

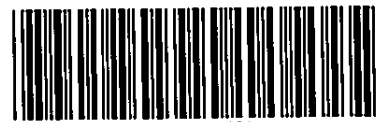
Registered number: 04132272

I P G PHOTONICS (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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I P G PHOTONICS (UK) LIMITED

COMPANY INFORMATION

DIRECTORS	T Mammen C Vishowaty
COMPANY SECRETARY	A Lopresti
REGISTERED NUMBER	04132272
REGISTERED OFFICE	1 Vincent Square London SW1P 2PN
INDEPENDENT AUDITORS	Wellers Accountants & Statutory Auditor 1 Vincent Square London SW1P 2PN
BANKERS	Barclays Bank plc Barclays House 8 Alexandra Road Wimbledon London SW19 7LA

I P G PHOTONICS (UK) LIMITED

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I P G PHOTONICS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and the financial statements for the year ended 31 December 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of Fibre Optic Technology.

BUSINESS REVIEW

IPG Photonics (U K) Limited ("IPGUK") is a 100% subsidiary of IPG Photonics Corporation ("IPGP") a company incorporated in the United States of America and listed on the NASDAQ exchange. The company distributes and sells fiber lasers in the United Kingdom and Ireland manufactured by its affiliates in the United States and Germany. Fiber lasers are a new generation of lasers manufactured comprised of semiconductor laser diodes to convert an electrical input into an optical output, fiber optic components and glass fibers to create the laser source. Each of these components is spliced together to create a monolithic device with no moving parts. Fiber lasers are more electrically efficient, productive, reliable, robust, and smaller, they deliver a less divergent beam with higher power density than other laser technologies. These attributes enable users to process materials faster with improved quality. These lasers are rapidly gaining market share from legacy laser technologies that use gas and crystals to convert electrical energy into an optical output because of their lower cost of ownership and ease of use.

In 2012, fiber laser technology continued to gain market share from legacy laser technologies worldwide. As the cost of fiber technology has come down and the processing benefits of the technology have become more widely recognized, the displacement of traditional laser technologies in applications such as metal cutting, welding, marking, engraving has accelerated. We estimate that the total market for fiber lasers increased by 50% from \$366 million in 2010 to approximately \$714 million in 2012 and that fiber lasers share of the worldwide \$4.3 billion laser source market was about 17%.

IPG PHOTONICS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

However, sales of fiber lasers in the U K which include devices sold directly by IPGUK and those shipped directly to U K customers by our affiliates on which IPGUK earns commission income, were lower during 2012 than the prior year. This was primarily due to an increase in deferred revenue related to a very high power device delivered at the end of the year and which was only installed and accepted by the end-user in 2013. The strong growth of fiber lasers is expected to continue in the future with fiber laser sales increasing at an average growth rate of more than 20% through 2016 primarily driven by the applications described above and well as newer more advanced applications in heavy industry or assisting in the drilling of oil and gas wells. Near term macro-economic concerns and uncertainty remain particularly in Europe and with potentially slower growth in China although this has not fundamentally impacted the growth of IPGP through the first six months of 2013 as IPGP's revenue grew by almost 22% compared to the same period in 2012.

In 2013, IPGUK's turnover for product sales and commissions decreased by 25.8% to £985,364 from £1,329,167 in 2012. However, due to the decrease in direct product turnover as a proportion of total turnover as compared to commission income gross profit in 2012 increased slightly to £387,557 from £360,200. In 2012, administrative expenses increased to £357,972 from £328,317 primarily due to an increase in commission and bonus accruals. There were no additions to headcount during the year. Profit on ordinary activities after tax decreased to £49,270 in 2012 from a profit of £50,015 in for the year ended December 31st 2011.

The profit for the current year increased shareholder equity to £314,610 as of 31st December 2012 as compared to £264,740 at December 31st 2011 substantially all represented by net current assets. The current and quick ratios were 2.45 times as of the end of the year and demonstrate that the company has sufficient liquidity to meet its current obligations. Overall, we believe that the financial and liquidity position of the Company is strong and has improved in 2012.

The Company's products are recognized as being environmentally friendly. IPG's fiber lasers' electrical efficiency now approaches 35% as compared to between 2% and 17% for competing legacy laser technologies. IPG's fiber lasers consume significantly less electricity when employed in industrial and other applications than traditional lasers. In addition fiber lasers consume fewer gases such as helium, CO₂, oxygen and argon than traditional lasers when cutting and welding different types of materials. Fiber lasers are also replacing environmentally less friendly processes such as printing with inks or engraving and etching with chemicals.

