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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

☐ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2025
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .
Commission File Number: 001-33155

IPG PHOTONICS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**04-3444218**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
377 Simarano Drive, Marlborough, Massachusetts	**01752**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code: **(508) 373-1100**

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Trading Symbol	Name of Exchange on Which Registered
Common Stock, Par Value $0.0001 per share	**IPGP**	**The Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☐

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☐

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $1.8 billion, calculated based upon the closing price as reported by the Nasdaq Global Select Market on June 30, 2025. For purposes of this disclosure, shares of common stock held by persons who own 5% or more of the outstanding common stock and shares of common stock held by each officer and director have been excluded in that such persons may be deemed to be "affiliates" as that term is defined under the Rules and Regulations of the Exchange Act. This determination of affiliate status is not necessarily conclusive.

As of February 20, 2026, 42,191,353 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and we intend that such forward-looking statements be subject to the safe harbors created thereby. For this purpose, any statements contained in this Annual Report on Form 10-K except for historical information are forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "target," "project," "intend," "plan," "seek," "strive," endeavor," goal," "could," "estimate," or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, trends in our businesses, or other characterizations of future events or circumstances are forward-looking statements.

The forward-looking statements included herein are based on current expectations of our management based on available information and involve a number of risks and uncertainties, all of which are difficult or impossible to accurately predict and many of which are beyond our control. As such, our actual results may differ significantly from those expressed in any forward-looking statements. Factors that may cause or contribute to such differences include, but are not limited to, those discussed in more detail in Item 1 (Business) and Item 1A (Risk Factors) of Part I and Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of Part II of this Annual Report on Form 10-K. Readers should carefully review these risks, as well as the additional risks described in other documents we file from time to time with the Securities and Exchange Commission (the "SEC"). In light of the significant risks and uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that such results will be achieved, and readers are cautioned not to rely on such forward-looking information. We undertake no obligation to revise the forward-looking statements contained herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. *BUSINESS*

Our Company

IPG Photonics Corporation ("IPG", the "Company", the "Registrant", "we", "us" or "our") develops, manufactures and sells high-performance fiber lasers, fiber amplifiers, diode lasers and laser-based systems that are used for diverse applications in materials processing, medical and advanced applications. Fiber lasers combine the advantages of semiconductor diodes, such as long life and high efficiency, with the high amplification and precise beam qualities of specialty optical fibers to deliver superior performance, reliability and usability.

We sell our products globally to original equipment manufacturers ("OEMs"), system integrators and end users. We market our products internationally, primarily through our direct sales force. Our major manufacturing facilities are located in the United States and Germany. We have sales service offices and applications laboratories worldwide.

We are vertically integrated such that we design and manufacture most of the key components used in our finished products, from semiconductor diodes to optical fiber preforms, finished fiber lasers and amplifiers. We manufacture complementary products used with our lasers including optical delivery cables, fiber couplers, beam switches, optical processing heads, in-line sensors and chillers. Our vertically integrated operations allow us to control quality, rapidly develop and integrate advanced products and protect our proprietary technology.

We are listed on the Nasdaq Global Select Market (ticker: IPGP). We began operations in 1990, and we were incorporated in Delaware in 1998. Our principal executive offices are located at 377 Simarano Drive, Marlborough, Massachusetts 01752, and our telephone number is (508) 373-1100.

Industry Overview

Laser technology has revolutionized a broad range of applications and products in manufacturing, automotive, aerospace, medical, research, consumer electronics, semiconductors and communications. A laser converts electrical energy to optical energy that can be focused and shaped, creating a powerful, concentrated beam that causes materials to melt, vaporize or change their character. In a laser, an energy source excites or pumps a gain medium, which converts the energy from the source into an emission consisting of particles of light, called photons, at particular wavelengths. Lasers provide flexible, non-contact and high-speed ways to process and treat various materials and enable automated production, miniaturization and increasing product complexity.

Lasers are utilized in materials processing applications requiring very high power densities, such as cutting, welding, marking, engraving, additive manufacturing, ablation and cleaning, printing, drilling and cladding. Historically, machine tools such as grinding machines, mechanical saws, milling machines, lathes, presses, water jet cutters, plasma cutters and welding machines have been used to cut, join, form or otherwise process metal in the production of finished goods such as automobiles, consumer appliances, electronics and heavy machinery. Also, lasers are utilized in applications that require consistent and stable operation with lower power densities, such as heating, cleaning and drying. Laser-based systems are gaining share within the materials processing market because of the greater precision, processing speeds and flexibility enabled by this technology. Beyond materials processing, lasers are well-suited for imaging and inspection applications and the ability to confine laser light to narrow wavelengths makes them particularly effective in medical, non-destructive inspection and sensing applications.

Fiber Lasers

Fiber lasers use semiconductor diodes as the energy source to pump a gain medium consisting of specialty optical fibers, which are infused with rare earth ions. These fibers are called active fibers and are comparable in diameter to a human hair. The laser emission is created within optical fibers and delivered through a flexible optical fiber cable. As a result of their different design and components, fiber lasers are more reliable, efficient, robust, compact and easier to operate than gas, crystal and solid state lasers that were initially used in industrial applications. In addition, fiber lasers free the end users from fine mechanical adjustments and the high maintenance costs that are typical for other laser technologies.

Although low power fiber lasers were introduced four decades ago, their increased adoption in the last twenty years has been driven primarily by our improvements in their output power levels and cost, as well as their superior performance, lower cost of ownership and greater reliability compared with other laser and non-laser technologies. We successfully increased output power levels, efficiency and reliability by improving optical components such as diodes and active fibers that increased

their power capacities and improved their performance. Fiber lasers now offer output powers that exceed those of other laser technologies in many categories. Our substantial advancements in diode technology, packaging design and other optical components together with increased production volumes over the last two decades reduced the cost and increased the reliability of our products. As a result, the average cost per watt of output power has decreased dramatically and our fiber lasers effectively compete in many applications that historically used other laser technologies and non-laser solutions. We believe that fiber lasers provide a combination of benefits that include: superior performance; enhanced end user productivity; lower cost of ownership and environmentally friendly operation; greater ease of use; a more compact footprint; and greater choice of wavelengths and more precise beam control. Our strategy is to target new applications where fiber lasers provide benefits compared to use of other laser technologies and non-laser solutions. Despite the benefits of fiber lasers, certain applications and processes continue to rely on other laser and non-laser technologies that deliver superior performance for particular features or uses.

Our Competitive Strengths

Our key strengths and competitive advantages include the following:

Leading Producer of Fiber Laser Technology. As a pioneer and technology leader in fiber lasers, we are able to leverage our expertise to drive the proliferation of fiber lasers in existing and new applications.

Vertically Integrated Development and Manufacturing. We develop and manufacture most of the critical high-value specialty components used in our lasers, as well as laser subsystems and systems, and certain complementary products such as optical heads and process measuring and monitoring technologies. We believe this vertically integrated approach enhances our ability to meet customer requirements, control quality and supply, and accelerate product development.

Manufacturing Scale. We have invested extensively in our production capabilities allowing us to efficiently manufacture and deliver large volumes of fiber lasers in short delivery cycles which provide us with a competitive advantage.

Breadth and Depth of Expertise. Our extensive know-how in materials sciences and experience in optical, electrical, mechanical and semiconductor engineering enable us to develop and manufacture proprietary components, products, accessories and systems and assist customers in improving their manufacturing using our fiber lasers.

Broad Product Portfolio and Ability to Meet Customer Requirements. Our broad range of standard and custom fiber lasers operating at various wavelengths and pulse durations allow us to meet varied customer requirements. Further, our vertically integrated manufacturing and broad technology expertise allow us to design, prototype and commence high-volume commercial production of our products rapidly.

Diverse Customer Base, End Markets and Applications. Our diverse customer base, end markets and applications provide us with many growth opportunities. In 2025, we shipped products to thousands of customers worldwide. Our principal end markets and representative applications for lasers within those markets include:

Materials Processing Markets

End Market	Applications	Principal Products
General Manufacturing	Welding, brazing and soldering	Continuous Wave ("CW") lasers (1-125 kW), Quasi-CW ("QCW") lasers (100-1,200 W), diode lasers (50-2,000 W), and IPG systems
	Hardening and cladding	CW Lasers (1-125 kW) and IPG systems
	Flat sheet, tube and 3D cutting and drilling	CW lasers (1-60 kW), QCW lasers (100-2,400 W), and IPG systems
	Marking, engraving and printing	Nanosecond ("NS") pulsed lasers (10-1,000 W) and QCW lasers (100-2,400 W)
	Surface cleaning and texturing, paint and coating stripping	NS pulsed lasers (100-3,000 W), single-mode CW and QCW lasers (1-6 kW), and IPG systems
	Heating and drying	Diode lasers (1-100 kW)
	Additive manufacturing (3D printing and selective laser sintering)	Single-mode CW lasers (200-8,000 W), green NS pulsed laser (500 W), diode lasers (1-6 kW)
Automotive (including Electric Vehicles)	EV battery: welding, cleaning, slurry drying, ablation and texturing, cutting, including foil cutting	CW and QCW lasers (1-10 kW), NS pulsed lasers (100-3,000 W), diode lasers (1-100 kW), and IPG systems
	Welding EV power train components: stators, inverters, electrical connections	CW and QCW lasers (1-10 kW), and IPG systems
	Cutting of high-strength steel and aluminum	CW lasers (1-30 kW)
	Welding tailored blanks, frames and auto parts	CW lasers (1-50 kW)
	Seam welding and brazing	CW lasers(1-20 kW) and IPG systems
Consumer Goods	Metal micro welding, cutting, drilling, texturing, ablation and marking	QCW, NS, Picosecond ("PS") and Femtosecond ("FS") pulsed lasers, and IPG systems
	Cutting, drilling, welding and marking of polymers and other non-metals	Infrared ("IR"), CW and pulsed lasers, diode lasers, green and ultraviolet ("UV") pulsed lasers, and IPG systems
Medical Devices	Stent, pacemaker and other medical device manufacturing	CW, NS, PS and FS pulsed lasers and IPG systems
Energy/Renewable Energy	Hardening and welding of tubes and pipes	CW lasers (4-50 kW) and IPG systems
	Cladding of turbine blades and drill bits	CW lasers (1-20 kW)
	Solar cell processing	Green NS pulsed lasers
	Energy storage battery: welding, cleaning, slurry drying, ablation and texturing, cutting, including foil cutting	CW and QCW lasers (1-10 kW), NS pulsed lasers (100-3,000 W), diode lasers (1-100 kW), and IPG systems
Aerospace, Rail and Shipbuilding	Welding/cutting thick steel plates, titanium	CW lasers (1-60 kW) and IPG systems
	Percussion drilling of aerospace parts	QCW lasers (1-2.4 kW)
	Surface cleaning and texturing, paint and coating stripping and powder coat curing	NS pulsed lasers (100-3,000 W), single-mode CW lasers (1-6 kW), diode lasers (1-100 kW), and IPG systems
Micro Electronics	Wafer inspection and annealing, disk mastering, flat panel display, LED lift-off	Green, ultraviolet CW and NS pulsed lasers
	Processing of glass, ceramics, sapphire, silicon, diamond, Teflon, PCB, CFRP, parylene and other non-metals	IR, green and UV NS pulsed lasers, PS and FS pulsed lasers, QCW lasers, and IPG systems

Other Markets

End Market	Applications	Principal Products
Aerospace and Defense	Directed energy	Single-mode CW lasers (1-8 kW), CW "low order" lasers (10-30 kW), narrow line amplifiers (3-4 kW), diode lasers, and IPG systems
	Target designation	Erbium CW lasers
	Dazzlers	Green pulsed laser (1 kW)
	IR countermeasures, thermal imaging	Mid-IR NS pulsed lasers
Medical Procedures	Surgery, urology and soft tissue	Mid-infrared, thulium, FS lasers and laser systems
	Therapeutic procedures	Diode lasers
	Aesthetic procedures - skin, wrinkle/hair/tattoo removal	Erbium, thulium, green lasers
	Dental procedures	Diode lasers
	Diagnostic procedures	Mid-infrared and FS lasers
OEM Instrument Manufacturing	Biomedical analytical instruments, metrology, disinfection/sterilization, environmental and security monitoring, quantum computing	FS, PS, NS and CW lasers, Mid-infrared, IR, visible and UV lasers, linearly polarized and single frequency CW lasers and amplifiers
Scientific	Academic research: sensing, imaging, microscopy, spectroscopy, quantum optics	Mid-infrared, IR, visible and UV lasers; diode, FS, PS, NS and CW lasers, linearly polarized and single frequency CW lasers and amplifiers

Products

We design and manufacture a broad range of high-performance fiber lasers and amplifiers. We also make direct diode lasers, packaged semiconductor diodes, laser and non-laser systems and laser based medical systems. Many of our products are designed to be used as general-purpose energy or light sources, making them useful in diverse applications and markets.

Our laser products are based on a common proprietary technology platform using many of the same core components, such as semiconductor diodes and specialty fibers, which we configure to our customers' specifications. Our engineers and scientists work closely with OEMs, system integrators and end users to develop and customize our products for their needs. Because of our flexible and modular product architecture, we offer products in different configurations according to the desired application, including modules, rack-mounted units and tabletop units. Our engineers and other technical experts work directly with the customer in our application and development centers to develop and configure the optimal solution for such customer's requirements. We also manufacture certain complementary products that are used with our lasers, such as optical delivery cables, fiber couplers, beam switches, optical processing heads, process measuring and monitoring technologies and chillers.

Lasers

Our laser products include medium (1 to 999 watts) and high (1,000 watts and above) output power lasers from 0.148 to 20 microns in wavelength. These lasers may be CW, QCW or pulsed. Our pulsed line includes nanosecond, picosecond and femtosecond lasers. We offer lasers with different gain mediums and wavelengths. The gain mediums are ytterbium, erbium and thulium, as well as Raman and hybrid fiber-solid state lasers using our crystal technology. We produce hybrid fiber-solid state lasers at green and ultraviolet wavelengths for a range of micro processing applications and in the mid-IR spectrum for sensing, imaging and spectroscopy applications. We also sell fiber pigtailed packaged diodes as components for pumping applications, and fiber coupled direct diode laser systems that use semiconductor diodes rather than optical fibers as their gain medium. In addition, we offer high-energy pulsed lasers, multi-wavelength lasers, tunable lasers, single-polarization and single-frequency lasers, as well as other versions of our products.

We believe that we produce the highest power solid-state lasers in the industry. Our ytterbium fiber lasers reach power levels of up to 125,000 watts. We also make single-mode and low-mode output ytterbium fiber lasers with power levels of up to 20,000 watts and single-mode, erbium and thulium fiber lasers with power levels of up to 4,000 watts.

For 2025 fiscal year, high power continuous wave ("CW") lasers accounted for 31% of revenue and were 34% and 41% of revenue, in 2024 and 2023, respectively. Pulsed lasers accounted for 14%, 15%, and 14% of revenue in 2025, 2024 and 2023, respectively.

Accessories

We manufacture and sell accessories that include high power optical fiber delivery cables, fiber couplers, beam switches, chillers and scanners for our fiber lasers. We are expanding our line of cutting and welding optical processing heads for use with our fiber lasers and sell devices for in-line coherent monitoring for welding.

Systems

In addition to selling laser sources, we also offer a range of integrated and custom-developed laser systems designed to meet specific customer manufacturing requirements. These systems include our LightWELD product line, which is a handheld laser welding system to provide fabricators a laser-based solution for welding, as well as high precision laser systems for the medical technology industry, multi-axis Cartesian systems for fine welding, cutting, and drilling applications and 2D compact flat sheet cutting systems. Our subsidiary Genesis Systems Group, LLC also provides laser and non-laser robotic welding and automation solutions. We also develop and sell specialized laser systems for unique material processing applications for customers seeking complete, laser-based solutions. With the addition of our cleanLASER product line, we have expanded our system offerings to include laser-based surface preparation and cleaning systems, which provide a dry, media-free alternative to traditional abrasive or chemical-based cleaning methods for surface preparation and coating or contaminant removal. These surface cleaning and preparation solutions represent an complementary systems segment to our welding and cutting offerings. For the 2025, 2024 and 2023 fiscal years, laser and non-laser systems accounted for 15%, 14%, and 13%, respectively, of revenues.

Our Markets

We broadly classify our principal end markets as material processing, medical procedures and advanced applications. With the sale of our telecom transmission product lines in August 2022, we no longer intend to target communications as a principal market. The following table shows the allocation of our net sales (in thousands) among our principal markets:

	Year Ended December 31,					
	2025		2024		2023	
		% of Total		% of Total		% of Total
Materials processing	$ 860,191	85.7 %	$ 857,336	87.7 %	$ 1,152,804	89.5 %
Medical procedures	73,974	7.4 %	61,040	6.3 %	71,571	5.6 %
Advanced applications	69,594	6.9 %	53,778	5.5 %	55,576	4.3 %
Communications	18	— %	4,980	0.5 %	7,488	0.6 %
Total	$ 1,003,777	100.0 %	$ 977,134	100.0 %	$ 1,287,439	100.0 %

These estimates are based upon customer information and when customer information has not been provided, upon our best information and belief.

Materials Processing

The most significant materials processing applications for fiber lasers are welding and brazing and cutting. Other applications include marking and engraving, cleaning, additive manufacturing such as laser sintering and 3D printing, precision processing, drilling, heat treating, annealing and heating and drying.

Welding and Brazing Applications. Laser welding offers several important advantages compared to conventional welding technology as it is non-contact, precise, easy to automate, provides high process speed and results in narrow-seamed, high-quality welds that generally require little or no post-processing machining. The high beam quality of our fiber lasers coupled with high CW power offer deep penetration welding as well as shallow conduction mode welding. Adjustable mode beam (AMB) lasers allow for spatterless, precise high-quality welding and cutting. In addition, fiber lasers enable remote welding "on the fly," a flexible method of three-dimensional welding in which the laser beam is positioned by a robot-guided scanner. Remote welding stations equipped with fiber lasers are used for welding door panels, seat backs, spot and lap welds over the entire auto body frame ("body-in-white") and tailor welded blanks for automotive applications. We also offer a real-time weld monitoring system to determine weld quality in an integrated solution. Our LightWELD product line offers a handheld laser welding system that is easier to learn and operate than traditional solutions and offers high process consistency. Our products are used also for laser brazing of visible joints in automobiles such as tailgates, roof joints and columns. Brazing is a method of joining sheet metal by using a melted filler material similar to soldering but requiring higher temperatures.

Cutting Applications. Laser-based cutting technology has several advantages compared to alternative technologies. Laser cutting is fast, flexible and highly precise and can be used to cut complex contours on flat, tubular or three-dimensional materials. The laser source can be programmed to process many different kinds of materials such as steel, aluminum, brass, copper, glass, ceramic and plastic at various thicknesses. Laser cutting technology is a non-contact process that is easy to integrate into an automated production line and is not subject to wear of the cutting medium. We sell mid and high power

ytterbium fiber lasers for laser cutting. Our high power pulsed lasers are used in thin foil cutting applications in electric vehicle battery production. High electrical efficiency, low maintenance and operating cost, excellent beam quality, wide operating power range, power stability and small spot size are some of the qualities offered by IPG fiber lasers for many cutting applications, which enable customers to cut a variety of materials faster.

Marking and Engraving Applications. Laser marking is a non-contact process that uses a focused beam of light to create a long lasting or permanent mark on a surface by transferring heat energy to the target material to generate visible markings on or just under the surface via controlled burning. ablation or photochemical changes. The high-precision and small spot size of focused laser beams enables the creation of complex and high-resolution marks which are often used for labeling, product tracking, machine vision, and regulatory compliance. Lasers can mark a wide variety of materials including metals and non-metals like polymers, ceramics, and glass. Our fiber lasers provide a fast, reliable, and cost-effective source for marking and engraving across industries such as automotive, electronics, aerospace, semiconductor, and medical devices.

Additive Manufacturing. Laser additive manufacturing encompasses a range of processes, including selective laser melting and sintering, laser metal fusion and laser metal deposition. These technologies enable flexible, high-speed production and are used for both rapid prototyping and industrial manufacturing. Our lasers enable manufacturers to efficiently produce complete parts or add features to existing components.

