	Withhold	
01 - Valentin P. Gapontsev, Ph.D.	..	..	02 - Eugene A. Scherbakov, Ph.D.	..	..	03 - Igor Samartsev	..	..	+
04 - Michael C. Child	..	..	05 - Henry E. Gauthier	..	..	06 - Catherine P. Lego	..	..	
07 - Eric Meurice	..	..	08 - John R. Peeler	..	..	09 - Thomas J. Seifert	..	..	

2. Ratify Deloitte & Touche LLP as IPG's independent registered public accounting firm for 2018	For	Against	Abstain
	o	o	o

B Non-Voting Items

Change of Address — Please print your new address below.

Comments — Please print your comments below.

Meeting Attendance
Mark the box to the right if you plan to attend the Annual Meeting. ..

C Authorized Signatures — This section must be completed for your vote to be counted. — Date and Sign Below
Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) — Please print date below.

Signature 2 — Please keep signature

Signature 1 — Please keep signature within the box. within the box.

/ /

2018 Annual Meeting Admission Ticket

2018 Annual Meeting of Shareholders
IPG Photonics Corporation
June 5, 2018
50 Old Webster Road
Oxford, MA 01540

Upon arrival, please present this admission ticket
and photo identification at the registration desk.
If you plan to attend the annual meeting, please bring this admission ticket with you. This ticket admits a shareholder and one guest. All meeting attendees must present valid photo identification. For your safety, all personal items including bags, purses and briefcases are subject to inspection. The use of photographic and recording devices is prohibited in the building. Cell phone use is permitted only in the lobby area. No personal items, with the exception of purses, may be carried into the meeting area.
From the East
Travel the Mass Turnpike West to Auburn Exit 10. From the tollbooth bear to the left and take the second right, I-395 South, Oxford. Travel I-395 South and take Exit 4B Sutton Ave., Oxford. From Exit 4B go to the set of traffic lights and turn left onto Main Street (Rt. 12 South). Follow Main Street for approximately 1.5 miles turn right onto Harwood Street. Follow Harwood Street for 1.5 miles (bear left at fork in road), Harwood Street becomes Old Webster Road. IPG Photonics will be on your left.
From the West
Travel the Mass Pike East to Exit 10 Auburn, approximately a 15 minute drive. From the tollbooth, bear to the left and take the second right, I-395 South, Oxford. From Exit 4B go to the set of traffic lights and turn left onto Main Street (Rt. 12 South). Follow Main Street for approximately 1.5 miles turn right onto Harwood Street. Follow Harwood Street for 1.5 miles (bear left at fork in road), Harwood Street becomes Old Webster Road. IPG Photonics will be on your left.
IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.
Proxy - IPG Photonics Corporation

Notice of 2018 Annual Meeting of Stockholders
50 Old Webster Road, Oxford, MA 01540
Proxy Solicited by Board of Directors for Annual Meeting - June 5, 2018
Valentin P. Gapontsev and Angelo P. Lopresti, each with the power of substitution, are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Annual Meeting of Stockholders of IPG Photonics to be held on June 5, 2018 or at any postponement or adjournment thereof.
Shares represented by this proxy will be voted by the stockholder. If no such directions are indicated, the Proxies will have authority to vote FOR all nominees and Proposal 2.
In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.
(Items to be voted appear on reverse side.)