FINANCIAL INSTRUMENTS

The company's principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to raise and maintain funds for and finance the company's operations. Due to the short term nature of the financial instruments used by the company we believe there is a very limited exposure to risk. The company's approach to managing risks applicable to the financial instruments concerned is discussed below.

In respect of bank balances the liquidity risk is managed by ensuring the company is adequately capitalized, generates a profit on sales of product, manage expenses to match the level of activity and by balancing the extension of credit terms to customers with the payment terms obtained from suppliers to ensure a continuity of funding. In addition, bank accounts are maintained at and funds deposited with financial institutions that we believe constitute a low credit risk. Historically, we have also obtained short term funding and permanent increases in capital from our parent company IPG Photonics Corporation (NASDAQ: IPGP) to either finance short term liquidity requirements or finance losses from the trading operations.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due and by negotiating extended credit terms with suppliers.

I P G PHOTONICS (UK) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

RESULTS

The profit for the year, after taxation, amounted to £49,270 (2011 - £50,015)

DIRECTORS

The directors who served during the year were

T Mammen
C Vishowaty

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The auditors, Wellers, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board and signed on its behalf


.....

T Mammen
Director

Date September 13th, 2013

I P G PHOTONICS (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF I P G PHOTONICS (UK) LIMITED

We have audited the financial statements of I P G Photonics (UK) Limited for the year ended 31 December 2012, set out on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

I P G PHOTONICS (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF I P G PHOTONICS (UK) LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Dore (Senior statutory auditor)
for and on behalf of

Wellers

Accountants

Statutory Auditor

1 Vincent Square

London

SW1P 2PN

Date 19/09/2013

I P G PHOTONICS (UK) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
TURNOVER	1,2	985,364	1,329,167
Cost of sales		<u>(597,807)</u>	<u>(968,967)</u>
GROSS PROFIT		387,557	360,200
Administrative expenses		(357,972)	(328,317)
Other operating income	3	<u>40,675</u>	<u>34,080</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		70,260	65,963
Tax on profit on ordinary activities	7	<u>(20,990)</u>	<u>(15,948)</u>
PROFIT FOR THE FINANCIAL YEAR	13	<u><u>49,270</u></u>	<u><u>50,015</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

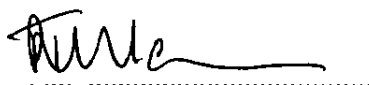
The notes on pages 8 to 14 form part of these financial statements

I P G PHOTONICS (UK) LIMITED
REGISTERED NUMBER: 04132272

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	2012 £	2011 £
CURRENT ASSETS			
Debtors	9	398,530	95,560
Cash at bank and in hand		129,920	235,451
		<u>528,450</u>	<u>331,011</u>
CREDITORS. amounts falling due within one year	10	<u>(214,440)</u>	<u>(66,271)</u>
NET CURRENT ASSETS		<u>314,010</u>	<u>264,740</u>
NET ASSETS		<u>314,010</u>	<u>264,740</u>
CAPITAL AND RESERVES			
Called up share capital	12	100,000	100,000
Other reserves	13	211,940	211,940
Profit and loss account	13	2,070	(47,200)
SHAREHOLDERS' FUNDS	14	<u>314,010</u>	<u>264,740</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by



T Mammen
Director

Date *September 13th, 2013*

The notes on pages 8 to 14 form part of these financial statements

I P G PHOTONICS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

Income from the sale of fibre optic technology is recognised when legal title has passed to the customer (end user)

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Computer equipment	-	33% straight line
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1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

I P G PHOTONICS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

2. TURNOVER

A geographical analysis of turnover is as follows

	2012 £	2011 £
United Kingdom	670,047	1,273,081
Rest of European Union	315,317	56,086
	<u>985,364</u>	<u>1,329,167</u>

3. OTHER OPERATING INCOME

	2012 £	2011 £
Management charges receivable	40,675	34,080
	<u>40,675</u>	<u>34,080</u>

4. PROFIT

The profit is stated after charging/(crediting)

	2012 £	2011 £
Foreign exchange differences	318	22,999
	<u>318</u>	<u>22,999</u>

During the year, no director received any emoluments (2011 - £NIL)

5. AUDITORS' REMUNERATION

	2012 £	2011 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	4,000	4,000
	<u>4,000</u>	<u>4,000</u>

I P G PHOTONICS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

6. STAFF COSTS

Staff costs were as follows

	2012 £	2011 £
Wages and salaries	237,037	201,281
Social security costs	33,651	23,831
	<u>270,688</u>	<u>225,112</u>

The average monthly number of employees, including the directors, during the year was as follows