Medical Procedures

We sell our complete medical laser systems, and commercial fiber and diode laser modules, subassemblies and delivery fibers to medical device manufacturers that sell our medical laser systems under their brand or incorporate our products into their devices. We manufacture complete medical laser systems and consumable fibers primarily for urology applications, including benign prostatic hyperplasia and lithotripsy, based on our thulium fiber laser technology. Our ultrafast, CW and QCW ytterbium, erbium, thulium fiber and hybrid lasers with average power from 1 to 200 watts, and diode laser systems can be used in various medical and biomedical applications. Aesthetic applications addressed by IPG laser modules include skin rejuvenation, hair removal, and treatment of pigmented and vascular lesions.

Advanced Applications

Our fiber lasers and amplifiers are utilized by commercial firms and by academic and government institutions worldwide for advanced and scientific applications. These markets may sell specialty products developed by us or our commercial products. Representative applications include directed energy, spectroscopy, optical trapping, remote sensing, LIDAR, semiconductor metrology and inspection, and materials characterization. Separately, we have developed and launched CROSSBOW™, a counter-unmanned aircraft system (counter-UAS) solution offered to government and other authorized parties as part of our advanced application offerings.

Technology

Our products are based on our proprietary technology platform that we have developed and refined since our formation. The following technologies are key elements in our products.

Specialty Optical Fibers

We have extensive expertise in the disciplines and techniques that form the basis for the multi-clad active and passive optical fibers used in our products. We believe that our large portfolio of specialty active and passive optical fibers has a number of advantages as compared to other commercially available optical fibers. Using our knowledge of optical fibers, we recently extended our product line by manufacturing fibers used as a consumable component with our proprietary medical laser systems.

Semiconductor Diode Laser Processing and Packaging Technologies

We use multiple multi-mode, or broad area, single-emitter diodes rather than diode bars or stacks as a pump source. We believe that multi-mode single-emitter diodes are the most efficient and reliable pumping source presently available, surpassing diode bars and stacks in efficiency, brightness and reliability. Single-emitter diodes have substantially reduced cooling requirements and typically have long lifetimes at high operating currents, compared to typical lifetimes of diode bars.

We developed advanced molecular beam epitaxy techniques to grow aluminum indium gallium arsenide wafers for our diodes. This method yields high-quality optoelectronic material for low-defect density and high uniformity of optoelectronic parameters. In addition, we have developed numerous proprietary wafer processes and testing and qualification procedures in order to create a high energy output in a reliable and high power diode. Our diode is packaged to dissipate heat produced by the diode and withstands vibration, shock, high temperature, humidity and other environmental conditions, enabling world-class reliability and efficiency of the products.

Specialty Components and Combining Techniques

We developed a wide range of advanced optical components that are capable of handling high optical power levels and contribute to the superior performance, efficiency and reliability of our products. In addition to fibers and diodes, our optical component portfolio includes fiber gratings, couplers, isolators, combiners, and crystals. We also developed special methods and expertise in splicing fibers together with low optical energy loss and on-line loss testing. We believe that our internal development and manufacturing of key optical components allows us to lower our manufacturing costs and improve product performance and reliability.

Side Pumping of Fibers and Fiber Block Technologies

Our technology platform allows us to efficiently combine a large number of multi-mode single-emitter semiconductor diodes with our active optical fibers that are used in all of our products. A key element of this technology is that we pump our fiber lasers through the cladding surrounding the active core. We splice our specialty active optical fibers with other optical components and package them in a sealed box, which we call a fiber block. The fiber blocks are compact and are designed to eliminate the risk of contamination or misalignment due to mechanical vibrations and shocks as well as temperature or humidity variations. Our design is scalable and modular, permitting us to make products with high output power by coupling a large number of diodes with fiber blocks, which can be combined in parallel and serially.

High-Stress Testing

We employ high-stress techniques in testing components and final products that help increase reliability and accelerate product development. For example, we test all of our diodes with high current and temperatures to identify and eliminate potentially unreliable diodes. We also have built a large database of diode test results that allows us to predict the estimated lifetime of our diodes. This testing allows us to eliminate defective diodes prior to further assembly and thus increase reliability.

Research and Development

We perform research and development to develop new products or components, improve existing products or components, develop new applications for our products and improve our manufacturing processes.

We research, develop and manufacture most of the key components of our lasers. In addition to our cladding-pumped specialty fiber platform, we have core competencies in high power multi-mode and single-mode semiconductor diodes, diode packaging, specialty active and passive optical fibers, high-performance optical components, crystal growth and processing, fiber gain blocks and fiber modules, thin film optical coatings, as well as splicing and combining techniques and high-stress test methods. The strategy of developing our proprietary components has allowed us to leverage our optical experience and large volume requirements to lower the cost of our products.

Our research and development supports expanding and improving our product line by increasing power levels, improving beam quality and electrical efficiency, decreasing the size of our products and lowering the cost per watt. We are engaged in research projects to expand the spectral range of products that we offer. We are investing our research and development funds on laser systems and products for medical applications.

We have assembled a team of scientists and engineers with specialized experience and knowledge in fiber lasers and amplifiers, materials science, optics, critical components, testing and manufacturing process design, and laser application development. Our team of experienced scientists and engineers works closely with many of our customers to develop and introduce custom products and laser processing that address specific applications and performance requirements.

We incurred research and development costs of approximately $117.4 million, $109.8 million and $98.7 million for the years ended December 31, 2025, 2024 and 2023, respectively. We expect to continue our commitment to research and development and to introduce new products, systems and complementary products. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Intellectual Property

We rely on the technical expertise, creativity, and knowledge of our personnel, and we utilize trade secret, patent, trademark, copyright and contractual protections to maintain our competitive position and protect our proprietary rights in our products and technology. While our intellectual property rights are important to our success, we believe that our business as a whole is not materially dependent on any particular patent, trademark, copyright or other intellectual property right. IPG has used, registered or applied to register a number of trademark registrations in the United States and in other countries.

As of December 31, 2025, we have over 900 patents issued and over 450 pending patent applications worldwide. Intellectual property rights, including those that we own, those that we license and those of others, involve significant risks. See Item 1A, "*Risk Factors — We are subject to litigation alleging that we infringe third-party intellectual property rights.*

Intellectual property claims could result in costly litigation and harm our business." and "*Risk Factors — Our inability to protect our intellectual property and proprietary technologies could result in the unauthorized use of our technologies by third parties, hurt our competitive position and adversely affect our operating results.*"

Manufacturing

Vertical integration is one of our core business strategies through which we control our proprietary processes and technologies as well as the supply of critical high-value specialty components and assemblies. Our vertically integrated manufacturing operations currently include the manufacturing or assembly of optical preforms, specialty fiber, semiconductor wafers, semiconductor diode chips and packaged semiconductor diodes, specialty optical components, fiber blocks, fiber laser modules, power supplies, circuit boards, electronics and control systems and software, crystals, chillers, housings and cabinets and final assembly of finished product. We nonetheless may utilize third-party suppliers for certain components and subassemblies that we determine are not strategically critical or cost-effective to manufacture internally. In addition, we make some of the automated production systems, tools and fixtures and testing systems that we use in our own manufacturing processes. Over the last several years, we added additional production capabilities, including multi-wafer growth reactors, diode test stations, fiber preform and fiber drawing equipment and mid and high power laser production and testing, in order to increase our capacity as well as reduce the risks associated with our production processes.

We operate our own semiconductor foundry for the production of multi-mode single-emitter diodes used as pump sources in our lasers. We also process, package and extensively test all our diodes. We developed proprietary components and accessories, manufacturing tools, equipment and techniques over many years in an effort to address the major issues that had been inhibiting the development of fiber laser technology and to provide products that differentiate us from our competitors. In addition, we have acquired the technology to produce additional components, such as volume Bragg gratings and crystals. Using our technology platform, we configure standard laser and amplifier products based upon each customer's specifications. We have developed proprietary testing methodologies that allow us to develop higher power components and products in short periods of time, enable us to introduce products to the market more quickly, capitalize on new opportunities and provide superior service to our customers. In our materials processing systems business, we manufacture standard configuration systems and also systems customized for specific customer requirements. We purchase common and specialized mechanical, electrical and optical parts and raw materials from vendors.

Sales, Marketing and Support

We market our products internationally primarily through our direct sales force. Our direct sales force sells to end users, OEMs and systems integrators. Once our fiber laser products are designed into an OEM system, the OEM's sales force markets its systems, allowing us to leverage our sales capability through the OEM sales channels because the OEMs typically have several salespersons in locations other than where our sales offices are located. We have sales and service offices and application development centers in the Americas, Europe and Asia. To a lesser extent, we market through agreements with independent sales representatives and distributors, but we do use such channels more widely for our LightWELD product. In 2023, we entered into a strategic partnership with Miller Electric Mfg. LLC, a leading worldwide manufacturer of arc welding products, to further promote laser solutions for handheld welding applications. We also sell complete medical laser systems and fibers to medical technology companies that sell and support our products under their names. We typically provide one to five-year parts and service warranties on lasers. Most of the Company's sales offices provide support to customers in their respective geographic areas.

Customers

We sell our products globally to OEMs, system integrators and end users in a wide range of diverse markets who have the in-house engineering capability to integrate our products into their own systems. We also sell complete laser and non-laser solutions to end users for their production needs. We have thousands of customers worldwide.

Competition

Our markets are highly competitive and characterized by rapidly changing technology, continuously evolving customer requirements and reduced average selling prices over time. In the materials processing market, we compete with makers of fiber lasers and other lasers, such as Coherent, Inc., JPT Opto-Electronics Co. Ltd., Laserline GmbH, Lumentum Holdings Inc., Maxphotonics Co., Ltd., MKS Instruments, Inc., nLight, Inc., Trumpf GmbH + Co. KG and Wuhan Raycus Fiber Laser Technologies Co. Ltd., as well as other smaller competitors. Some of our customers have developed products for their own use which are competitive to our products. Such vertical integration by our customers could reduce the market opportunity for our products. Many of our fiber laser competitors are increasing the output powers of their fiber lasers and reducing sales prices to compete with our products.

We also compete with our customers that produce their own laser technology as well as with manufacturers of non-laser methods and tools, such as traditional non-laser welding, cutting dies, mechanical cutters and plasma cutters in the materials processing market.

Some of our competitors are larger than we are and have substantially greater financial, managerial and technical resources, more extensive distribution and service networks, greater sales and marketing capacity, and larger installed customer bases than we do.

Backlog

At December 31, 2025, our backlog of orders (generally scheduled for shipment within one year) was approximately $631.5 million compared to $636.2 million at December 31, 2024. At December 31, 2025, our backlog included $399.0 million of orders with firm shipment dates and $232.5 million of frame agreements that we expect to ship within one year, compared to $371.1 million of orders with firm shipment dates and $265.1 million of frame agreements at December 31, 2024. Frame agreements are non-binding indications of customer pricing and volume levels but are not firm customer purchase obligations with delivery dates. Orders used to compute backlog are generally cancellable without substantial penalties or any penalties. We anticipate shipping a substantial majority of the present backlog during fiscal year 2026. However, our backlog at any given date is not necessarily indicative of actual sales for any future period.

Employees and Human Capital Management

Our skilled and experienced employees within our manufacturing, sales, service, research and development and quality assurance departments are instrumental in driving operational execution and strong financial performance, advancing innovation and maintaining a strong quality and compliance program.

As of December 31, 2025, we had approximately 4,840 full-time employees, including 440 in research and development, 3,590 in manufacturing and service operations, 390 in sales and marketing, and 420 in general and administrative functions. As a global company, our employees are distributed throughout our more than thirty locations in twenty-four countries. Of our total full-time employees, approximately 2,070 were in the United States and 1,650 were in Germany. We have never experienced a work stoppage, and none of our employees at our principal manufacturing facilities are subject to a collective bargaining agreement.

The success and growth of IPG's business is dependent in large part on our ability to attract, retain and develop a population of talented and high-performing employees at all levels of our organization. For our research, engineering and production management positions, we require employees with university and graduate-level degrees in physics, optics, electrical, mechanical and software engineering. Globally, the demand for employees with such levels of education is high and competitive.

To succeed in these conditions, IPG implements key recruitment and retention strategies, objectives and effectiveness measures as part of the overall management of our business. These core strategies are advanced through the following programs, policies and initiatives:

Competitive Pay and Benefits. IPG's compensation programs are designed to align the compensation of our employees, who operate in a highly competitive and technologically challenging environment, with IPG's business performance and to provide the proper incentives to attract, retain and motivate employees to achieve superior performance. The structure of our compensation programs balances incentive earnings for both short-term and long-term performance. Specifically:

- We provide employee wages that are competitive and consistent with employee's positions, skill levels, experience, knowledge and geographic location.
- We provide competitive compensation programs designed to further align our employees' financial interests with the performance of the business and long-term value creation, including an annual cash bonus program, equity-based awards and an employee stock purchase program.

- We generally provide annual increases and incentive compensation based on merit.
- We purchase compensation data from a compensation and benefits consulting firm to allow us to ensure we provide competitive compensation in the geographic locations in which we operate.
- We align our executives' annual and long-term equity compensation with our stockholders' interests by linking realizable pay with operating metrics and stock performance.
- We provide comprehensive benefit options designed to retain our employees and support their families in living healthier and more secure lives.

Employee recruitment, retention and development. IPG is committed to attracting the best talent from a broad array of sources to meet the current and future demands of our business. We have established relationships with trade schools, world-class universities, professional associations and industry groups to proactively attract talented and capable new hires. IPG sponsors formal apprentice and internship programs to build leadership capabilities for the future. IPG has a strong employee value proposition with a culture of innovation, driven by entrepreneurial spirit and collaboration embraced within an environment of individual respect, dignity and caring.

We monitor employee turnover rates as our success depends upon retaining and investing in our highly trained manufacturing and technical staff. IPG strives to decrease voluntary turnover rates and thereby increase employee tenure by ensuring a combination of competitive compensation, individual developmental opportunities and personal career enrichment and growth. Our retention at the technical, professional and executive levels is high.

Executive Officers of the Registrant

The following table sets forth certain information regarding our executive officers as of February 23, 2026:

Name	Age	Position with the Company
Mark Gitin, Ph.D.	59	Chief Executive Officer
Paulus Bucher, Ph.D.	59	Senior Vice President, Global Operations
Angelo Lopresti	62	General Counsel, Secretary and Senior Vice President
Timothy Mammen	56	Chief Financial Officer and Senior Vice President
Trevor Ness	53	Senior Vice President, Chief Revenue Officer
Igor Samartsev, Ph.D.	62	Senior Vice President, Chief Scientist

Mark M. Gitin, Ph.D. has served as the Chief Executive Officer of the company since June 2024. Previously, Dr. Gitin served in a number of positions at MKS Inc., including Executive Vice President and General Manager of MKS's Photonics Solutions Division since 2023. Prior to that, he served as Senior Vice President and General Manager of the Photonics Solutions Division from 2019 to 2023, and Vice President and General Manager of MKS's Photonics Business Unit from 2017 to 2019 and in 2018 he also assumed responsibility for the Instruments and Motion Business Unit. Prior to joining MKS, from March 1995 to September 2017, Dr. Gitin held various management positions covering a wide range of technologies at Coherent, Inc., including Vice President of Strategic Marketing, Vice President of Business Development, and Vice President and General Manager of the Diodes, Fibers and Systems Business Unit. Dr. Gitin holds a B.S. in Electrical Engineering from University of California, Davis and an M.Eng. and Ph.D. in Electrical Engineering from Cornell University.

Paulus Bucher, Ph.D. joined as Senior Vice President of Global Operations in June 2025. Prior to joining IPG, Dr. Bucher served as Senior Vice President of Global Operations at Adtran Holdings Inc. Earlier in his career, he held senior operations roles at ADVA, CommScope, and Ericsson. Dr. Bucher holds a Ph.D. in Aerospace Engineering from Princeton University and a Master of Science in Mechanical Engineering from Virginia Tech, where he studied under a Fulbright Scholarship. He also holds a Dipl.-Ing. (FH) from Fachhochschule Wiesbaden and earned his Fachhochschulreife at Waldorfschule Wahlwies in Germany.

Angelo P. Lopresti has served as our General Counsel, Secretary and Vice President 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 served on the board of Coastway Bancorp, Inc. from 2016 to 2018, prior to its acquisition by HarborOne Bancorp, Inc. Mr. Lopresti holds a B.A. in Economics from Trinity College and a J.D. from the New York University School of Law.

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.

Trevor D. Ness has served as our Senior Vice President, Chief Revenue Officer since September 2025, with responsibility for leading the Company's global sales and service organizations, global go-to-market strategy and providing executive leadership to the company's defense business. From February 2022 until September 2025, he served as IPG's Senior Vice President, Sales and Strategic Business Development. From February 2013 until February 2022, Mr. Ness held the role of Senior Vice President, Worldwide Sales, and from January 2011 until February 2013, he served as Vice President, Asian Operations. Before joining IPG, Mr. Ness spent over a decade in Asia in progressive leadership roles with GSI Precision Technologies, including Director of China Operations and General Manager of Technical Sales in Japan and Taiwan. Earlier in his career, he held a range of service and commercial management roles in the United Kingdom. Mr. Ness holds a B.S. in Geology from Imperial College London, a Higher National Certificate from Bournemouth University, and an M.B.A. (Technology Management) from The Open University.

Igor Samartsev, Ph.D. has served as our Senior Vice President, Chief Scientist since February 2022. Prior to that, he was Chief Technology Officer from 2011 to 2022 and Deputy General Manager of one of our foreign subsidiaries from 2005 to 2011 after having served in technical leadership roles there. Dr. Samartsev holds a Ph.D. in Physics from the Imperial College London.

Seasonality

Our net sales can fluctuate from quarter to quarter with general economic trends, specific industry cycles, holidays in foreign countries such as Lunar New Year in the first quarter of our fiscal year and the timing of capital expenditures by our customers.

Government Regulation

Regulatory Compliance

The majority of our laser and amplifier products sold in the United States are classified as Class IV Laser Products under the applicable rules and regulations of the Center for Devices and Radiological Health ("CDRH") of the U.S. Food and Drug Administration ("FDA"). A similar classification framework applies in the European Union and other international markets. Safety rules are formulated with "Deutsche Industrie Norm" (i.e., German Industrial Standards) or International Organization for Standardization ("ISO") standards, which are internationally harmonized. CDRH regulations generally require a self-certification process, including submission of product reports for each product incorporating a laser device, periodic reporting of sales and purchases and compliance with product labeling standards, product safety and design features and informational requirements.

Our business activities are subject to various export controls and trade and economic sanctions laws and regulations, including, without limitation, the U.S. Commerce Department's Export Administration Regulations ("EAR"), the U.S. Treasury Department's Office of Foreign Assets Control's trade and economic sanctions programs, the U.S. Department of State's Nonproliferation Sanctions and International Traffic in Arms Regulations ("ITAR"), as well as comparable laws of the European Union, Germany and other jurisdictions, which we collectively refer to as Trade Controls. These requirements govern, among other things, the export, re-export, transfer, sale, and provision of certain hardware, software, technology, and services. We further discuss the impact of such Trade Controls under "*Risk Factors*" in Item 1A "*—We must comply with and could be impacted by various export controls and trade and economic sanctions laws and regulations that could negatively affect our business and may change due to diplomatic and political considerations outside of our control."*

Our CROSSBOW™ products are also subject to additional regulatory regimes applicable to counter-unmanned aircraft systems ("counter-UAS") and related sensing, tracking, or mitigation technologies. These regimes may include U.S. and non-U.S. laws restricting the sale, deployment, or export of counter-UAS capabilities, including evolving regulations applicable to government, critical infrastructure, and commercial end users.

Environmental Regulation

Our operations are subject to various federal, state, local and international laws governing the environment, including those relating to the storage, use, discharge, disposal, product composition and labeling of, human exposure to and hazardous and toxic materials. In the event of an accident involving such materials, we could be liable for damages and such liability could exceed the amount of our liability insurance coverage and the resources of our business.

