



## **Stock Ownership Guidelines**

The Board of Directors of IPG Photonics Corporation (the "Company") believes that the Company's executive officers and members of the Board of Directors should own and hold common stock of the Company to further align their interests and actions with the interests of the Company's stockholders. Therefore, the Board of Directors has adopted these Stock Ownership Guidelines effective April 16, 2007.

### **I. Executive Officer Stock Ownership Guidelines**

Under these guidelines, the Company's executive officers are expected to own (and hold as long as they continue as an executive officer) a number of shares having an aggregate value equal or greater than:

- one times their base salary, and for the chairman three times his or her base salary, by the later of one year of becoming an executive officer of the Company or one year after the Company's initial public offering,
- two times their base salary, and for the chairman four times his or her base salary, by the later of three years of becoming an executive officer of the Company or three years after the Company's initial public offering, and
- two times their base salary, and for the chairman five times his or her base salary, by the later of five years of becoming an executive officer of the Company or five years after the Company's initial public offering.

### **II. Director Stock Ownership Guidelines**

Members of the Board of Directors who are not also officers of the Company are expected to own (and hold as long as they continue as a director) a number of shares of common stock having an aggregate value equal to or greater than:

- one times the value of their annual retainer by the later of one year of being elected to the Board or one year after the Company's initial public offering,
- three times the value of their annual retainer by the later of three years of being elected to the Board or three years after the Company's initial public offering, and
- five times the value of their annual retainer by the later of five years of being elected to the Board or five years after the Company's initial public offering.

For purposes of these Guidelines, the annual retainer shall include only the annual cash retainer for service on the Board of Directors, but shall exclude all stock-based compensation and all cash compensation for committee service and committee chairperson service.

### **III. Compliance with the Guidelines**

An executive officer or director will be deemed to have satisfied the ownership guidelines if their share ownership equals or exceeds the specified guideline amounts. The value of shares shall be the greater of (i) the officer's or director's aggregate tax basis in the shares, or (2) the fair market value of such shares determined at each test date. Stock that counts toward satisfaction of these Guidelines include:

- shares of common stock owned outright by the officer or director and his or her immediate family members who share the same household, whether held individually or jointly
- restricted stock and restricted stock units where the restrictions have lapsed,
- shares acquired upon stock option exercise,
- shares owned of record by another stockholder which is affiliated with the director or officer, and
- shares purchased in the open market.

Shares held in trust may be included. Due to the complexities of trust accounts, requests to include shares held in trust should be submitted to the Chairman of the Board of Directors and the Chairman of the Nominating and Corporate Governance Committee. They will make the final decision as to whether to include those shares. An executive officer or non-employee director who does not yet satisfy the ownership guidelines must retain 50% of the shares acquired on exercise remaining after the sale of shares sufficient to cover the exercise price of the option and taxes.

An executive officer for these Guidelines shall include (1) the "named executive officers" in the Company's proxy statement, (2) all other Vice Presidents of the Company, and (3) members of the Board of Directors who are also employees of the Company or its subsidiaries.

#### **IV. Hardship**

There may be instances where these Guidelines would place a severe hardship on an officer or director, although it is expected that these instances will be rare. The Chairman of the Board of Directors and the Chairman of the Nominating and Corporate Governance Committee will make the final decision as to developing an alternative stock ownership guideline for an officer or director that reflects the intention of these Guidelines and his or her personal circumstances.

Each officer and director will be notified each year where they stand with regard to these Guidelines.

Adopted April 16, 2007