	2012 No.	2011 No.
Administration	1	1
Sales & Research	3	3
	<u>4</u>	<u>4</u>

7. TAXATION

	2012 £	2011 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	7,252	-
Deferred tax		
Effects of accumulated trading losses	15,302	15,948
Tax liability on disallowed expenses	(1,564)	-
Total deferred tax (see note 11)	<u>13,738</u>	<u>15,948</u>
Tax on profit on ordinary activities	<u>20,990</u>	<u>15,948</u>

I P G PHOTONICS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

7. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2011 - lower than)* the standard rate of corporation tax in the UK of 24% *(2011 - 26%)*. The differences are explained below

	2012	2011
	£	£
Profit on ordinary activities before tax	70,260	65,963
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% <i>(2011 - 26%)</i>	16,862	17,150
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,853	130
Capital allowances for year in excess of depreciation	(28)	(8)
Utilisation of tax losses	(11,435)	(17,272)
Current tax charge for the year (see note above)	7,252	-

8. TANGIBLE FIXED ASSETS

	Office equipment £
Cost	
At 1 January 2012 and 31 December 2012	3,320
Depreciation	
At 1 January 2012 and 31 December 2012	3,320
Net book value	
At 31 December 2012	-
<i>At 31 December 2011</i>	-

I P G PHOTONICS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

9. DEBTORS

	2012 £	2011 £
Due after more than one year		
Deferred tax asset (see note 11)	1,564	15,302
Due within one year		
Trade debtors	392,185	72,500
Amounts owed by group undertakings	150	-
Other debtors	4,631	7,758
	<u>398,530</u>	<u>95,560</u>

10. CREDITORS:

Amounts falling due within one year

	2012 £	2011 £
Trade creditors	102,635	12,951
Corporation tax	7,252	-
Other taxation and social security (see below)	30,684	-
Other creditors	67,869	43,195
Accruals and deferred income	6,000	10,125
	<u>214,440</u>	<u>66,271</u>

Other taxation and social security

	2012 £	2011 £
PAYE/NI control	16,981	-
VAT control	13,703	-
	<u>30,684</u>	<u>-</u>

11. DEFERRED TAX ASSET

	2012 £	2011 £
At beginning of year	15,302	31,250
Affect of decrease in tax losses in the year	(13,738)	(15,948)
	<u>1,564</u>	<u>15,302</u>

I P G PHOTONICS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

11. DEFERRED TAX ASSET (continued)

The deferred tax asset is made up as follows

	2012 £	2011 £
Accelerated allowances	1,564	-
Tax losses carried forward	-	15,302
	<u>1,564</u>	<u>15,302</u>

12. SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

13. RESERVES

	Other reserves £	Profit and loss account £
At 1 January 2012	211,940	(47,200)
Profit for the financial year		49,270
	<u>211,940</u>	<u>2,070</u>
At 31 December 2012		

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Opening shareholders' funds	264,740	214,725
Profit for the financial year	<u>49,270</u>	<u>50,015</u>
Closing shareholders' funds	<u>314,010</u>	<u>264,740</u>

I P G PHOTONICS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

15. RELATED PARTY TRANSACTIONS

The company is a fully owned subsidiary of IPG Photonics Corporation (USA), in addition to related party transactions with the parent company, the company also traded with other fully owned subsidiaries of the parent company, the following companies traded with IPG Photonics (UK) Limited during the year under review

IPG Laser GmbH (Germany)
IPG Fibertech S r l (Italy)

During the period sales were made to IPG Photonics Corporation Nil (2011 - £4,501), IPG Laser GmbH £177,643 (2011 - £192,969) and IPG Fibertech S r l £94 (2010 - £486)

Purchases were made from IPG Photonics Corporation £71,017 (2011 - £98,165), IPG Laser GmbH of £365,770 (2011 - £362,123) and IPG Fibertech Srl £54,176 (2011 - £70,845)

Management charges were received from IPG Photonics Corporation £40,675 (2011 - £34,080)

At 31 December 2012, the balances owing by group companies were

IPG Photonics S r l Nil (2011 - 422)
IPG Laser GmbH £222,873 (2011 - £9,758)
IPG Photonics Corporation £40,675 (2011 - £4,397)

Balances owing to group companies were

IPG Laser GmbH £76,826 (2011 - £9,802)
IPG Photonics Corporation £20,157 (2011 - Nil)

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company throughout the current and previous year was IPG Photonics Corporation, a public listed company in the USA. In the view of the directors, there is no ultimate controlling party for this or the previous year

The ultimate parent company of the group, IPG Photonics Corporation (USA) prepares consolidated financial statements, which are publically available from the company's website. These financial statements include the results of IPG Photonics (UK) Limited