We face increasing complexity in our product design and procurement operations due to the evolving nature of environmental compliance regulations and standards, as well as specific customer compliance requirements. These regulations and standards have an impact on the material composition of our products entering specific markets. For example, the European Union ("EU") adopted the Restriction of the use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), and China enacted the Management Methods for Controlling Pollution Caused by Electronic Information Products Regulation (China-RoHS). In addition to these regulations and directives, we may face costs and liabilities in connection with product take-back legislation.

Climate and Sustainability Reporting and Regulation

We operate in various jurisdictions around the world, including the U.S. and certain states, the European Union, and the United Kingdom, that have adopted or proposed laws related to climate and sustainability reporting. For example, the European Parliament adopted the Corporate Sustainability Reporting Directive (CSRD), which introduced additional due diligence and disclosure requirements addressing sustainability that we expect will apply to us in the coming years. These and future laws, regulations or policies could significantly increase our operational and compliance burdens and costs.

For further discussion of risks relating to the regulations to which we are subject, see Item 1A. Risk Factors.

Availability of Reports

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to such reports are available free of charge on our website at www.ipgphotonics.com as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. We will also provide electronic or paper copies of such reports free of charge, upon request made to our Corporate Secretary. The information included on our website is not a part of, nor is it incorporated by reference into, this annual report on Form 10-K.

ITEM 1A. *RISK FACTORS*

The factors described below are the principal risks that could materially adversely affect our operating results and financial condition. Other factors may exist that we do not consider significant based on information that is currently available. In addition, new risks may emerge at any time and we cannot predict those risks or estimate the extent to which they may affect us. You should carefully consider these factors, as well as the other information contained in this Annual Report on Form 10-K, when evaluating an investment in our securities.

Risks Relating to Economic Conditions

Uncertainty and adverse changes in the general economic conditions of markets in which we participate negatively affect our business.

Current and future conditions in the economy have an inherent degree of uncertainty. As a result, it is difficult to estimate the level of growth or contraction for the economy as a whole. It is even more difficult to estimate growth or contraction in various parts, sectors and regions of the economy, including the materials processing, medical procedures and advanced applications markets in which we participate. Because all components of our budgeting and forecasting are dependent upon estimates of growth or contraction in the markets and applications we serve and demand for our products, the prevailing economic uncertainties render estimates of future income and expenditures very difficult to make. A significant portion of our sales are to customers in China, which accounted for 29%, 25% and 28% of net sales in 2025, 2024 and 2023, respectively. Slowing economic growth or recession, tariff-trade wars or other adverse economic developments or uncertainty in any of our key markets, including in China, may result in a decrease in our sales. In addition, the U.S. presidential administration has implemented new tariff policies that substantially increased tariffs on foreign imports into the U.S. Other countries have responded with increased tariffs on U.S. goods. Additional tariffs will be considered and may be adopted by the U.S. government from time to time. New tariffs may have the effect of increasing our costs, reducing our sales, as well as slowing general economic activity. Adverse changes have occurred and may occur in the future as a result of declining or flat global or regional economic conditions, fluctuations in currency and commodity prices, wavering confidence, capital expenditure reductions, unemployment, declines in stock markets, contraction of credit availability, declines in real estate values, or other factors affecting economic conditions generally. These changes may negatively affect the sales of our products, increase exposure to losses from bad debts, increase the cost and decrease the availability of financing, increase the risk of loss on

investments, or increase costs associated with manufacturing and distributing products. An economic downturn could have a material adverse effect on our business, financial condition and results of operations.

Downturns in the markets we serve, particularly materials processing, could have a material adverse effect on our sales and profitability.

Our business depends substantially upon capital expenditures by manufacturers in the materials processing market, which includes general manufacturing, automotive, aerospace, other transportation, heavy industry, electronics and photovoltaic industries. Approximately 86% of our revenues in 2025 were from customers in the materials processing market. Although applications in this market are broad, sales for these applications are cyclical and have historically experienced sudden and severe downturns and periods of oversupply, resulting in significantly reduced demand for capital equipment, including the products that we manufacture and market. For the foreseeable future, our operations will continue to depend upon capital expenditures by customers in these industries or markets, which, in turn, depend upon the demand, as well as forecasted demand, for their products or services. A softening of demand for our customers' products and services, whether caused by a weakening of the U.S. or global economies or other factors, may result in decreased revenue or growth for our customers and may lead to decreased demand for our products, which would reduce our sales and margins. We may not be able to respond by decreasing our expenses quickly enough or sufficiently, due in part, to our fixed overhead structure related to our vertically integrated operations and our commitments to continuing investment in research and development and infrastructure for long term growth.

Risks Relating to Industry Dynamics and Competition

The markets for our products are highly competitive and currently subject to significant price and technological competition, and if we are unable to compete successfully, it could result in reduced sales, reduced gross margins or the loss of market share.

We operate in industries that are characterized by significant price and technological competition. We compete with makers of fiber lasers, solid-state lasers, direct diode lasers, high power CO2, YAG and disc lasers. These include public and private companies such as Coherent, Inc., JPT Opto-Electronics Co. Ltd., Laserline GmbH, Lumentum Holdings Inc., Maxphotonics Co., Ltd., MKS Instruments, Inc., nLight, Inc., Trumpf GmbH + Co. KG, and Wuhan Raycus Fiber Laser Technologies Co. Ltd., as well as other smaller competitors. Several of these are larger and have substantially greater financial, managerial and technical resources, more extensive distribution and service networks, greater sales and marketing capacity, and larger installed customer bases than we do. Many of our fiber laser competitors are increasing the output powers, improving the quality of their fiber lasers and decreasing prices. Certain of our major global competitors are expanding their manufacturing, research and development, and sales capabilities in China, which may increase competitive pricing pressure, accelerate product innovation cycles, and strengthen their local customer relationships in that market. Many of our competitors in Asia are beginning to export their fiber lasers and fiber laser-based systems to non-Asia markets, which may impact our pricing and sales in such markets. Our current or potential customers may decide to develop and produce products for their own use which are competitive to our products. Such vertical integration could reduce the market opportunity for our products. We also compete in the materials processing, advanced and medical applications markets with end users that produce their own solid-state and gas lasers as well as with manufacturers of non-laser methods and tools, such as traditional non-laser welding, cutting dies mechanical cutters and plasma cutters in the materials processing market and other energy-based devices in the medical market.

We may not be able to successfully differentiate our current and proposed products from our competitors' products and current or prospective customers may not consider our products to be superior to competitors' products. To maintain our competitive position, we believe that we will be required to continue a high level of investment in research and development, application development, manufacturing facilities and customer service and support, and to react to market pricing conditions. As a result of the foregoing factors, competitive pressures have resulted in price reductions, reduced margins, loss of sales and loss of market share.

The laser industry is experiencing declining average selling prices, which could cause our gross margins to decline and harm our operating results.

Our products are experiencing and may in the future continue to experience a significant decline in average selling prices ("ASPs") as a result of increased competition, pressure to reduce prices from significant customers and new product and technology introductions. Market participants, particularly in China, have reduced and may continue to reduce, prices of competing products to gain market share. If the ASPs of our products decline further and we are unable to increase our unit volumes, introduce new or enhanced products with higher margins or reduce manufacturing costs to offset anticipated decreases

in the prices of our existing products, our operating results may be adversely affected. In addition, because of our significant fixed costs, we are limited in our ability to reduce total costs quickly in response to any revenue shortfalls. Because of these factors, we have experienced and we may experience in the future material adverse fluctuations in our operating results on a quarterly or annual basis if the ASPs of our products continue to decline.

Our ability to maintain or increase sales depends upon our ability to develop new products, penetrate new applications and end markets for fiber lasers and maintain or increase our market share in existing applications.

Our level of sales will depend on our ability to generate sales of fiber lasers in new and developing markets including applications for lasers where they have not been used previously and in applications that use other lasers, such as CO2 and YAG lasers. Historically, a significant portion of our revenue growth has been derived from sales of fiber lasers primarily for applications where CO2 and YAG lasers historically have been used. We have made significant sales into the cutting, welding and marking and engraving applications, large applications where the use of other laser technologies was well established. As fiber lasers increase penetration in core materials processing applications and there is more competition in these core material processing applications, the development of new applications, end markets and products outside our core applications becomes more important to our ability to generate sales growth. In order to maintain or increase market demand for our products, we will need to devote substantial resources to:

- demonstrate the effectiveness of fiber lasers in new applications for materials processing, medical and advanced applications;
- successfully develop new product lines with competitive features;
- increase our direct and indirect sales efforts;
- effectively meet growing competition and pricing pressures; and
- continue to reduce our manufacturing costs and enhance our competitive position.

Potential customers may have substantial investments and know-how related to their existing laser and non-laser technologies and processes. They may perceive risks relating to the reliability, quality, usefulness and profitability of integrating fiber lasers in their systems when compared to other laser or non-laser technologies available in the market or that they manufacture themselves. Despite fiber lasers having better performance and prices compared to other lasers or tools, OEM customers may be reluctant to switch incumbent suppliers or we may miss the design cycles of our customers. Many of our target markets, such as the automotive, machine tool and other manufacturing, communications and medical industries, have historically adopted new technologies slowly. These markets often require long test and qualification periods or lengthy government approval processes before adopting new technologies.

If we are unable to successfully implement our strategy to develop new applications and end markets for our products or develop new products, our revenues, operating results and financial condition could be adversely affected. In addition, any newly developed or enhanced products may not achieve market acceptance or may be rendered obsolete or less competitive by the introduction of new products by other companies.

We depend on our OEM customers and system integrators to incorporate our products into their systems.

Our sales depend in part on our ability to maintain existing and secure new OEM customers. Our revenues also depend in part upon the ability of our current and potential OEM customers and system integrators to incorporate our laser and amplifier products. The commercial success of these systems depends to a substantial degree on the efforts of these OEM customers and system integrators to develop and market products that incorporate our technologies. Relationships and experience with traditional laser makers, limited marketing resources, reluctance to invest in research and development and other factors affecting these OEM customers and third-party system integrators could have a substantial impact upon our financial results. If OEM customers or integrators are not able to adapt existing tools or develop new systems to take advantage of the features and benefits of fiber lasers or if they perceive us to be an actual or potential competitor, then the opportunities to increase our revenues and profitability may be severely limited or delayed. Furthermore, if our OEM customers or third-party system integrators experience financial or other difficulties that adversely affect their operations, our financial condition or results of operations may also be adversely affected.

We may not successfully commercialize our CROSSBOW™ counter-UAS laser systems.

We recently introduced integrated high-energy laser systems designed to counter small unmanned aerial systems (UAS) under our CROSSBOW™ product line. These offerings differ from our historical participation in directed-energy programs as a

component supplier, as they are complete operational systems and represent a new area of potential growth for us. The commercial viability of this product line is uncertain, and it may not develop as we anticipate.

Adoption of counter-UAS laser systems is still emerging. Defense and security procurement cycles can be long, unpredictable, and dependent on successful demonstrations, evaluations, and integration with existing architectures. Positive testing or customer interest may not lead to production contracts or sustained demand, and competing technologies from established defense contractors or alternative counter-UAS providers could limit market opportunities.

If any of these risks materialize, our strategy to develop and commercialize the CROSSBOW product line may not be successful or generate the growth opportunities we anticipate.

Risks Relating to Our Operations

Our vertically integrated business results in high levels of fixed costs and inventory levels that may adversely impact our gross profits and our operating results in the event that demand for our products declines or we maintain excess inventory levels.

We have a high fixed cost base due to our vertically integrated business model. Approximately 74% of our approximately 4,840 employees as of December 31, 2025 were employed in our manufacturing operations. We may not adjust these fixed costs quickly enough or sufficiently to adapt to rapidly changing market conditions. Our gross profit, in absolute dollars and as a percentage of net sales, is impacted by our sales volume, the corresponding absorption of fixed manufacturing overhead expenses and manufacturing yields. In addition, because we are a vertically integrated manufacturer and design and manufacture our key specialty components, insufficient demand for our products may subject us to the risks of high inventory carrying costs and increased inventory obsolescence. If our capacity and production levels are not properly sized in relation to expected demand, we may need to record write-downs for excess or obsolete inventory. Because we are vertically integrated, the rate at which we turn inventory has historically been low when compared to our cost of sales. We do not expect this to change significantly in the future and believe that we will have to maintain a relatively high level of inventory compared to our cost of sales. As a result, we expect to have a significant amount of working capital invested in inventory. Changes in our level of inventory lead to an increase in cash generated from our operations when inventory is sold or a decrease in cash generated from our operations at times when the amount of inventory increases. Decreases in inventory may decrease our overhead absorption and decrease our gross margins and profitability.

Our manufacturing capacity and operations may not be appropriate for future levels of demand and may adversely affect our gross margins.

We have added manufacturing capacity at our facilities in the United States, Germany, Italy and Poland. Expansion of capacity was required to offset the loss of capacity at the factories we operated in Russia and Belarus due to sanctions. In connection with expansion projects, we may incur cost overruns, construction delays, project cancellations or regulatory issues which could cause our capital expenditures to be higher than what we currently anticipate, possibly by a material amount, which would in turn adversely impact our operating results. If our sales do not increase or if our revenue decreases from current levels, we may have significant excess manufacturing capacity and under-absorption of our fixed costs, which has adversely impacted and could adversely affect our gross margins and profitability.

A significant portion of our manufacturing facilities and production equipment, such as our semiconductor production and processing equipment, diode packaging equipment and diode burn-in stations, are special-purpose in nature. We may experience higher costs due to yield loss, production inefficiencies, equipment problems and lower margins until any operational issues associated with the opening of new manufacturing facilities are resolved.

Because we lack long-term purchase commitments from our customers, our sales can be difficult to predict, which could lead to excess or obsolete inventory and adversely affect our operating results.

We generally do not enter into long-term agreements with our customers obligating them to purchase our fiber lasers or amplifiers. Our business is characterized by short-term purchase orders and shipment schedules and, in some cases, orders may be canceled or delayed without significant penalty or any penalty. As a result, it is difficult to forecast our revenues and to determine the appropriate levels of inventory required to meet future demand. In addition, due to the absence of long-term volume purchase agreements, we forecast our revenues and plan our production and inventory levels based upon the demand forecasts of our OEM customers, end users and distributors, which are highly unpredictable and can fluctuate substantially. This could lead to increased inventory levels and increased carrying costs and risk of excess or obsolete inventory due to unanticipated reductions in purchases by our customers. In addition, provisions have been recorded as a result of changes in

market prices of certain components, the value of those inventories that was realizable through finished product sales due to declines in certain end market demand and uncertainties related to the recoverability of the value of inventories due to technological and product changes, and excess quantities. If our OEM customers, end users or distributors fail to accurately forecast the demand for our products, fail to accurately forecast the timing of such demand, or are unable to consistently negotiate acceptable purchase order terms with customers, our results of operations may be adversely affected.

We depend upon internal production and on outside single or limited-source suppliers for many of our key components and raw materials, including cutting-edge optics and materials. Any interruption in the supply or availability of these key components and raw materials could adversely affect our results of operations.

We rely exclusively on our own production capabilities to manufacture certain of our key components, such as semiconductor diodes, specialty optical fibers and optical components. We do not have redundant production lines for some of our components, such as our diodes and some other components, which are made at a single manufacturing facility. These are not readily available from other sources at our current costs and may not be available at all. If our manufacturing activities were obstructed or hampered significantly, it could take a considerable length of time and capital investment, or it could increase our costs, to resume manufacturing or find alternative sources of supply. Many of the tools and equipment we use are custom-designed, and it could take a significant period of time to repair or replace them. Our primary manufacturing facilities are located in the United States and Germany, and we have added production in Italy and Poland. Despite our efforts to mitigate the impact of any flood, fire, natural disaster, political unrest, act of terrorism, war, trade sanctions, outbreak of disease or other similar event, our business could be adversely affected to the extent that we do not have redundant production capabilities if any of our major manufacturing facilities or equipment should become inoperable, inaccessible, damaged or destroyed.

We purchase certain raw materials used to manufacture our products and other components, such as semiconductor wafer substrates, diode packages, modulators, micro-optics, bulk optics and high power beam delivery products, from single or limited-source suppliers. We typically purchase our components and materials through purchase orders or agreed-upon terms and conditions and we do not have guaranteed supply arrangements with many of these suppliers. These suppliers are relatively small private companies that may discontinue their operations at any time and may be particularly susceptible to prevailing economic conditions. Some of our suppliers are also our competitors. Some of our suppliers may not be able to meet our requirements due to global demand for their components. As a result, we have experienced and may in the future experience longer lead times or delays in fulfillment of our orders. Furthermore, other than our current suppliers, there are a limited number of entities from whom we could obtain these supplies. We do not anticipate that we would be able to purchase these components or raw materials that we require in a short period of time or at the same cost from other sources in commercial quantities or that have our required performance specifications. Any interruption or delay in the supply of any of these components or materials, or the inability to obtain these components and materials from alternate sources at acceptable prices and within a reasonable amount of time, could adversely affect our business. If our suppliers face financial or other difficulties, if our suppliers do not maintain sufficient inventory on hand or if there are significant changes in demand for the components and materials we obtain from them, they could limit the availability of these components and materials to us, which in turn could adversely affect our business.

We must comply with and could be impacted by various export controls and trade and economic sanctions laws and regulations that could negatively affect our business and may change due to diplomatic and political considerations outside of our control.

A significant part of our business involves the export and import of components and products among many countries, including the U.S., Germany and China. Historically, we also exported and imported a limited number of components and products in Russia and Belarus with entities we operated in those regions, and our subsidiary in India imports a limited number of medical devices from our former Russian subsidiary pursuant to an agreement entered into in connection with the disposition of such subsidiary in 2024. The U.S. government and governments of other countries in which we do business have Trade Controls that impact our ability to export, re-export or transfer products, software and technology originating in those countries. Trade Controls may require that we obtain a license before we can export, re-export or transfer certain products, software or technology. The requirement to obtain a license could put us at a competitive disadvantage by restricting our ability to sell products to customers in certain countries or by giving rise to delays or expenses related to obtaining a license. We have experienced and, in the future, may experience delays in obtaining export licenses based on issues solely within the control of the applicable government agency. Licenses may also include conditions that limit the use, resale, transfer, re-export, modification, disassembly, or transfer of a product, software or technology after it is exported without first obtaining permission from the relevant government agency. Delays in obtaining or failure to obtain required export licenses may require us to defer shipments for substantial periods or cancel orders. Any of these circumstances could adversely affect our operations and, as a result, our financial results could suffer. Although we have implemented compliance measures designed to prevent transactions prohibited by current or future Trade Controls, we have previously identified, and may continue to identify, instances in which

we exported products without obtaining the required export authorizations and/or submitting the required requests. As a result, we have submitted a limited number of voluntary self-disclosures regarding compliance with export control laws and regulations with the U.S. Department of Commerce's Bureau of Industry and Security ("BIS"). BIS issued warning letters to the Company in response to the self-disclosures. Our failure to comply with these laws and regulations could result in costly government investigations, government sanctions, including substantial monetary penalties, civil or criminal penalties, denial of export privileges, debarment from government contracts, and a loss of revenues and reputational harm.

Our manufacturing facilities in the U.S. and Germany provide finished products to China, our largest market. Should the United States or the European Union implement targeted or broad-based Trade Controls, our production and/or deliveries as well as results of operations and/or financial condition could be affected.

In addition, Trade Controls and their implementation are fluid and may change due to diplomatic and political considerations outside of our control. While the Company has a trade compliance program, there is a risk that IPG may not be able to comply due to the number, complexity and fast-changing nature of sanctions. Trade Controls and other governmental responses to political escalations may require us to take certain actions, including increasing costs and abandoning operations or writing-down asset values, or respond to nationalization or expropriation of assets abroad, adversely affect prevailing market prices of our common stock, have a reputational impact, or otherwise have a material adverse impact on us, our business and financial results.

We may experience lower than expected manufacturing yields, which would adversely affect our gross margins.

The manufacture of semiconductor diodes and the packaging of them is a highly complex process. Manufacturers often encounter difficulties in achieving acceptable product yields from diode and packaging operations. We have from time to time experienced lower than anticipated manufacturing yields for our diodes and packaged diodes. This occurs during the production of new designs and the installation and start-up of new process technologies and new equipment. If we do not achieve planned yields, our product costs could increase resulting in lower gross margins, and key component availability would decrease.

We are highly dependent on the significant experience and specialized expertise of our senior management and scientific staff. The unavailability or loss of one or more of these key employees or our failure to attract other highly skilled personnel necessary to compete successfully could harm our business and results of operations.

Our future success is substantially dependent on the continued service and performance of our executive officers. Although the board engages in executive succession planning, our inability to effectively and immediately transition knowledge or responsibilities to successors in the event of an unexpected absence or departure could harm our business and disrupt our operations. We also rely on our highly trained team of scientists, many of whom have numerous years of experience and specialized expertise in optical fibers, semiconductors and optical component technology, and other key engineering, sales, marketing, manufacturing and support personnel, any of whom may depart for a variety of reasons, which could harm our business. Competition for qualified personnel in our industry is intense, particularly for physicists, software engineers and other technical staff. If we fail to attract, integrate and retain the necessary personnel, it could delay the development or introduction of new products, negatively impact our ability to market, sell or support our products, and significantly harm our business.

Risks Relating to Intellectual Property, Litigation, Information Systems and Regulations

We are subject to litigation alleging that we infringe third-party intellectual property rights. Intellectual property claims could result in costly litigation and harm our business.

There has been significant litigation involving intellectual property rights in many technology-based industries, including our own. We face risks and uncertainties in connection with such litigation, including the risk that patents issued to others may harm our ability to do business; that there could be existing patents of which we are unaware that could be pertinent to our business; and that it is not possible for us to know whether there are patent applications pending that our products might infringe upon. Moreover, the frequency with which new patents are granted and the diversity of jurisdictions in which they are granted make it impractical and expensive for us to monitor all patents that may be relevant to our business.

From time to time, we have been notified of allegations and claims that we may be infringing patents or intellectual property rights owned by third parties. We have defended against several patent infringement claims in the past and we engage in patent office opposition proceedings internationally for patents owned by others.

In December 2024, affiliates of Trumpf SE & Co. KG filed two different patent lawsuits in two different Unified Patent Courts ("UPC") located in Germany against IPG Laser GmbH & Co. KG, our German subsidiary, alleging infringement of two patents granted by the European Patent Office by our adjustable mode beam lasers. These lasers are used in certain welding and

cutting applications. The patents asserted cover Germany, where we manufacture lasers, and other large countries in Europe. Hearings were held in January 2026 and we await the decisions of the two UPC panels on February 24 and March 16, 2026. There can be no assurance that the outcome of either case will be favorable to the Company, and an adverse finding that the Company infringed one or more of the patents-in-suit could have a material adverse effect on the Company and its business. The patents also have counterparts in the U.S., China and elsewhere, and there can be no assurance that Trumpf will not assert such patents in other jurisdictions.

There can be no assurance that we will be able to resolve any claims or other allegations made or asserted against us without them having a material impact on our results of operations. Even if we ultimately are successful on the merits of any such litigation or re-examination, legal and administrative proceedings related to intellectual property are typically expensive and time-consuming, generate negative publicity and divert financial and managerial resources. Some litigants may have greater financial resources than we have and may be able to sustain the costs of complex intellectual property litigation more easily than we can. The UPC, in which we currently have two pending litigations, is a relatively new patent court in Europe, and its procedures, jurisprudence and available remedies continue to evolve, creating additional uncertainty regarding patent interpretation, the application of prior European patent precedents, and the timing, scope, and outcome of proceedings.

If we do not prevail in any intellectual property litigation brought against us, it could affect our ability to sell our products and materially harm our business, financial condition and results of operations. These developments could adversely affect our ability to compete for customers and increase our revenues, or could decrease our revenues or profits or increase our costs. Plaintiffs in intellectual property cases often seek, and sometimes obtain, injunctive relief. Intellectual property litigation commenced against us, including the Trumpf litigation, could force us to take actions that could be harmful to our business, including the following:

- stop selling our products or using the technology that contains the allegedly infringing intellectual property;
- pay actual monetary damages, royalties, lost profits or increased damages and the plaintiff's attorneys' fees; and
- attempt to license the relevant intellectual property which may not be available on reasonable terms.

Further, we could incur increased engineering, qualification, logistics and customer transition costs in connection with patent litigation outcomes or risk mitigation. Even if sales are not enjoined by a court, customer uncertainty could delay orders, pressure pricing, or affect design-wins, and mitigation measures may be costly, time-consuming and not fully effective.

In addition, intellectual property lawsuits can be brought by third parties against OEMs and end users that incorporate our products into their systems or processes. In some cases, we indemnify OEMs against third-party infringement claims relating to our products and we often make representations affirming, among other things, that our products do not infringe the intellectual property rights of others. As a result, we may incur liabilities in connection with lawsuits against our customers. Any such lawsuits, whether or not they have merit, could be time-consuming to defend, damage our reputation or result in substantial and unanticipated costs. Adverse judgments and court remedies in the Trumpf litigation or similar proceedings could also increase indemnification claims from OEM customers or prompt follow-on assertions by other patent holders.

Our inability to protect our intellectual property and proprietary technologies could result in the unauthorized use of our technologies by third parties, hurt our competitive position and adversely affect our operating results.

We rely on patents, trade secret laws, contractual agreements, technical know-how and other unpatented proprietary information to protect our products, product development and manufacturing activities from unauthorized copying by third parties. Our patents do not cover all of our technologies, systems, products and product components and may not prevent third parties from unauthorized copying of our technologies, products and product components. We have significant international operations and are subject to foreign laws which differ in many respects from U.S. laws. Policing unauthorized use of our trade secret technologies throughout the world and proving misappropriation of our technologies are particularly difficult, especially due to the number of our employees and operations in numerous foreign countries. The steps that we take to acquire ownership of our employees' inventions and trade secrets in foreign countries may not have been effective under all such local laws, which could expose us to potential claims or the inability to protect intellectual property developed by our employees. Furthermore, any changes in, or unexpected interpretations of, the trade secret and other intellectual property laws in any country in which we operate may adversely affect our ability to enforce our trade secret and intellectual property positions. Costly and time-consuming litigation could be necessary to determine the scope of our confidential information and trade secret protection. However, there can be no assurance that confidentiality agreements we enter into with consultants, suppliers, employees and others will not be breached, that we will be able to effectively enforce them or that we will have adequate remedies for any breach.

Given our reliance on trade secret laws, others may independently develop similar or alternative technologies or duplicate our technologies and commercialize discoveries that we have made. Therefore, our intellectual property efforts may be

insufficient to maintain our competitive advantage or to stop other parties from commercializing similar products or technologies. Many countries outside of the United States afford little or no protection to trade secrets and other intellectual property rights. Intellectual property litigation can be time-consuming and expensive, and there is no guarantee that we will have the resources to fully enforce our rights. If we are unable to prevent misappropriation or infringement of our intellectual property rights, or the independent development or design of similar technologies, our competitive position and operating results could suffer.

Our information systems are subject to cyber-attacks, interruptions and failures. If unauthorized access is obtained to our information systems, we may incur significant legal and financial exposure and liabilities.

Like many multinational corporations, we maintain several information technology systems, including software products licensed from third parties. These systems vary from country to country. Any system, network or internet failures, misuse by system users, the hacking into or disruption caused by the unauthorized access by third parties or loss of license rights could disrupt our ability to timely and accurately manufacture and ship products or to report our financial information in compliance with the timelines mandated by the SEC. Any such failure, misuse, hacking, disruptions or loss would likely cause a diversion of management's attention from the underlying business and could harm our operations. In addition, a significant failure of our various information technology systems could adversely affect our ability to complete an evaluation of our internal controls and attestation activities pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 under the updated framework issued in 2013.

As part of our day-to-day business, we store our data and certain data about our customers, employees and service providers in our information technology system. While our system is designed with access security, if a third party gains unauthorized access to our data or technology, including information regarding our customers, employees and service providers, such security breach could expose us to a risk of loss of this information, loss of business, litigation and possible liability. Our security measures may be breached as a result of third-party action, including intentional misconduct by computer hackers, employee error, malfeasance or otherwise. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as usernames, passwords or other information in order to gain access to our customers' data or our data, including our intellectual property and other confidential business information, employee information or our information technology systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate or detect these techniques or to implement adequate preventative measures. Any unauthorized access could negatively impact our customers' products, result in a loss of confidence by our customers, damage our reputation, disrupt our business, result in a misappropriation of our assets (including cash), lead to legal liability and negatively impact our future sales. Additionally, such actions could result in significant costs associated with loss of our intellectual property, impairment of our ability to conduct our operations, rebuilding our network and systems, prosecuting and defending litigation, responding to regulatory inquiries or actions, paying damages or taking other remedial steps. In addition, we may incur significant costs designed to prevent or mitigate the damage related to cybersecurity incidents. For instance, we may retain additional employees or consultants, implement new policies and procedures, and install information technology to detect and prevent identity theft, data breaches, or system disruptions. We would incur any such costs with the intent that proactively preventing a cybersecurity incident ultimately helps to mitigate potential cybersecurity liability. As previously disclosed, on September 14, 2020, the Company detected a ransomware attack impacting certain of our operational and information technology systems that we do not believe had a material impact on the Company's business, operations or financial condition.

The costs to address the foregoing security problems and security vulnerabilities before or after a cyber-incident could be significant. Our remediation efforts may not be successful and could result in interruptions, delays, a cessation of service, and a loss of existing or potential customers, impeding our sales, manufacturing, distribution, and other critical functions.

We may face particular privacy, data security and data protection risks due to laws and regulations regulating the protection or security of personal and other sensitive data.

We may face particular privacy, data security and data protection risks due to laws and regulations regulating the protection or security of personal and other sensitive data, including in particular several laws and regulations that have recently been enacted or adopted or are likely to be enacted or adopted in the future. For instance, in 2018, the European General Data Protection Regulation (“GDPR”) imposed additional obligations and risk upon our business and substantially increased the penalties to which we could be subject in the event of any non-compliance. GDPR requires companies to satisfy requirements regarding the handling of personal data (generally, of EU residents), including its use, protection and the rights of affected persons regarding their data. Failure to comply with GDPR requirements could result in penalties of up to 4% of worldwide revenue. In addition, several other jurisdictions around the world have recently enacted privacy laws or regulations similar to GDPR. For instance, in 2020, California enacted the California Consumer Privacy Act (“CCPA”), giving consumers many of the same rights as those available under GDPR. Several laws similar to the CCPA have been approved in the United States at

the state level and more are being proposed at the federal and state levels. GDPR and other similar laws and regulations, as well as any associated inquiries or investigations or any other government actions, may be costly to comply with, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to remedies that may harm our business. We are evaluating these requirements and taking measures to ensure compliance with all applicable privacy and data protection-related laws and regulations. Because there is limited interpretation and enforcement of many of these laws and regulations, some measures initially might not satisfy standard or best practices that will be established in the coming years.

Changes in tax rates, tax liabilities or tax accounting rules could affect future results.

As a global company, we are subject to taxation in the United States and various other countries and jurisdictions. Significant judgment is required to determine worldwide tax liabilities, particularly related to intercompany pricing we apply to products shipped between various tax jurisdictions, commonly referred to as transfer pricing. Our future tax rates could be affected by changes in the composition of earnings in countries or states with differing tax rates, transfer pricing rules, changes in the valuation of our deferred tax assets and liabilities, or changes in the tax laws. In addition, we are subject to regular examination of our income tax returns by the Internal Revenue Service ("IRS") and other tax authorities. From time to time the United States, foreign and state governments make substantive changes to tax rules and the application of rules to companies, including various announcements from the United States government potentially impacting our ability to defer taxes on international earnings. We regularly assess the likelihood of favorable or unfavorable outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. Although we believe our tax estimates are reasonable, there can be no assurance that any final determination will not be materially different than the treatment reflected in our historical income tax provisions and accruals, which could materially and adversely affect our operating results and financial condition.

If we or our third-party vendors fail to comply with FDA regulations or similar legal requirements in foreign jurisdictions relating to the design, manufacture, labeling, marketing, distribution or post-market surveillance of our products or any component part, we may be subject to fines, injunctions, product recalls, penalties or other enforcement actions, and our ability to commercially distribute and sell our products may be negatively impacted.

We design, manufacture and commercialize fiber laser systems and related accessories for specific medical applications. Through IPG Medical Corporation, we are the legal manufacturer of certain of these products and hold FDA clearances for their marketing and sale in the United States. As the legal manufacturer, we are responsible for regulatory obligations across the product lifecycle, including establishment registration and device listing, compliance with applicable pre- and post-market requirements, submission of medical device reports for certain malfunctions and adverse events, and initiating corrections or recalls where necessary. We have distribution partners that market and distribute certain of these products on our behalf. We also continue to sell our commercial fiber and diode laser modules, subassemblies and systems to OEMs that incorporate them into their medical products. As a medical device manufacturer, we and certain of our facilities, as well as critical suppliers, are required to comply with the FDA's Quality System Regulation and those of other countries ("QSR"), which sets forth minimum standards for the procedures, execution and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage, and shipping of the products we sell in the medical industry, and related regulations, including Medical Device Reporting ("MDR") requirements regarding the reporting of certain malfunctions and adverse events potentially associated with our products. The FDA and other regulatory agencies may evaluate our compliance with the QSR, MDR and other regulations, among other ways, through periodic announced or unannounced inspections which could disrupt our operations and interrupt our manufacturing and sales. If in conducting an inspection of our manufacturing facilities, or the manufacturing facilities of any of our third-party component manufacturers or critical suppliers, an investigator from the FDA or another regulatory agency observes conditions or practices believed to violate the QSR, MDR or other applicable regulatory requirements, the investigator may document their observations on a Form FDA 483 which may be issued at the conclusion of the inspection. A manufacturer that receives an FDA 483 may respond in writing and explain or describe any corrective actions taken or planned to address the inspectional observations. The FDA will typically review the facility's written response and may re-inspect or otherwise follow-up to determine the facility's compliance with the QSR, MDR and other applicable regulatory requirements. Failure to take adequate and timely corrective actions to remedy objectionable conditions listed on an FDA 483 could result in the FDA taking administrative or enforcement actions. Among these may be the FDA's issuance of a Warning Letter to a manufacturer, which informs it that the FDA considers the observed violations to be of "regulatory significance" that, if not corrected, could result in further enforcement action. On November 4, 2025, the FDA issued an inspectional observation on Form FDA 483 at the conclusion of an on-site Electronic Product Radiation Control inspection at IPG Medical Corporation ("IPGM"). IPGM submitted a written response to the FDA on November 14, 2025 addressing the inspectional observation. A FDA Form 483 is not a final agency determination. IPGM has received no further communication from the FDA regarding this matter, and there is no specific date or deadline by which the FDA is required to respond or make a determination. We cannot predict the timing or outcome of the FDA's review, and there can be no assurance that the matter

will be resolved without additional inquiry, corrective actions, or enforcement measures that could adversely affect our business.

FDA enforcement actions, which include the FDA's issuance of a Warning Letter, seizure, injunction, criminal prosecution, and civil penalties, could result in total or partial suspension of a facility's production and/or distribution, product recalls, fines, suspension or delay of the FDA's review of product applications, and/or the FDA's issuance of adverse publicity. Thus, an adverse inspection could force a shutdown of our manufacturing operations for products servicing the medical industry or a recall of such products. Enforcement actions could also delay FDA clearance or approval of our products for use in the medical industry.

Failure to maintain effective internal controls may cause a loss of investor confidence in the reliability of our financial statements or to cause us to delay filing our periodic reports with the SEC and adversely affect our stock price.

The SEC, as directed by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring public companies to include a report of management on internal control over financial reporting in their annual reports on Form 10-K that contain an assessment by management of the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. We have extensive and complex international manufacturing and sales and service locations which may make us more vulnerable to weaknesses in our internal controls. Although we test our internal control over financial reporting in order to ensure compliance with the Section 404 requirements, our failure to maintain adequate internal controls over financial reporting could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our financial statements or a delay in our ability to timely file our periodic reports with the SEC, which ultimately could negatively impact our stock price.

Our products could contain defects, which may reduce sales of those products, harm market acceptance of our fiber laser and other products or result in claims against us.

The manufacture of our products involves highly complex and precise processes. Despite testing by us and our customers, errors have been found, and may be found in the future, in our products. These defects may cause us to incur significant warranty, support and repair costs, incur additional costs related to a recall, divert the attention of our engineering personnel from our product development efforts and harm our relationships with our customers. These problems could result in, among other things, loss of revenues or a delay in revenue recognition, loss of market share, harm to our reputation or a delay or loss of market acceptance of our fiber laser products. Additionally, a recall, particularly in our products used or incorporated in medical devices, could result in significant costs and lost sales and customers, enforcement actions and/or investigations by state and federal governments or other enforcement bodies, as well as negative publicity and damage to our reputation that could reduce future demand for our products. The development and sale of medical devices and component products involves an inherent risk of product liability claims. Defects, integration issues or other performance problems in our fiber laser and other products could also result in personal injury or financial or other damages to our customers, which in turn could damage market acceptance of our products and result in significant product liability claims being brought against us. A product liability claim brought against us, even if unsuccessful, could be time-consuming and costly to defend. If a product liability action were determined against us, it could result in significant damages, including punitive damages, and our consolidated financial position, results of operations or cash flows could be materially adversely affected.

We are subject to government regulations, including tariffs and duties that could restrict our international sales and negatively affect our business.

The United States, Germany, the European Union, China, Japan, South Korea and many other foreign governments impose tariffs and duties on the import of products, including some of those which we sell. In recent years, the U.S. instituted changes in trade policies that included the negotiation or termination of trade agreements, the imposition of higher tariffs on imports into the United States, including, in particular, on Russian and Chinese-made goods, economic sanctions on individuals, corporations or countries and other government regulations affecting trade between the United States and other countries where we conduct our business. On February 20, 2026, the U.S. Supreme Court rendered a decision invalidating tariffs imposed under the International Emergency Economic Powers Act. This decision introduces uncertainty regarding potential refund processes and future trade policy actions.

Policy changes and proposals could require time-consuming and expensive alterations to our business operations and may result in greater restrictions and economic uncertainty and disincentives on international trade, which could negatively impact our competitiveness in jurisdictions around the world as well as lead to an increase in costs in our supply chain. We are a multinational corporation, with manufacturing located both in the United States and internationally and with approximately

74% of our net sales arising from foreign customers. As such, we may be more susceptible to negative impacts from these tariffs or change in trade policies than other less internationally focused enterprises. In addition, new tariffs and other changes in U.S. trade policy could trigger retaliatory actions by affected countries, and certain foreign governments, including the Chinese government (which has imposed retaliatory tariffs on a range of U.S. goods including certain optical and electronic products and components), may impose trade sanctions on certain U.S. manufactured goods. Such changes by the United States and other countries have the potential to adversely impact U.S. and worldwide economic conditions, our industry and the global demand for our products, and as a result, could negatively affect our business, financial condition and results of operations.

Our CROSSBOW counter-UAS activities are subject to complex, rapidly evolving, and stringent U.S. regulatory, export control, aviation, and procurement requirements, and changes in these regimes or our failure to comply with them could adversely affect our ability to develop, test, demonstrate, sell, or deploy these systems.

In the United States, counter-UAS systems operate within a highly regulated and rapidly evolving legal environment. The federal statutory and regulatory framework governing the development, use, sale and operation of counter-UAS technologies continues to develop at a significant pace and is subject to change. We cannot predict the impact of future legal, regulatory, or policy changes by U.S. governmental entities relating to counter-UAS technologies. New or amended laws, regulations, or policies could increase our compliance costs or restrict market opportunities for the testing, demonstration, sale, or use of counter-UAS systems, including our CROSSBOW system. Our activities relating to CROSSBOW are also subject to stringent export control and government procurement requirements, including ITAR, EAR, and other domestic and international restrictions governing the classification, transfer, sale, end-use, and end-users of defense-related technologies. Changes in these regulations, delays or difficulties in obtaining or maintaining required licenses or approvals, or adverse jurisdiction, classification, or end-user determinations could restrict our ability to sell, deploy, or service CROSSBOW systems, particularly outside the United States. The development, testing and use of certain counter-UAS laser systems in the United States may fall under the regulatory oversight of the Federal Aviation Administration (“FAA”) or other government agencies, depending on factors such as the operating environment and the nature of the customer. Although many of our potential U.S. government and defense customers operate pursuant to military or other federal authorizations outside the FAA’s civil regulatory framework, certain testing or demonstration activities may still require coordination with, or authorization from, the FAA and other agencies. Changes in applicable FAA or other governmental policies or requirements, or the inability to obtain or comply with any authorizations that may be required for particular testing or demonstration scenarios, or for the sale or deployment of CROSSBOW, could delay, limit, or prevent our ability to conduct such activities. Any of the foregoing regulatory developments, enforcement actions, or compliance challenges could restrict our ability to advance the CROSSBOW product line and limit its potential future contribution to our business.

We are subject to various environmental laws and regulations that could impose substantial costs upon us and may adversely affect our business, operating results and financial condition.

Some of our operations use substances regulated under various federal, state, local and international laws governing the environment, including those relating to the storage, use, discharge, disposal, product composition and labeling of, and human exposure to, hazardous and toxic materials. We could incur costs, fines and civil or criminal sanctions, third-party property damage or personal injury claims, or could be required to incur substantial investigation or remediation costs, if we were to violate or become liable under environmental laws. Compliance with current or future environmental laws and regulations could restrict our ability to expand our facilities or require us to acquire additional expensive equipment, modify our manufacturing processes, or incur other significant expenses in order to remain in compliance with such laws and regulations. There can be no assurance that violations of environmental laws or regulations will not occur in the future as a result of the lack of, or failure to obtain, permits, human error, accident, equipment failure or other causes.

Risks Relating to Our Common Stock

Certain trusts and a company created by the late founder of the Company collectively control over 35% of our voting power and have a significant influence on the outcome of director elections and other matters requiring stockholder approval, including a change in corporate control.

IP Fibre Devices (UK) Ltd. ("IPFD"), together with trusts created by the late founder of the Company, Dr. Valentin P. Gapontsev, beneficially own approximately 36% of our common stock. Dr. Scherbakov, our former CEO and current director, is the sole managing director of IPFD. Trustees of the trusts include an executive officer of the Company, a third-party corporate trustee, and Dr. Scherbakov. Dr. Scherbakov, as managing director of IPFD, and the other trustees have significant influence on the outcome of matters requiring stockholder approval, including election of our directors, stockholder proposals and approval of significant corporate transactions. IPFD and the trusts may vote their shares of our common stock in ways that other stockholders may consider would be adverse to the interests of the other stockholders. These significant ownership

interests could delay, prevent or cause a change in control of the Company and might affect the market price of our common stock.

Future sales of our common stock by our existing shareholders could cause our stock price to decline.

Sales of a substantial number of shares of our common stock by our existing stockholders (including the trusts established by our late founder, Dr. Gapontsev, and IPFD) in the public market or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities or other securities convertible into or exchangeable for equity securities, regardless of whether there is any relationship between such sales and the performance of our business.

Provisions in our charter documents and Delaware law, and our severance arrangements, could prevent or delay a change in control of our company, even if a change in control would be beneficial to our stockholders.

Provisions of our certificate of incorporation and by-laws, including certain provisions that will take effect when the founder of the Company, the late Dr. Valentin P. Gapontsev, together with his affiliates and associates, ceases to beneficially own an aggregate of 25% or more of our outstanding voting securities, may discourage, delay or prevent a merger, acquisition or change of control, even if it would be beneficial to our stockholders. The existence of these provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock. These provisions include:

- authorizing the issuance of "blank check" preferred stock;
- establishing a classified board effective at the next annual meeting of stockholders after Dr. Gapontsev, together with his affiliates and associates, ceases to beneficially own an aggregate of 25% or more of our outstanding voting securities, and providing that directors thereon may only be removed for cause;
- providing that directors fill board vacancies;
- prohibiting stockholder action by written consent after Dr. Gapontsev, together with his affiliates and associates, ceases to beneficially own an aggregate of 25% or more of our outstanding voting securities;
- limiting the ability of stockholders to call a special meeting of stockholders;
- establishing advance notice requirements for nominations for election to the board of directors and for proposing matters to be submitted to a stockholder vote;
- supermajority stockholder approval to change certificate of incorporation and by-laws and
- lack of cumulative voting for director elections.

Section 203 of the Delaware General Corporation Law, which will apply to the Company following such time as the late Dr. Gapontsev, together with his affiliates and associates, ceases to beneficially own 25% or more of the total voting power of our outstanding shares, may prohibit business combinations with stockholders owning 15% or more of our outstanding voting stock. The terms of our employment agreements and severance plan with executives include change-of-control severance provisions which provide for the payment of cash following a termination of employment following a change of control. These provisions may discourage, delay or prevent a merger or acquisition, make a merger or acquisition costlier for a potential acquirer, or make removal of incumbent directors or officers more difficult.

General Risk Factors

We have experienced, and expect to experience in the future, fluctuations in our quarterly operating results. These fluctuations may increase the volatility of our stock price and may be difficult to predict.

We have experienced, and expect to continue to experience, fluctuations in our quarterly operating results. We believe that fluctuations in quarterly results may cause the market price of our common stock to fluctuate, perhaps substantially. Factors which may have an influence on our operating results in a particular quarter include those below and others included in the Risk Factors:

- the increase, decrease, cancellation or rescheduling of significant customer orders;
- the timing of revenue recognition based on the installation or acceptance of certain products shipped to our customers;
- the timing of customer qualification of our products and commencement of volume sales of systems that include our products;

- the gain or loss of a key customer;
- product or customer mix;
- competitive pricing pressures and new market entrants;
- our ability to design, manufacture and introduce new products on a cost-effective and timely basis;
- our ability to manage our inventory levels and any provisions for excess or obsolete inventory;
- our ability to collect outstanding accounts receivable balances;
- incurring expenses to develop and improve application and support capabilities, the benefits of which may not be realized until future periods, if at all;
- incurring expenses related to impairment of values for goodwill, intangibles and other long-lived assets;
- different capital expenditure and budget cycles for our customers, which affect the timing of their spending;
- expenses associated with acquisition-related activities;
- regional epidemics or a global pandemic, such as COVID-19; and
- our ability to control expenses.

These factors make it difficult for us to accurately predict our operating results. In addition, our ability to accurately predict our operating results is complicated by the fact that many of our products have long sales cycles, some lasting as long as twelve months or more. Once a sale is made, our delivery schedule typically ranges from four weeks to four months, and therefore our sales will often reflect orders shipped in the same quarter that they are received and will not enhance our ability to predict our results for future quarters. In addition, long sales cycles may cause us to incur significant expenses without offsetting revenues since customers typically expend significant effort in evaluating, testing and qualifying our products before making a decision to purchase them. Moreover, customers may cancel or reschedule shipments, and production difficulties could delay shipments. Accordingly, our results of operations are subject to significant fluctuations from quarter to quarter, and we may not be able to accurately predict when these fluctuations will occur.

Our inability to manage risks associated with our international customers and operations could adversely affect our business.

We have significant facilities in and our products are sold in numerous countries. A substantial majority of our revenues are derived from customers outside the United States. In addition, we have substantial tangible assets outside of the United States. We anticipate that foreign sales will continue to account for a significant portion of our revenues in the foreseeable future. Our operations and sales in these markets are subject to risks inherent in international business activities, including the following and others mentioned in the Risk Factors:

- fluctuations in the values of foreign currencies;
- changes, including recession, and other general economic uncertainties affecting the macroeconomic and local economic communities in which we and our customers operate or serve;
- longer accounts receivable collection periods and less developed credit assessment and collection procedures;
- compliance with domestic and foreign laws and regulations, unexpected changes in those laws and regulatory requirements, including uncertainties regarding taxes including transfer pricing, tariffs, quotas, export controls, export licenses, trade sanctions and other trade barriers, and any corresponding retaliatory actions by affected countries, including China and Russia;
- certification requirements;
- less effective protection of intellectual property rights in some countries;
- potentially adverse tax and transfer pricing consequences;
- different capital expenditure and budget cycles for our customers, which affect the timing of their spending;
- political, legal and economic instability, foreign conflicts, labor unrest and the impact of regional and global infectious illnesses in the countries in which we and our customers, suppliers, manufacturers and subcontractors are located;
- preference for locally produced products;
- difficulties and costs of staffing and managing international operations across different geographic areas and cultures;

- seasonal reductions in business activities;
- fluctuations in freight rates and transportation disruptions;
- investment restrictions or requirements;
- repatriation restrictions or requirements;
- export and import restrictions; and
- limitations on the ability of our employees to travel without restriction to certain countries in which we operate.

Political, economic and monetary instability and changes in governmental regulations or policies, including trade tariffs and protectionism, could adversely affect both our ability to effectively operate our foreign sales offices and the ability of our foreign suppliers to supply us with required materials or services. Any interruption or delay in the supply of our required components, products, materials or services, or our inability to obtain these components, materials, products or services from alternate sources at acceptable prices and within a reasonable amount of time, could impair our ability to meet scheduled product deliveries to our customers and could cause customers to cancel orders.

We are subject to risks of doing business in Belarus, where our Belarusian subsidiary historically provided mechanical parts to our German subsidiary and former Russian subsidiary, but does not currently provide parts to our current subsidiaries outside of Belarus. We are also subject to risks of doing business in China, as approximately 29% of our sales in 2025 were to Chinese customers. The results of our operations, business prospects and facilities in China and Belarus are subject to the economic and political environment there and global geopolitical conditions. The future economic direction of these emerging market countries remains largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the government, together with tax, legal, regulatory and political developments. Sanctions imposed by or on countries in which we have operations or do business has and could disrupt our supply of critical components, including among our manufacturing facilities in the U.S., Germany, Italy, Poland, and Belarus, and has caused us to shift all work occurring in Belarus to other countries. In addition, sanctions targeting the banking sector have and may impact the transfer of cash to and from countries in which we operate, including our ability to fund operations or repatriate surplus liquidity. At December 31, 2025, we had $1.5 million cash in Belarus. Such disruptions could negatively affect our ability to provide critical components to affiliates or produce finished goods for customers, which could increase our costs, require capital expenditures and harm our results of operations and financial condition. Further, Belarus adopted rules that impose conditions on sale of assets by U.S. and western companies that could decrease the value of assets, as well as limit payments to sellers. Our failure to manage the risks associated with our operations in China and Belarus and our other existing and potential future international business operations could have a material adverse effect upon our results of operations.

Foreign currency risk may negatively affect our net sales, cost of sales and operating margins and could result in exchange losses.

We conduct our business and incur costs in the local currency of most countries in which we operate. In 2025 our net sales outside the United States represented a substantial majority of our total sales. We incur currency transaction risk whenever one of our operating subsidiaries enters into either a purchase or a sales transaction using a different currency from the currency in which it operates or holds assets or liabilities in currencies different than their functional currency. Changes in exchange rates can also affect our results of operations when the value of sales and expenses of foreign subsidiaries are translated to U.S. dollars. We cannot accurately predict the impact of future exchange rate fluctuations on our results of operations. Further, given the volatility of exchange rates, we may not be able to effectively manage our currency risks, and any volatility in currency exchange rates may increase the price of our products in local currency to our foreign customers or increase the manufacturing cost of our products, which may have an adverse effect on our financial condition, cash flows and profitability. We incurred a foreign exchange loss of $9.4 million in 2025 and a loss of $5.5 million in 2024.

We pursue acquisitions and investments in new businesses, products, patents or technologies. These involve risks which could disrupt our business and may harm our financial results and condition.

We may make acquisitions of and investments in new businesses, products, patents and technologies and expand into new geographic areas, or we may acquire operations, products or technologies that expand our current capabilities. Although we have pursued relatively small acquisitions in the past, we may pursue larger transactions in the future. Acquisitions present a number of potential risks and challenges that could, if not met, disrupt our business operations, increase our operating costs, reduce consolidated margins, cause us to incur impairment charges and reduce the value of the acquired company, asset or technology to us. We may not be able to effectively integrate acquired businesses, business cultures, products, patents or technologies into our existing business and products, or retain key employees. As a result of the rapid pace of technological change in our industry, we may misjudge the long-term potential of an acquired business, product, patent or technology, or the

acquisition may not be complementary to our existing business. Furthermore, potential acquisitions and investments, whether or not consummated, may divert our management's attention, require considerable cash outlays at the expense of our existing operations, incur unanticipated costs or liabilities, including the costs associated with improving the internal controls of the acquired company. In addition, to complete future acquisitions, we may issue equity securities, incur debt, assume contingent liabilities or have amortization expenses and write-downs of acquired assets, which could adversely affect our profitability and result in dilution to our existing and future stockholders.

We may incur impairments to goodwill or long-lived assets, which would negatively affect our results of operations.

We review our goodwill for impairment annually and other long-lived assets, including intangible assets identified in business combinations whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Negative industry or economic trends, including reduced estimates of future cash flows, disruptions to our business including those from government regulations, sanctions or tariffs, slower growth rates, lack of growth in our relevant business units or differences in the estimated product acceptance rates could lead to impairment charges against our long-lived assets, including goodwill and other intangible assets.

Our valuation methodology for assessing impairment requires management to make significant judgments and assumptions based on historical experience and to rely heavily on projections of future operating performance at many points during the analysis. Also, the process of evaluating the potential impairment of long-lived assets is subjective. We operate in a highly competitive environment and projections of future operating results and cash flows may vary significantly from actual results. Additionally, if our analysis indicates potential impairment to long-lived assets in one or more of our reporting units, we may be required to record additional charges to earnings in our financial statements, which could negatively affect our results of operations. In 2022, long-lived asset impairments related to our Russian operations were $79.0 million. In 2024, long-lived asset impairments related to our Belarusian operations were $26.6 million.

We are exposed to credit risk and fluctuations in the market values of our cash, cash equivalents and marketable securities.

Given the global nature of our business, we have both domestic and international investments. At December 31, 2025, 78% of our cash, cash equivalents and marketable securities were in the United States and 22% were outside the United States. Credit ratings and pricing of our investments can be negatively affected by liquidity, credit deterioration, prevailing interest rates, financial results, economic risk, political risk, sovereign risk or other factors. Also, our investments may be negatively affected by events that impact the banks or depositories that hold our investments. As a result, the value and liquidity of our cash, cash equivalents and marketable securities may fluctuate substantially. Therefore, although we have not realized any significant losses on our cash, cash equivalents and marketable securities, future fluctuations in their value could result in a significant realized loss.

Our ability to access financial markets to raise capital or finance a portion of our working capital requirements and support our liquidity needs may be adversely affected by factors beyond our control and could negatively impact our ability to finance our operations, meet certain obligations, implement our operating strategy or complete acquisitions.

We occasionally borrow under our existing credit facilities to fund operations, including working capital investments. Our major credit line expires in 2030. Uncertainty or disruptions in financial markets may negatively impact our ability to access additional financing or to refinance our existing credit facilities or existing debt arrangements on favorable terms or at all, which could negatively affect our ability to fund current and future expansion as well as future acquisitions and development. These disruptions may include turmoil in the financial services industry, unprecedented volatility in the markets where our outstanding securities trade, changes in reference rates for interest such as the discontinuation of LIBOR in 2023 and general economic downturns in the areas where we do business. If we are unable to access funds at competitive rates, or if our short-term or long-term borrowing costs increase, our ability to finance our operations, meet our short-term obligations and implement our operating strategy could be adversely affected. We also may in the future be required to raise capital through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business.

Our short-term and long-term investment portfolios and certain cash balances could experience a decline in market value or otherwise become illiquid, which could materially and adversely affect our financial results.

As of December 31, 2025, we had approximately $404 million of cash and cash equivalents, $436 million in short-term investments and $77 million in long-term investments. See Note 3, "Fair Value Measurements" in the Notes to Consolidated

Financial Statements in Part IV, Annual Report for further information about our cash equivalents, short-term investments and long-term investments. We currently do not use derivative financial instruments to adjust our investment portfolio risk or income profile. These investments, as well as any cash deposited in bank accounts, are subject to general credit, liquidity, market and interest rate risks, which may be exacerbated by unusual events, such as the U.S. debt ceiling crisis, which affected various sectors of the financial markets and led to global credit and liquidity issues. For example, in March 2023, certain US banks were closed and the Federal Deposit Insurance Corporation (FDIC) was appointed as receiver. While we were not directly impacted by these closures and did not have any deposits with these banks, there can be no assurance that our current or future banks will not face similar risks, and that we would be able to recover in full our deposits in the event of similar closures. We regularly maintain cash balances that are not insured or are in excess of the FDIC's insurance limit. If the global financial markets continue to experience volatility or deteriorate, our investment portfolio and cash balances may be impacted and some or all of our investments may become illiquid or otherwise experience loss which could adversely impact our financial results and position.

ITEM 1B. ***UNRESOLVED STAFF COMMENTS***

None.

ITEM 1C. ***CYBERSECURITY***

The Company understands the importance of preventing, assessing, identifying and managing material risks associated with cybersecurity threats.

Cyber Risk Management and Strategy

We have implemented a number of technical and organizational safeguards designed to manage our risks from cybersecurity threats and to protect against, detect and prepare to respond to cybersecurity incidents. These include employee training, incident response capability reviews and exercises, cybersecurity insurance and business continuity mechanisms. Additionally, we engage a third-party cybersecurity firm to assist with security features such as network and endpoint monitoring, cloud system monitoring and assessment of our incident response procedures.

Our incident response plan coordinates the activities that we and our third-party cybersecurity provider take to prepare, to respond and to recover from cybersecurity incidents. We have processes designed to triage, assess severity, investigate, escalate, contain and remediate an incident. We also have processes to comply with potentially applicable legal obligations and mitigate brand and reputational damage. As part of the above processes, we engage with consultants to review our cybersecurity program to help identify areas for continued focus, improvement, and compliance.

We have adopted cybersecurity control principles based on the National Institute of Standards and Technology Cybersecurity Framework (NIST), the Center for Internet Security (CIS) and ISO 27001. Further, our cybersecurity controls are designed to comply with applicable laws concerning protection of private information, including the EU General Data Protection Regulation (GDPR), Brazil's Lei General de Proteção de Dados Pessoais (LGPD) and the California Consumer Privacy Act of 2018 (CCPA).

Our processes include assessing cybersecurity risks associated with our use of third-party service providers in the normal course of business, including those in our supply chain or who have access to our customer and employee data or our systems. Additionally, we assess cybersecurity considerations in the selection and oversight of our third-party service providers, including due diligence on the third parties that have access to our systems and facilities that house systems and data.

Governance Related to Cybersecurity Risks

The Company's Global Director, Information Security (Security Director) directs the Company's cybersecurity team. He reports to the Company's Global Director of Information Technologies (IT Senior Director), who reports to the Senior Vice President, Global Operations. The Security Director is responsible for assessing and managing the Company's cyber risk management program, informing senior management, as appropriate, regarding the prevention, detection, mitigation and remediation of cybersecurity incidents and supervising such efforts generally by the cybersecurity team. Our Security Director is a Certified Information Systems Security Professional (CISSP) and has over 20 years of experience in cybersecurity in a broad range of industries. Our IT Senior Director has a master's degree in information systems and has prior experience managing global security efforts. Our Security Director manages a team of cybersecurity professionals with relevant experience and expertise, including in cybersecurity threat assessments and detection, mitigation technologies, cybersecurity training, incident response, cyber forensics, insider threats and regulatory compliance.

In addition, the Company's IT Steering Committee (ITSC) considers, among other IT matters, risks relating to cybersecurity and applicable mitigation plans to address such risks. The ITSC is comprised of certain members of the Company's senior management. The IT Senior Director and Security Director attend each ITSC meeting. The ITSC generally meets quarterly during the year with the IT Senior Director and Security Director to review risk mitigation activities as well as updated status of global security operations and metrics, including the prevention, detection, mitigation and remediation of cyber incidents. The IT Senior Director, Security Director and ITSC monitor the prevention, mitigation, detection and remediation of cybersecurity incidents through their management of, and participation in the cybersecurity risk management and strategy processes, including the operation of the Company's incident response plan. The Company has an established process led by our Security Director governing our assessment, response and notifications internally and externally upon the occurrence of a cybersecurity incident.

Our Board of Directors (the "Board") is responsible for overseeing our enterprise risk management activities in general, and each of our Board committees assists the Board in the role of risk oversight. The full Board receives an update on the Company's risks, risk management process and the risk trends related to cybersecurity at least annually, which includes a

review of key performance indicators, recent threats and the Company's management of such threats. The Audit Committee specifically assists the Board in its oversight of risks related to cybersecurity. The Security Director and IT Director brief the Audit Committee on information security and cybersecurity annually and as necessary in response to certain incidents.

Although risks from cybersecurity incidents and threats have to date not materially impacted us, our business strategy, results of operations or financial condition, we have from time to time and will continue to experience threats to and security incidents related to our and our third party vendors' data and systems. For more information, please see "Item 1A, Risk Factors."

ITEM 2. *PROPERTIES*

Our significant facilities at December 31, 2025 include the following:

Location	Owned or Leased	Lease Expiration	Approximate Size (sq. ft.)	Primary Activity
Burbach, Germany	Owned		586,800	Optical fiber, components, final assembly, complete device manufacturing, R&D, administration
Oxford, Massachusetts	Owned		550,300	Diodes, components, complete device manufacturing, R&D, administration
Minsk, Belarus	Owned		410,900	Manufacturing
Marlborough, Massachusetts	Owned		402,800	Components, manufacturing, applications, sales, R&D, administration
Davenport, Iowa	Owned		99,300	Systems integration, sales, administration
Davenport, Iowa	Leased	January 2027	9,600	Systems integration, sales, administration

Our corporate headquarters is in Marlborough, Massachusetts. As of December 31, 2025, we occupied more than 2.8 million square feet of facilities worldwide. Of this we own 2.4 million square feet and lease 0.4 million square feet of building space, of which the majority is used for manufacturing. Our major manufacturing facilities are located in the United States and Germany. We have ceased new investments in our Belarusian operations. We have and will continue to expand our manufacturing operations in Germany and the United States, in part to replace the lost capacity at our factories in Russia and Belarus due to sanctions, to meet the demand for our products and our sales and support needs. We conduct our major research and development activities in Oxford and Marlborough, Massachusetts and Burbach, Germany.

We own additional facilities and land for various purposes, such as sales and support and applications labs. We believe the existing facilities are in good operating condition and are suitable for the conduct of our operations.

ITEM 3. *LEGAL PROCEEDINGS*

For a discussion of legal matters, please see Note 13 to our consolidated financial statements entitled "Commitments and Contingencies - Legal Proceedings," which is incorporated by reference into this item.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable.

PART II

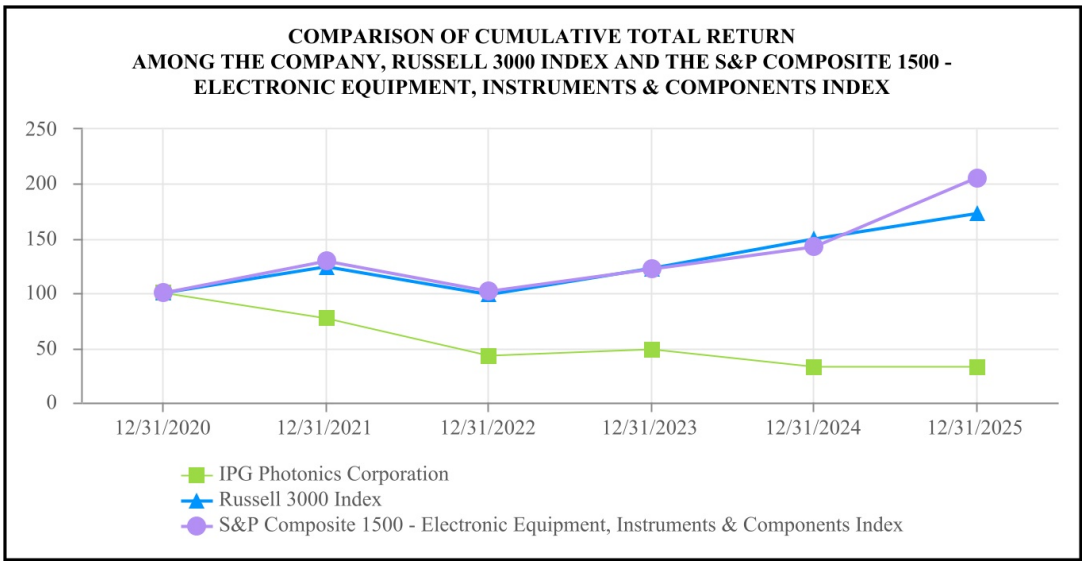
ITEM 5. *MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Our common stock is quoted on the Nasdaq Global Select Market under the symbol "IPGP." As of February 20, 2026, there were 42,191,353 shares of our common stock outstanding held by 29 holders of record, which does not include beneficial owners of common stock whose shares are held in the names of various securities brokers, dealers and registered clearing agencies.

Stock Price Performance Graph

The following Stock Price Performance Graph and related information includes comparisons required by the SEC. The graph does not constitute "soliciting material" and should not be deemed "filed" or incorporated by reference into any other filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate this information by reference into such filing.

The following graph presents the cumulative shareholder returns for our Common Stock compared with the Russell 3000 Index and the S&P Composite 1500 - Electronic Equipment, Instruments & Components Index. We include the Russell 3000 Index because we became a member of this index in 2022. We include the S&P Composite 1500 - Electronic Equipment, Instruments & Components Index due to our being an index member, industry similarities and the fact that it contains several direct competitors.



The above graph represents and compares the value, through December 31, 2025, of a hypothetical investment of $100 made at the closing price on December 31, 2020 in each of (i) our common stock, (ii) Russell 3000 Index, and (iii) the S&P Composite 1500 - Electronic Equipment, Instruments & Components Index, in each case assuming the reinvestment of dividends. The stock price performance shown in this graph is not necessarily indicative of, and not is intended to suggest, future stock price performance.

	Base Period	5-Year Cumulative Total Return				
	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025
IPG Photonics Corporation	$ 100.00	$ 76.92	$ 42.30	$ 48.50	$ 32.49	$ 31.9
Russell 3000 Index	$ 100.00	$ 124.00	$ 98.61	$ 122.23	$ 149.30	$ 172.6
S&P Composite 1500 - Electronic Equipment, Instruments & Components Index	$ 100.00	$ 129.18	$ 101.05	$ 121.68	$ 142.03	$ 205.0

Dividends

We do not anticipate paying cash dividends in the foreseeable future. Any future determination related to our dividend policy will be made at the discretion of our Board, taking into account any contractual and legal restrictions on our payment of dividends.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

None.

Issuer Purchases of Equity Securities

The following table shows repurchases of our common stock in the fiscal quarter ended December 31, 2025:

Date	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2025 — October 31, 2025	7,928	$ 79.57	7,928	$ 3,077
November 1, 2025 — November 30, 2025	41,504	76.95	40,141	—
December 1, 2025 — December 31, 2025	—	—	—	—
Total	49,432	$ 77.37	48,069	$ —

(1) Total number of shares (or units) purchased includes shares repurchased as part of publicly announced plans or programs and "withhold to cover" tax liabilities upon vesting of restricted stock units and performance stock units. For the fourth quarter of 2025, a total of 1,363 shares were withheld to cover at an average price of $85.42.

(2) On February 13, 2024, we announced that our Board of Directors authorized the purchase of up to $300 million of IPG common stock (the "February 2024 authorization"), exclusive of any fees, commissions or other expenses. Share repurchases under this purchase authorization were made periodically in open-market transactions using our working capital. The February 2024 authorization was completed in 2025.

On February 12, 2026, we announced that our Board of Directors authorized the purchase of up to $100 million of IPG common stock (the "February 2026 authorization"), exclusive of any fees, commissions, and other expenses. Share repurchases under the February 2026 authorization may be made periodically in open-market transactions, and are subject to market conditions, legal requirements and other factors. The share purchase program authorizations do not obligate us to repurchase any dollar amount or number of our shares, and repurchases could be commenced or suspended from time to time without prior notice.

We repurchased 48,069 shares in the fourth quarter of 2025 under the February 2024 authorization.

ITEM 6. *RESERVED*

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those discussed under Item 1A, "Risk Factors." The following analysis generally discusses 2025 and 2024 items and year-to-year comparisons between 2025 and 2024. Discussions of 2023 items and year-to-year comparisons between 2024 and 2023 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 filed with the SEC on February 20, 2025.

Overview

We develop, manufacture and sell high-performance fiber lasers, fiber amplifiers, diode lasers and laser-based systems that are used for diverse applications, primarily in materials processing, medical and advanced applications. We also

manufacture and sell complementary products used with our lasers including optical delivery cables, fiber couplers, beam switches, optical processing heads, in-line sensors and chillers. We sell our products globally to original equipment manufacturers ("OEMs"), system integrators and end users. We market our products internationally, primarily through our direct sales force. Our major manufacturing facilities are located in the United States and Germany. In response to the risks from the Russia-Ukraine conflict and related sanctions, we have ceased new investment in our Belarusian operations and expanded our manufacturing operations in Germany, the United States and Italy, and have added manufacturing capacity in Poland to meet the demand for our products and our sales and support needs. We have sales and service offices and applications laboratories worldwide.

We are vertically integrated such that we design and manufacture most of the key components used in our finished products, from semiconductor diodes to optical fiber preforms, finished fiber lasers and complementary products. Our vertically integrated operations allow us to reduce manufacturing costs, control quality, rapidly develop and integrate advanced products and protect our proprietary technology.

Description of Our Net Sales, Costs and Expenses

Net sales. We derive net sales primarily from the sale of fiber lasers, fiber amplifiers, diode lasers, laser and non-laser based systems and complementary products. We sell our products to OEMs that supply materials processing laser systems, medical laser systems and other laser systems to end users. We also sell our laser products and laser and non-laser based systems to end users. Our scientists and engineers work closely with OEMs, systems integrators and end users to analyze their system requirements and match appropriate fiber laser, amplifier or system specifications to those requirements. Our sales cycle varies substantially, ranging from a period of a few weeks to as long as one year or more, but is typically several months.

Sales of our products are generally recognized upon shipment, provided that no obligations remain and collection of the receivable is reasonably assured. Sales of customized large scale material processing systems are recognized over time. Our sales typically are made on a purchase order basis rather than through long-term purchase commitments.

We develop our products to standard specifications and use a common set of components within our product architectures. Our major products are based upon a common technology platform. We continually enhance these and other products by improving their components and developing new components and new product designs.

Cost of sales. Our cost of sales consists primarily of the cost of raw materials and components, direct labor expenses and manufacturing overhead. We are vertically integrated and currently manufacture all critical components for our products and assemble finished products. We believe our vertical integration allows us to increase efficiencies, leverage our scale and lower our cost of sales. Cost of sales also includes personnel costs and overhead related to our manufacturing, engineering and service operations, related occupancy and equipment costs, shipping costs and reserves for inventory obsolescence and for warranty obligations. Inventories are written off and charged to cost of sales when identified as excess or obsolete.

Due to our vertical integration strategy and ongoing investment in plant and machinery, we maintain a relatively high fixed manufacturing overhead. We may not be able to or choose not to adjust these fixed costs to adapt to rapidly changing market conditions. Our gross margin is therefore significantly affected by our sales volume and the corresponding utilization of capacity and absorption of fixed manufacturing overhead expenses.

Sales and marketing. Our sales and marketing expense consists primarily of costs related to compensation, trade shows, professional and technical conferences, travel, facilities, amortization of intangible assets identified from acquisitions, depreciation of equipment used for demonstration purposes and other marketing costs.

Research and development. Our research and development expense consists primarily of compensation, development expenses related to the design of our products and certain components, the cost of materials and components to build prototype devices for testing, facilities costs and depreciation of equipment and facilities used for research and development purposes. Costs related to product development are recorded as research and development expenses in the period in which they are incurred.

General and administrative. Our general and administrative expense consists primarily of compensation and associated costs for executive management, finance, legal, human resources, information technology and other administrative personnel, outside legal and professional fees, insurance premiums and fees, allocated facilities costs, depreciation of facilities and other corporate expenses such as charges and benefits related to the change in allowance for credit losses.

Factors and Trends That Affect Our Operations and Financial Results

In reading our financial statements, you should be aware of the following factors and trends that our management believes are important in understanding our financial performance.

Recently announced U.S. Government Tariffs. We continue to closely monitor changes in international trade relations and economic and monetary policies, including recently announced tariffs on imports into the U.S. from China, Germany and other countries, as well as retaliatory tariffs in affected countries, which could adversely impact the global economy and our operating results. On February 20, 2026, the U.S. Supreme Court rendered a decision invalidating tariffs imposed under the International Emergency Economic Powers Act. This decision introduces uncertainty regarding potential refund processes and future trade policy actions. We continue to monitor developments around the Supreme Court's decision and evaluate its potential impact on our future financial results and business. The Supreme Court's ruling has no direct impact on the tariffs in place under Section 232, including tariffs on steel and aluminum. The impact to gross margin related to higher tariffs for the year ended December 31, 2025 was approximately 120 basis points, respectively, as compared to the year ended December 31, 2024.

Sale of our Russian Operations. On August 29, 2024, we completed the sale of our Russian subsidiary, Scientific and Technical Association "IRE-Polus", pursuant to a share purchase agreement with a purchaser entity associated with Softline Projects LLC and existing management of IRE-Polus for $51.1 million. We recorded a loss on divestiture of $197.7 million for the quarter ended September 30, 2024, which was included in Net loss from divestiture and sale of assets in our Consolidated Statements of Operations. The loss included $59.3 million related to the carrying value of net assets of our Russian subsidiary that was in excess of net proceeds received on the sale. Included in the net assets sold was cash and cash equivalents of $74.0 million. Also included in the loss was $135.3 million related to the cumulative translation adjustment component of other comprehensive loss that was previously included in stockholders' equity of our Consolidated Balance Sheets. As a result of the Russia-Ukraine conflict and related sanctions, our ability to ship and receive components from our Russian operations was significantly curtailed. In response, we expanded our manufacturing capacity in Germany, the United States and Italy, and added new manufacturing capacity in Poland which effectively offset our inability to utilize the Russian operations.

Belarusian Operations. We manufacture laser cabinets and other mechanical components in Belarus. In response to the Russia-Ukraine conflict, the EU issued additional sanctions impacting commerce with Belarus on June 29, 2024, which restricted the supply of laser cabinets and other mechanical components from our factory in Belarus to our Germany operations after October 2, 2024. As a result of the sanctions and their impact on our Belarus operations, we completed an impairment analysis of our Belarus assets during the third quarter of 2024 and recorded $26.6 million of impairment of long-lived assets in our Consolidated Statements of Operations. At December 31, 2025, the remaining value of the long-lived assets in Belarus was $4.4 million, net working capital deficit excluding cash was $0.8 million and cash on hand was $1.5 million. The net asset value of our Belarus subsidiary has been reduced by $17.4 million due to the cumulative translation effect of the Belarusian ruble compared to the U.S. dollar, which is included in the accumulated other comprehensive loss component of stockholders' equity. We may incur additional asset impairment charges related to the Belarus operations and the other comprehensive loss that is currently in the equity section of our Consolidated Balance Sheets could be charged to our Consolidated Statements of Operations.

We continue to review our operations in Belarus including potential strategic alternatives. We have qualified third party vendors to supply components previously supplied from Belarus and have begun purchasing from them. Our Board of Directors monitors and continues to assess risks associated with our Belarusian operations.

Net sales. Net sales increased by 3% in 2025, decreased by 24% in 2024, and decreased by 10% in 2023. Our growth rates are subject to several factors, many of which are not under our control.

Our business depends substantially upon capital expenditures by end users, particularly by manufacturers using our products for materials processing, which includes general manufacturing, automotive including electric vehicles ("EV"), other transportation, aerospace, heavy industry, consumer, semiconductor and electronics. Approximately 86% of our revenues in 2025 were from customers using our products for materials processing. Although applications within materials processing are broad, the capital equipment market in general is cyclical and historically has experienced sudden and severe downturns. For the foreseeable future, our operations will continue to depend upon capital expenditures by end users of materials processing equipment and will be subject to the broader fluctuations of capital equipment spending.

In recent years, our net sales and margins have been negatively impacted by tariffs and trade policy. New tariffs and other changes in U.S. trade policy could trigger retaliatory actions by affected countries, and certain foreign governments. We are also susceptible to global or regional disruptions such as political instability, geopolitical conflicts, acts of terrorism, significant fluctuations in currency values, natural disasters and pandemics to the extent that they affect macroeconomic conditions, global supply chains or individual IPG locations.

The average selling prices of our products generally decrease as the products mature. These decreases result from factors such as increased competition, decreased manufacturing costs and increased unit volumes. We may also reduce selling prices in order to penetrate new markets and applications. Furthermore, we may negotiate discounted selling prices from time to time with certain customers that place high unit-volume orders.

The secular shift to fiber laser technology in large materials processing applications, such as welding and cutting applications, had a positive effect on our sales trends in the past such that our sales trends were often better than other capital equipment manufacturers in both positive and negative economic cycles. As the secular shift to fiber laser technology matures in such applications, our sales trends are more susceptible to economic cycles, which can broadly affect the demand for capital equipment including machine tools and industrial lasers, and competition from other fiber laser manufacturers. Additionally, as our technology matures, we become subject to more competition which can affect sales trends.

Gross margin. Our total gross margin in any period can be significantly affected by a number of factors, including net sales, production volumes, competitive factors, product mix, and by other factors such as changes in foreign exchange rates relative to the U.S. dollar, tariffs and shipping costs. Many of these factors are not under our control. The following are examples of factors affecting gross margin:

- As our products mature, we can experience additional competition, which tends to decrease average selling prices and affects gross margin;
- Our gross margin can be significantly affected by product mix. Within each of our product categories, the gross margin is generally higher for devices with greater average power, higher technical complexity or demanding performance parameters. These higher power products often have better performance, more difficult specifications to attain and fewer competing products in the marketplace;
- Higher power lasers also use a greater number of optical components, improving absorption of fixed overhead costs and enabling economies of scale in manufacturing;
- The gross margin for certain specialty products may be higher because there are fewer or sometimes no equivalent competing products;
- Customers that purchase devices in greater unit volumes generally are provided lower prices per device than customers that purchase fewer units. In general, lower selling prices to high unit volume customers reduce gross margin although this may be partially offset by improved absorption of fixed overhead costs associated with larger product volumes, which drive economies of scale;
- Gross margin on systems can be lower than gross margin for our lasers and sub-systems, depending on the configuration, volume and competitive forces, among other factors;
- Persistent inflation leading to increases in average manufacturing salaries as well as an increase in the purchase price of components including, but not limited to, electronic components and metal parts could negatively impact gross margin if we are not able to pass those increases on to customers by increasing the selling price of our products;
- Tariffs and counter-tariffs added, increased, reduced or eliminated in any period;
- Changes in relative exchange rates between currencies we receive when selling our products and currencies we use to pay our manufacturing expenses; and finally,
- Our gross margin from products on new manufacturing lines can be lower due to production inefficiencies, lower yields and high scrap costs.

We expect that some new technologies, products and systems will have returns above our cost of capital but may have gross margins below our corporate average. If we are able to develop opportunities that are significant in size, competitively advantageous or leverage our existing technology base and leadership, our current gross margin levels may not be maintained. Instead, we aim to deliver industry-leading levels of gross margins by growing sales, by taking market share in existing markets, or by developing new applications and markets we address, by reducing the cost of our products and by optimizing the efficiency of our manufacturing operations.

We invested $78.8 million, $98.5 million and $110.5 million in capital expenditures in 2025, 2024 and 2023, respectively. Most of this investment relates to the expansion of our manufacturing capacity and, to a lesser extent, research and development and sales-related facilities. We received $0.9 million, $28.6 million and $31.2 million in proceeds from the sale of property, plant and equipment in 2025, 2024 and 2023, respectively.

A high proportion of our costs is fixed, so costs are generally difficult to adjust or may take time to adjust in response to changes in demand. In addition, our fixed costs increase as we expand our capacity. If we expand capacity faster than is required by sales growth, gross margins could be negatively affected. Gross margins generally decline if production volumes are lower as a result of a decrease in sales or a reduction in inventory because the absorption of fixed manufacturing costs would be reduced. Gross margins generally improve when the opposite occurs. If both sales and inventory decrease in the same period, the decline in gross margin may be greater if we cannot reduce fixed costs or choose not to reduce fixed costs to match the decrease in the level of production. If we experience a decline in sales that reduces absorption of our fixed costs, or if we have production issues, our gross margins will be negatively affected.

We also regularly review our inventory for items that are slow-moving, have been rendered obsolete or are determined to be excess. Any provision for such slow-moving, obsolete or excess inventory affects our gross margins. For example, we recorded provisions for slow-moving, obsolete or excess inventory and other inventory related charges totaling $30.1 million, $82.5 million and $45.5 million in 2025, 2024 and 2023, respectively. Inventory provisions of $29.5 million in 2024 were attributed to items previously considered safety stock and items that became technologically obsolete.

Selling and general and administrative expenses. In the past, we invested in selling and general and administrative costs in order to support continued growth in the Company. As the secular shift to fiber laser technology matures, our sales growth becomes more susceptible to the cyclical trends typical of capital equipment manufacturers. Accordingly, our future management of and investments in selling and general and administrative expenses will also be influenced by these trends, although we may still invest in selling or general and administrative functions to support certain initiatives even in economic down cycles. Certain general and administrative expenses are not related to the level of sales and may vary quarter to quarter based primarily upon the level of acquisitions, litigation and project related consulting expenses.

Research and development expenses. We plan to continue to invest in research and development to improve our existing components and products and develop new components, products, systems and applications technology. We believe that these investments will sustain our position as a leader in the fiber laser industry and will support development of new products that can address new markets and growth opportunities. The amount of research and development expense we incur may vary from period to period.

Goodwill and long-lived assets impairments. We review our intangible assets and property, plant and equipment for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Negative industry or economic trends, including reduced estimates of future cash flows, disruptions to our business, slower growth rates, lack of growth in our relevant business units, differences in the estimated product acceptance rates, or market prices below the carrying value of long-lived assets evaluated for sale could lead to impairment charges against our long-lived assets, including goodwill and other intangible assets.

As noted above, during the year ended December 31, 2024, we completed an impairment analysis of the assets located in Belarus as a result of new EU sanctions that limited our ability to supply laser cabinets and other mechanical components from that facility. Based on this analysis, we recorded a $26.6 million impairment of long-lived assets included in Impairment of long-lived assets in our Consolidated Statements of Operations. At December 31, 2025, the remaining carrying value of the long-lived assets in Belarus is $4.4 million.

Our valuation methodology for assessing impairment requires management to make significant judgments and assumptions based on historical experience and to rely heavily on projections of future operating performance at many points during the analysis. Also, the process of evaluating the potential impairment of goodwill is subjective. We operate in a highly competitive environment and projections of future operating results and cash flows may vary significantly from actual results. If our analysis indicates potential impairment to goodwill in one or more of our reporting units, we may be required to record charges to earnings in our financial statements, which could negatively affect our results of operations.

Foreign exchange. Because we are a U.S.-based company doing business globally, we have both translational and transactional exposure to fluctuations in foreign currency exchange rates. Changes in the relative exchange rate between the U.S. dollar and the foreign currencies in which our subsidiaries operate directly affects our sales, costs and earnings. Differences in the relative exchange rates between where we sell our products and where we incur manufacturing and other operating costs (primarily in the U.S. and Germany) also affects our costs and earnings. Certain currencies experiencing significant exchange rate fluctuations like the euro, the Chinese yuan, and the Japanese yen have had and could have an additional significant impact on our sales, costs and earnings. Our ability to adjust the foreign currency selling prices of products in response to changes in exchange rates is limited and may not offset the impact of the changes in exchange rates on the translated value of sales or costs. In addition, if we increase the selling price of our products in local currencies, this could have a negative impact on the demand for our products.

Income taxes. On December 15, 2022, the European Union (EU) Member States formally adopted the EU's Pillar Two Directive, which generally provides for a minimum effective tax rate of 15%, as established by the Organization for Economic Co-operation and Development ("OECD") Pillar Two Framework that was supported by over 130 countries worldwide. The EU effective dates were January 1, 2024, and January 1, 2025, for different aspects of the directive. The impact of the Pillar Two Framework on our income tax provision in 2024 and 2025 was not material.

On January 5, 2026, the OECD released a comprehensive package introducing a "side-by-side arrangement" in relation to Pillar Two. Importantly, once implemented, this guidance is intended to prevent other jurisdictions from imposing tax on the U.S. profits of American companies. We will continue to monitor U.S. and international legislative developments, including additional guidance related to the Side-by-Side package, in order to evaluate any potential impact on our operations

On July 4, 2025, the U.S. enacted H.R. 1 "A bill to provide for reconciliation pursuant to Title II of H. Con. Res. 14", commonly referred to as the One Big Beautiful Bill Act ("OBBBA"). OBBBA includes significant provisions, such as the permanent extension of certain expiring provisions of the 2017 Tax Cuts and Jobs Act, modifications to the international tax framework and the restoration of favorable tax treatment for certain business provisions. Changes in tax laws may affect recorded deferred tax assets and deferred tax liabilities and our effective tax rate in the future. The legislation does not have a material impact on our financial statements.

Major customers. While we have historically depended on a few customers for a large percentage of our annual net sales, the composition of this group can change from year to year. Net sales derived from our five largest customers as a percentage of our annual net sales were 16%, 13% and 13% in 2025, 2024 and 2023, respectively. One of our customers accounted for 11% and 12% of our net accounts receivable as of December 31, 2025 and 2024, respectively. We seek to add new customers and to expand our relationships with existing customers. We anticipate that the composition of our significant customers will continue to change. We generally do not enter into agreements with our customers obligating them to purchase a fixed number or large volume of our products. If any of our significant customers substantially reduced their purchases from us, our results would be adversely affected.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses. Refer to Note 1, "Nature of Business and Summary of Significant Accounting Policies," in our consolidated financial statements for additional information. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty. We base our estimates and judgments on our historical experience and on other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates, which may materially affect our operating results and financial position. We have identified the following items that require the most significant judgment and often involve complex estimation:

Revenue Recognition. Revenue is recognized when transfer of control to the customer occurs (i.e., when our performance obligation is satisfied) in an amount reflecting the consideration that we expect to be entitled. For the majority of our revenue, this typically occurs at a point in time such as shipment or delivery date, but can occur over time for certain of our customized large scale materials processing systems contracts. We also recognize revenue over time for sales of extended warranties. When goods or services have been delivered to the customer, but all conditions for revenue recognition have not been met, deferred revenue and deferred costs are recorded on our Consolidated Balance Sheets.

Judgments and Uncertainties: Recognizing revenue at shipment or delivery involves some judgment, particularly when we receive orders with multiple delivery dates. We allocate the transaction price of the contract to each delivery date based upon the standalone selling price of each distinct product in the contract. We invoice for each scheduled delivery upon shipment and recognize revenue for such delivery when transfer of control has occurred. Recognizing revenue over time for customized large scale materials processing systems contracts is based on our judgment that these systems do not have an alternative use and we have an enforceable right to payment for performance completed to date. Recognizing revenue over time also requires estimation of the progress towards completion based on the projected costs of the contract.

Sensitivity of Estimate to Change: Recognizing revenue at a point in time is sensitive to changes in shipping or delivery dates. Revenue recognition over time is sensitive to the actual costs incurred as compared to the projected total cost of the project. We monitor the actual and projected costs of these contracts closely. A change in the projected cost of a project will affect the estimated percentage of completion, the amount of revenue recognized and estimated gross margin.

Inventory. We maintain a reserve for excess or obsolete inventory items. The reserve is based upon a review of inventory materials on hand, which we compare with historic usage, estimated future usage and age. In addition, we review the inventory and compare recorded costs with estimates of current market value. Write-downs are recorded to reduce the carrying value to the net realizable value with respect to any part with costs in excess of current market value. In the third quarter of 2024, we recorded $29.5 million of additional inventory provision that was attributed to items previously considered safety stock and items that became technologically obsolete.

Judgments and Uncertainties: Estimating demand and net realizable value is inherently difficult, particularly given that we make highly specialized components and products. We determine the valuation of excess and obsolete inventory by making our best estimate considering the current quantities of inventory on hand and our forecast of the need for this inventory to support future sales of our products. We often have limited information on which to base our forecasts. If future sales differ from these forecasts, the valuation of excess and obsolete inventory may change and additional inventory provisions may be required.

Sensitivity of Estimate to Change: Because of our vertical integration, a significant or sudden decrease in sales could result in a significant change in the estimates of excess or obsolete inventory valuation. Because our calculation of slow-moving, excess or obsolete inventory is based on historical and estimated future use of inventory items, the calculation is affected by sales trends. In 2025, we recorded an inventory provision of $30.1 million to reflect changes in our estimates of future usage and recoverability of inventory items. In 2024, we recorded inventory provision of $29.5 million for items previously considered safety stock and items that became technologically obsolete. In 2023, as sales decreased from prior year, the inventory provision related to slow-moving, excess or obsolete inventory increased.

Long-lived Asset Impairment. Long-lived assets including definite-lived intangible assets are depreciated or amortized on a straight-line basis over the estimated useful life. We review these assets for impairment when conditions exist that indicate the carrying amount of the assets may not be recoverable. Such conditions could include significant adverse changes in the business climate, current-period operating or cash flow losses, significant declines in forecasted operations, or a current expectation that an asset group will be disposed of before the end of its useful life. We perform undiscounted operating cash flow analyses to determine if an impairment exists. When testing for impairment of long-lived assets held for use, we group assets at the lowest level for which cash flows are separately identifiable. If an impairment is determined to exist, the loss is calculated based on estimated fair value based on a probability-weighted average of valuations using the discounted cash flow method under the income approach. We recorded long-lived asset impairment charges of $27.0 million, and $1.2 million in 2024 and 2023, respectively. Impairment charges in 2024 primarily related to the impairment of our Belarus long-lived assets as a result of new sanctions that impacted our business there. The 2023 impairment related to the right-of-use asset for a leased building associated with our Submarine Network Division that was previously divested. There was no impairment during the year ended December 31, 2025.

Judgments and Uncertainties: Our valuation methodology for assessing impairment requires management to make significant judgments and assumptions based on historical experience and to rely heavily on projections of future operating performance at many points during the analysis. Estimating undiscounted operating cash flow used to determine if there is indication of impairment of a long-lived asset requires us to make assumptions and estimates regarding our future plans, as well as industry, economic, and regulatory conditions. Fair value estimates performed to determine impairment charge amounts are subject to underlying changes in estimates and market conditions. Assumptions used in long-lived asset impairment are made at a point in time and require significant judgment; therefore, they are subject to change based on the facts and circumstances present at each impairment test date.

Sensitivity of Estimate to Change: Undiscounted cash flows and fair value are sensitive to changes in underlying assumptions, estimates, and market factors. Negative industry or economic trends, including reduced estimates of future cash flows, disruptions to our business, slower growth rates, lack of growth in our relevant business units, differences in the estimated product acceptance rates, or market prices below the carrying value of long-lived assets evaluated for sale could lead to impairment charges against our long-lived assets.

Income Taxes and Deferred Taxes. Our annual tax rate is based on the income generated in the jurisdictions in which we operate, the statutory tax rates in those jurisdictions and tax planning opportunities available to the Company. We file federal and state income tax returns in the United States and income tax returns in all the foreign jurisdictions in which we operate.

Judgments and Uncertainties: We estimate our income tax expense in each jurisdiction we operate in after considering, among other factors, the pricing of inter-company transactions on an arm's length basis, the differing tax rates between jurisdictions, allocation factors, tax credits, nondeductible items and changes in enacted tax rates. Significant judgment is required in determining the pricing of inter-company transactions, our annual tax expense and in evaluating our tax positions in the various jurisdictions in which we operate. As we continue to expand globally, there is a risk that, due to complexity within

and diversity among the various jurisdictions in which we do business, a governmental agency may disagree with the manner in which we have computed our taxes. Additionally, due to the lack of uniformity among all of the foreign and domestic taxing authorities, there may be situations where the tax treatment of an item in one jurisdiction is different from the tax treatment in another jurisdiction or that the transaction causes a tax liability to arise in another jurisdiction.

In addition, we review the deferred tax assets in each jurisdiction and the positive and negative evidence that would support a conclusion that a valuation allowance is or is not needed. Where it is more likely than not that some portion of the deferred tax assets will not be realized, we record a valuation allowance against the deferred tax assets. The decision to establish a valuation allowance or reverse it is based on management's judgment, which considers the weight of available evidence, including forecasts of future taxable income and the future reversal of existing taxable temporary differences.

Sensitivity of Estimate to Change: We provide reserves for potential payments of tax to various tax authorities related to uncertain tax positions and other issues. Reserves recorded are based on a determination of tax benefits claimed in our tax filings and whether these positions are more likely than not to be realized following the resolution of any potential tax audits related to the tax benefit, assuming that the matter in question will be reviewed by the tax authorities. Potential interest and penalties associated with such uncertain tax positions are recorded as a component of income tax expense. As of December 31, 2025, we had $15.1 million of unrecognized tax benefits, excluding interest and penalties, recorded in other long-term liabilities and deferred income taxes on our Consolidated Balance Sheets. This tax liability increased by $0.2 million for tax positions taken in the current year and $1.4 million for changes in prior period positions.

Results of Operations

The following table sets forth selected statement of operations data for the periods indicated in dollar amounts and expressed as a percentage of net sales:

	Year Ended December 31,					
	2025		2024		2023	
	(In thousands, except percentages and per share data)					
Net sales	$ 1,003,777	100.0 %	$ 977,134	100.0 %	$ 1,287,439	100.0 %
Cost of sales	622,314	62.0	638,979	65.4	745,741	57.9
Gross profit	381,463	38.0	338,155	34.6	541,698	42.1
Operating expenses:						
Sales and marketing	97,862	9.7	89,582	9.2	85,679	6.7
Research and development	117,402	11.7	109,783	11.2	98,704	7.7
General and administrative	143,140	14.3	124,313	12.7	125,749	9.7
Net loss from divestitures and sale of assets	—	—	190,201	19.5	—	—
Impairment of long-lived assets	—	—	27,006	2.7	1,237	0.1
Restructuring charges (recoveries), net	601	0.1	—	—	(288)	—
Loss (gain) on foreign exchange	9,354	0.9	5,524	0.6	(1,356)	(0.1)
Total operating expenses	368,359	36.7	546,409	55.9	309,725	24.1
Operating income (loss)	13,104	1.3	(208,254)	(21.3)	231,973	18.0
Interest income, net	29,857	3.0	45,467	4.7	41,735	3.2
Other income, net	2,135	0.2	899	0.1	1,167	0.1
Income (loss) before provision for income taxes	45,096	4.5	(161,888)	(16.5)	274,875	21.3
Provision for income taxes	14,000	1.4	19,638	2.0	55,997	4.3
Net income (loss)	31,096	3.1 %	$ (181,526)	(18.5)%	$ 218,878	17.0 %
Net income (loss) per common share:						
Basic	$ 0.73		$ (4.09)		$ 4.64	
Diluted	$ 0.73		$ (4.09)		$ 4.63	
Weighted average common shares outstanding:						
Basic	42,345		44,336		47,154	
Diluted	42,650		44,336		47,320	

Comparison of Year Ended December 31, 2025 to Year Ended December 31, 2024

Net sales. Net sales increased by $26.7 million, or 2.7%, to $1,003.8 million in 2025 from $977.1 million in 2024. The table below sets forth sales by application:

	Year Ended December 31,				Change	
	2025		2024			
	(In thousands, except for percentages)					
Sales by Application		% of Total		% of Total		
Materials Processing	$ 860,191	85.7 %	$ 857,336	87.7 %	$ 2,855	0.3 %
Other Applications	143,586	14.3 %	119,798	12.3 %	23,788	19.9 %
Total	$ 1,003,777	100.0 %	$ 977,134	100.0 %	$ 26,643	2.7 %

The table below sets forth sales by type of product and other revenue:

	Year Ended December 31,				Change	
	2025		2024			
	(In thousands, except for percentages)					
Sales by Product		% of Total		% of Total		
High Power Continuous Wave ("CW") Lasers	$ 308,825	30.8 %	$ 332,743	34.1 %	$ (23,918)	(7.2)%
Medium Power CW Lasers	88,178	8.8 %	63,685	6.5 %	24,493	38.5 %
Pulsed Lasers	143,251	14.3 %	146,759	15.0 %	(3,508)	(2.4)%
Quasi-Continuous Wave ("QCW") Lasers	51,772	5.2 %	48,016	4.9 %	3,756	7.8 %
Laser and Non-Laser Systems	147,243	14.6 %	139,145	14.3 %	8,098	5.8 %
Other Revenue including Other Lasers, Amplifiers, Service, Parts, Accessories and Change in Deferred Revenue	264,508	26.3 %	246,786	25.2 %	17,722	7.2 %
Total	$ 1,003,777	100.0 %	$ 977,134	100.0 %	$ 26,643	2.7 %

Our net sales were derived from customers in the following geographic regions:

	Year Ended December 31,				Change	
	2025		2024			
	(In thousands, except for percentages)					
Sales by Geography		% of Total		% of Total		
North America [1]	$ 267,183	26.6 %	$ 258,888	26.5 %	$ 8,295	3.2 %
Europe:						
Germany	105,160	10.5 %	87,800	9.0 %	17,360	19.8 %
Other Europe	138,543	13.8 %	197,152	20.1 %	(58,609)	(29.7)%
Total Europe [2]	243,703	24.3 %	284,952	29.1 %	(41,249)	(14.5)%
Asia:						
China	291,905	29.1 %	244,996	25.1 %	46,909	19.1 %
Japan	66,369	6.6 %	62,352	6.4 %	4,017	6.4 %
Other Asia	121,805	12.1 %	113,232	11.6 %	8,573	7.6 %
Total Asia	480,079	47.8 %	420,580	43.1 %	59,499	14.1 %
Rest of World	12,812	1.3 %	12,714	1.3 %	98	0.8 %
Total	$ 1,003,777	100.0 %	$ 977,134	100.0 %	$ 26,643	2.7 %

(1) The substantial majority of sales in North America are to customers in the United States.

(2) Revenue in Europe declined year over year primarily due to lower sales in cutting and welding applications and the impact of the divestiture of our Russian operations, partially offset by increased sales in cleaning applications, driven largely by the cleanLASER acquisition, as well as increased sales in additive manufacturing.

Materials processing sales accounted for 85.7% of total revenue and increased 0.3% year over year, as a result of increased sales in cleaning, mainly due to the cleanLASER acquisition, additive manufacturing, micromachining, drilling, and annealing, partially offset by decreased sales in cutting, service and parts, and other material processing applications. Other applications sales increased 19.9% year over year driven by higher revenue in advanced applications and medical procedures.

Cost of sales and gross margin. Cost of sales decreased by $16.7 million, or 2.6%, to $622.3 million in 2025 from $639.0 million in 2024. Our gross margin increased to 38.0% in 2025 from 34.6% in 2024. The prior year costs of sales included additional inventory provisions of $29.5 million attributed to items previously considered safety stock and items that became technologically obsolete. Additionally, the increase in gross margin was due to a decrease in unabsorbed manufacturing costs of $20.9 million, partially offset by an increase in cost of products sold of $4.3 million, primarily as a result of higher product costs due to product and geographic mix, and import duties driven by tariffs, partially offset by lower inventory provisions. Expenses related to provisions for excess or obsolete inventory and other valuation adjustments decreased by $52.4 million to $30.1 million, or 3.0% of sales, for the year ended December 31, 2025, as compared to $82.5 million, or 8.4% of sales, for the year ended December 31, 2024.

Sales and marketing expense. Sales and marketing expense increased by $8.3 million, or 9.3%, to $97.9 million in 2025 from $89.6 million in 2024. This change was primarily a result of an increase of $5.8 million in personnel and related costs, reflecting higher performance-based compensation associated with improved financials results. In addition, the increase in sales and marketing expense was also due to an increase of $3.2 million in amortization expense, primarily related to cleanLASER, and an increase of $0.5 million in trade fairs and exhibits expense, partially offset by a decrease of $1.2 million in premises expense. As a percentage of sales, sales and marketing expense was 9.7% and 9.2% of sales in 2025 and 2024, respectively.

Research and development expense. Research and development expense increased by $7.6 million, or 6.9%, to $117.4 million in 2025 from $109.8 million in 2024. This change was primarily a result of an increase of $5.5 million in personnel and related costs, reflecting higher performance-based compensation associated with improved financials results. In addition, the increase in research and development expense was also due to an increase of $3.3 million in consultant fees, and an increase of $1.4 million in materials expense, partially offset by a decrease of $0.9 million in premises expense, a decrease of $0.7 million in lease expense, a decrease of $0.6 million in other R&D expenses, and an increase of $0.4 million in grant income. As a percentage of sales, research and development expense increased to 11.7% in 2025 from 11.2% in 2024. We expect to continue investing in research and development efforts to support new product initiatives and enhancements to existing products, including those targeted for medical, micromachining, and advanced applications.

General and administrative expense. General and administrative expense increased by $18.8 million, or 15.1%, to $143.1 million in 2025 from $124.3 million in 2024. This change was primarily a result of an increase of $14.5 million in personnel and related costs, reflecting higher performance-based compensation associated with improved financial results and increased compensation expense from the addition of new leadership positions. In addition, the increase in general and administrative expense was also due to an increase of $6.9 million in acquisition and integration charges, an increase of $1.2 million in information systems expense, an increase of $0.6 million in accounting expense, and an increase of $0.5 million in travel expense, partially offset by a decrease of $1.4 million in other G&A expense, a decrease of $1.2 million in bad debt expense, a decrease of $1.0 million in premises expense, a decrease of $0.6 million in insurance expense, a decrease of $0.6 million in legal expense, and a decrease of $0.6 million in consultant fees. As a percentage of sales, general and administrative expense increased to 14.3% in 2025 from 12.7% in 2024.

Effect of exchange rates on sales, gross margin and operating expenses. We estimate that if exchange rates had been the same as one year ago, sales in 2025 would have been $8.1 million lower, gross margin would have been $1.5 million lower and sales and marketing, research and development and general and administrative expenses would have been $2.7 million lower. These estimates assume constant exchange rates between fiscal year 2025 and fiscal year 2024 and are calculated using the average exchange rates for the twelve-month period ended December 31, 2024 for the respective currencies, which were US$1=euro 0.92, US$1=Japanese yen 151, and US$1=Chinese yuan 7.19.

Net loss from divestiture and sale of assets. We incurred a net loss of $190.2 million in 2024 as compared to no loss or gain in 2025. The loss primarily related to a loss of $197.7 million upon the divestiture of our Russian operations, partially offset by a gain on sale of assets of $7.5 million related to the sales of a building and land in the U.S. and a building in the U.K.

Impairment of long-lived assets. During the during the year ended December 31, 2024, we completed an impairment analysis of the assets located in Belarus as a result of new EU sanctions that limited our ability to supply laser cabinets and other mechanical components from that facility. Based on this analysis, we recorded $26.6 million of impairment of long-lived assets. There was no impairment during the year ended December 31, 2025.

Restructuring charges (recoveries), net. We incurred $0.6 million in restructuring charges during the year ended December 31, 2025, related to an assessment and further oversight of our Belarusian operations. There were no restructuring charges during the year ended December 31, 2024.

Loss (gain) on foreign exchange. We incurred a foreign exchange loss of $9.4 million in 2025 as compared to a loss of $5.5 million in 2024. The loss in 2025 was primarily driven by unfavorable foreign currency movements relative to the U.S. dollar, including appreciation of the euro, depreciation of the Chinese yuan at certain points during the year and depreciation of the Indian rupee. These movements impacted the remeasurement and settlement of foreign currency-denominated monetary assets and liabilities.

Interest income, net. Interest income, net was $29.9 million in 2025 compared to $45.5 million in 2024. The change in interest income, net was primarily due to a reduction in average cash and investment balances, lower weighted average interest rates across our investment portfolio and geographic mix in the current period as compared to the prior year.

Provision for income taxes. Provision for income taxes was $14.0 million in 2025 compared to $19.6 million in 2024, representing an effective tax rate of 31.0% in 2025 and (12.1)% in 2024. The decrease in tax expense was due primarily to a reduction in taxable income. In 2025, discrete items resulted in a $6.0 million increase in tax primarily due to equity-based compensation deductions reflected in book income in excess of deductions allowed for tax purposes. In 2024 we had tax expense on a loss before income due to the effect of discrete items. Total discrete adjustments in 2024 increased tax expense by $46.0 million. Discrete items include an increase in tax expense of $43.2 million related to the loss on divestiture of Russian operations that had no tax benefit. Other discrete items for 2024 included a $3.2 million benefit related to a decrease in uncertain tax positions and the results of tax audits. This benefit was offset by an increase in tax expense of $5.4 million for equity-based compensation deductions reflected in book income in excess of the deductions allowed for tax purposes.

Net income (loss). Net income (loss) increased by $212.6 million to a net income of $31.1 million in 2025 from a net loss of $181.5 million in 2024. Net income (loss) as a percentage of our net sales increased by 21.6% to 3.1% in 2025 from (18.5)% in 2024 due to the factors described above.

Liquidity and Capital Resources

We believe that our existing cash and cash equivalents, short and long-term investments, our cash flows from operations and our existing lines of credit provide us with the financial flexibility to meet our liquidity and capital needs. We expect to continue making investments in capital expenditures, evaluate acquisition opportunities, repurchase shares of our stock in accordance with our repurchase program, carry out research and development and invest in resources to strengthen our organization. The extent and timing of such expenditures may vary from period to period. Our future long-term capital requirements will depend on many factors including our level of sales, the impact of the economic environment on our growth, the timing and extent of spending to support development efforts, expansion of global sales and marketing activities, government regulation including trade sanctions and tariffs, the timing and introductions of new products, the need to ensure access to adequate manufacturing capacity and the continuing market acceptance of our products. In the near term, we will incur capital expenditures related to the expansion of capacity outside of Russia and Belarus.

As of December 31, 2025, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

The following table presents our principal sources of liquidity:

	As of December 31,	
	2025	2024
	(In thousands)	
Cash and cash equivalents	$ 403,790	$ 620,040
Short-term investments	435,538	310,152
Unused credit lines and overdraft facilities	224,432	78,115
Working capital (defined as current assets, excluding cash and cash equivalents and short-term investments, minus current liabilities)	350,075	295,784

Included in cash and cash equivalents is $1.5 million of cash located in Belarus, as of December 31, 2025.

Short-term investments at December 31, 2025 consist of liquid investments including commercial paper, corporate bonds, U.S. Treasury and agency obligations, and term deposits with original maturities of greater than three months but less than one

year. See Note 3, "Fair Value Measurements" in the notes to the consolidated financial statements for further information about our short-term investments.

The following table details our line-of-credit facilities as of December 31, 2025:

Description	Total Facility/ Note	Interest Rate	Maturity	Security
U.S. Revolving Line of Credit [1]	$200.0 million	SOFR plus 1.25% to 1.45%, depending on our performance	June 2030	Unsecured
Other Lines of Credit [2]	$21.7 million	Various	Various	Unsecured
Euro Credit Facilities (Germany) [3]	Euro 5.9 million ($6.9 million)	Various	Various	Unsecured, guaranteed by parent company
Euro Facility [4]	Euro 1.5 million ($1.8 million)	3M EURIBOR plus 1.25% [5]	N/A [5]	Common pool of assets of Italian subsidiary

[1] At December 31, 2025, there were no drawings and no guarantees issued.
[2] Other lines of credit available to certain foreign subsidiaries in U.S. dollars and their respective local currencies. At December 31, 2025, there was $1.1 million drawn on these lines; and there were $1.8 million of guarantees issued against the lines which reduces total availability.
[3] The facilities are available to certain foreign subsidiaries in their respective local currencies. At December 31, 2025, there were no amounts drawn on this line; however, there were $3.1 million of guarantees issued against the lines which reduces total availability.
[4] At December 31, 2025, there were no drawings and no guarantees issued.
[5] The facility does not have a stated maturity date. The interest rate in effect as of December 31, 2025 is fixed through September 2026. After that date, the interest rate may be renegotiated and availability may be terminated in accordance with the terms of the facility.

At December 31, 2025, our committed credit line is with Bank of America N.A. in the amount of $200 million. Under the credit agreement, we are required to meet certain financial covenants, which are tested quarterly and include an interest coverage ratio and a net leverage ratio. The interest coverage covenant requires we maintain a trailing twelve-month ratio of consolidated EBITDA to consolidated interest expense on all obligations that is at least 3.0 times. The net leverage covenant requires we maintain a trailing twelve-month ratio, which is the sum of all indebtedness for borrowed money on a consolidated basis, less cash and available marketable securities not classified as long-term investments in the U.S. in excess of $50 million up to a maximum of $500 million, to consolidated EBITDA that is less than 3.0 times. We were in compliance with the financial covenants as of December 31, 2025.

In addition to the financial covenants, the credit facility includes additional customary events of default, including non-payment of principal, interest or fees, violation of covenants, cross default to certain other indebtedness, invalidity of any loan document, material judgments, bankruptcy and insolvency events and change of control, subject, in certain instances, to cure periods. Upon the occurrence of an event of default, the lenders may elect to declare amounts outstanding under the Credit Agreement immediately due and payable.

The financial covenants in our loan documents may cause us to not make or to delay investments and actions that we might otherwise undertake because of limits on capital expenditures and amounts that we can borrow or lease. In the event that we do not comply with any one of these covenants, we would be in default under the loan agreement or loan agreements, which may result in acceleration of the debt, cross-defaults on other debt or a reduction in available liquidity, any of which could harm our results of operations and financial condition.

See Note 11, "Financing Arrangements" in the notes to the consolidated financial statements for further information about our facilities.

The following table summarizes our material cash commitments at December 31, 2025 and the effect such commitments are expected to have on our liquidity and cash flows in future periods. We intend to use our existing cash, cash equivalents and investments as well as cash generated from operations as sources of funds for these material commitments.

	Payments Due in	
	Total	Less Than 1 Year
	(In thousands)	
Operating lease obligations	$ 18,994	$ 5,692
Purchase obligations	65,245	64,026
Total [1]	$ 84,239	$ 69,718

[1] Excludes obligations related to ASC 740, reserves for uncertain tax positions, because we are unable to provide a reasonable estimate of the timing of future payments relating to the remainder of these obligations. See Note 16, "Income Taxes" to the consolidated financial statements.

The following table presents cash flow activities:

	As of December 31,	
	2025	2024
	(In thousands)	
Cash provided by operating activities	$ 75,344	$ 247,896
Cash (used in) provided by investing activities	(265,230)	208,732
Cash used in financing activities	(54,192)	(339,621)

Operating activities. Net cash provided by operating activities decreased by $172.6 million to $75.3 million in 2025 from $247.9 million in 2024 primarily due to a decrease in net income after adding back non-cash expenses and an increase in cash used by working capital. Our largest working capital items are inventory and accounts receivable. Items such as accounts payable to third parties, prepaid expenses and other current assets and accrued expenses and other current liabilities are not as significant as our working capital investment in accounts receivable and inventory because of the amount of value added within IPG due to our vertically integrated structure. Accruals and payables for personnel costs including bonuses and income and other taxes payable are largely dependent on the timing of payments for those items. The decrease in cash flow from operating activities in 2025 primarily resulted from:

- an increase in cash used by inventory as we manufactured more in 2025 compared to 2024 when we reduced our investments in inventory;
- an increase in cash used by accounts receivable due to higher sales at the end of 2025 not yet collected as compared to 2024;
- an increase in cash used by income and other taxes payable due to the timing of estimated tax payments made; and
- an increase in cash used by prepaid expenses and other assets due to timing of bank acceptance drafts and interest received.

The decrease in cash provided by operating activities were partially offset by:

- an increase in cash provided by accrued expenses and other current liabilities due to timing of payments for accrued personnel costs, increase in cash provided by customer deposits, and an increase in billings in excess of cost and estimated earnings on customized systems under contract, partially offset by an increase in lease payments and other activities; and
- an increase in cash provided by accounts payable due to timing of payments.

Investing activities. Net cash used in investing activities was $265.2 million in 2025 as compared to cash provided by investing activities of $208.7 million in 2024. The cash used in investing activities in 2025 primarily related to $187.9 million of net purchases of investments and $78.8 million of cash used for property, plant and equipment, partially offset by $0.9 million of proceeds from the sale of property, plant and equipment, and a $0.5 million inflow from the final net working capital settlement in connection with the cleanLASER acquisition. The cash provided by investing activities in 2024 primarily related to $370.3 million of net proceeds from the net maturities of short-term investments and $28.6 million of proceeds from the sale of property, plant and equipment, partially offset by $98.5 million of cash used for property, plant and equipment, $66.7 million of cash used for the acquisition of cleanLASER and $25.3 million of net cash outflow from the divestiture of our Russian operation. The cash proceeds from the sale of our Russian operation were lower than the cash and cash equivalents on hand, resulting in a cash outflow from divestiture.

Financing activities. Net cash used in financing activities was $54.2 million and $339.6 million in 2025 and 2024, respectively. The cash used in financing activities in 2025 was primarily related to the purchase of $53.1 million of treasury stock and the net cash outflow from amounts disbursed in relation to shares withheld to cover employee income taxes due upon the vesting and release of restricted stock units of $1.1 million. The cash used in financing activities in 2024 was primarily related to the purchase of $343.8 million of treasury stock, partially offset by net proceeds of $4.2 million from the exercise of stock options net of amounts disbursed in relation to shares withheld to cover employee income taxes due upon the vesting and release of restricted stock units and shares issued under our employee stock purchase plan.

Recent Accounting Pronouncements

See Note 1, "Nature of Business and Summary of Significant Accounting Policies" in the notes to the consolidated financial statements for a full description of recent accounting pronouncements, including the respective dates of adoption or expected adoption and effects on our consolidated financial statements contained in Part IV of this Annual Report.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

We are exposed to market risk in the ordinary course of business, which consists primarily of interest rate risk associated with our cash and cash equivalents and foreign exchange rate risk.

Interest rate risk. Certain of our financial instruments are subject to interest rate risk due to variable interest rates that fluctuate with market conditions. However, our exposure to market risk from interest rate fluctuations is limited. We maintain a portfolio of cash, cash equivalents, and short-term and long-term investments, which primarily includes bank deposits, money market funds, certificates of deposit, commercial paper, corporate bonds, and U.S. Treasury and agency securities. The majority of these investments mature within one year, although some corporate bonds have maturities approaching, but not exceeding, two years. Due to the short-term to intermediate-term nature of these instruments, we do not expect that a sudden change in market interest rates would have a material impact on our financial condition or results of operations.

We are also exposed to market risk as a result of increases or decreases in the amount of interest expense we must pay on our borrowings on our bank credit facilities. Although our U.S. revolving line of credit and our euro credit facilities have variable rates, we do not believe that a 10% change in market interest rates would have a material impact on our financial position or results of operations.

Exchange rates. Due to our international operations, a significant portion of our net sales, cost of sales and operating expenses are denominated in currencies other than the U.S. dollar, principally the euro and the Chinese yuan. Changes in the exchange rate of the U.S. dollar versus the functional currencies of our subsidiaries affect the translated value and relative level of sales and net income that we report from one period to the next. In addition, our subsidiaries may have assets or liabilities denominated in a currency other than their functional currency, which results in foreign exchange transaction gains and losses due to changes in the value of the functional currency versus the currency the assets and liabilities are denominated in. In 2025, we incurred a loss on foreign exchange transactions of $9.4 million as compared to a loss of $5.5 million in 2024. As our German and Italian subsidiaries have net U.S. dollar denominated assets, the appreciation of the euro relative to the U.S. dollar contributed to a significant portion of the foreign exchange loss in 2025. In addition, our Indian and Chinese subsidiaries have U.S. dollar-denominated liabilities, and the strengthening of the U.S. dollar relative to the Indian rupee and Chinese yuan at certain times during the year also contributed to the foreign exchange loss during the year, though to a lesser extent. Management attempts to minimize these exposures by partially or fully off-setting foreign currency denominated assets and liabilities at our subsidiaries that operate in different functional currencies. The effectiveness of this strategy can be limited by the volume of underlying transactions at various subsidiaries and by our ability to accelerate or delay inter-company cash settlements. As a result, we are unable to create a perfect offset of the foreign currency denominated assets and liabilities. Furthermore, if we expect a currency movement to be beneficial to us in the short or medium term, we have, on occasions, chosen not to hedge or otherwise offset the underlying assets or liabilities. However, it is difficult to predict foreign currency movements accurately.

At December 31, 2025, our material foreign currency exposure consists of net U.S. dollar denominated assets at subsidiaries where the euro is the functional currency, and U.S. dollar denominated liabilities where the Chinese yuan and Indian rupee is the functional currency. The net U.S. dollar denominated assets are comprised of cash, third party receivables and inter-company receivables offset by third party and inter-company U.S. dollar denominated payables. The U.S. dollar denominated liabilities are comprised of inter-company payables.

A 5% change in the relative exchange rate of the U.S. dollar to the euro applied to the net U.S. dollar asset balances as of December 31, 2025, would result in a foreign exchange gain of $0.5 million if the U.S. dollar appreciated and a $0.5 million foreign exchange loss if the U.S. dollar depreciated. A 5% change in the relative exchange rate of the U.S. dollar to the Chinese

yuan applied to the net U.S. dollar liability balances as of December 31, 2025, would result in a foreign exchange loss of $0.7 million if the U.S. dollar appreciated and a $0.8 million foreign exchange gain if the U.S. dollar depreciated. A 5% change in the relative exchange rate of the U.S. dollar to the Indian rupee applied to the net U.S. dollar liability balances as of December 31, 2025, would result in a foreign exchange loss of $0.2 million if the U.S. dollar appreciated and a $0.2 million foreign exchange gain if the U.S. dollar depreciated.

A 5% change in the relative exchange rate of the U.S. dollar to the euro applied to the net U.S. dollar asset balances as of December 31, 2024, would result in a foreign exchange gain of $1.1 million if the U.S. dollar appreciated and a $1.2 million foreign exchange loss if the U.S. dollar depreciated. A 5% change in the relative exchange rate of the U.S. dollar to the Chinese yuan applied to the net U.S. dollar liability balances as of December 31, 2024, would result in a foreign exchange loss of $0.4 million if the U.S. dollar appreciated and a $0.4 million foreign exchange gain if the U.S. dollar depreciated. A 5% change in the relative exchange rate of the U.S. dollar to the South Korea won applied to the net U.S. dollar liability balances as of December 31, 2024, would result in a foreign exchange loss of $0.4 million if the U.S. dollar appreciated and a $0.5 million foreign exchange gain if the U.S. dollar depreciated.

Volatility between the U.S. dollar and the currencies to which we are exposed may be increased by changes in central bank policy, primarily related to interest rates.

In addition, we are exposed to foreign currency translation risk for those subsidiaries whose functional currency is not the U.S. dollar as changes in the value of their functional currency relative to the U.S. dollar affect the translated amounts of our assets and liabilities. Changes in the translated value of assets and liabilities due to changes in functional currency exchange rates relative to the U.S. dollar result in foreign currency translation adjustments that are a component of other comprehensive income or loss on the Consolidated Statements of Comprehensive Income (Loss).

Foreign currency derivative instruments can also be used to hedge exposures and reduce the risks of certain foreign currency transactions; however, these instruments provide only limited protection and can carry significant cost. We have no foreign currency derivative instrument hedges as of December 31, 2025. We will continue to analyze our exposure to currency exchange rate fluctuations and may engage in financial hedging techniques in the future to attempt to minimize the effect of these potential fluctuations. Exchange rate fluctuations may adversely affect our financial results in the future.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

mation is incorporated by reference from pages F-1 through F-33 of this report.

ITEM 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***

None.

ITEM 9A. ***CONTROLS AND PROCEDURES***

Evaluation of Disclosure Controls and Procedures

Under the supervision of our Chief Executive Officer and our Chief Financial Officer, our management has evaluated the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Annual Report on Form 10-K (the "Evaluation Date") utilizing the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control - Integrated Framework ("COSO") Updated Framework issued in 2013. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and its subsidiaries. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of the Evaluation Date based on criteria established in COSO utilizing the Updated Framework issued in 2013. Based on this assessment, our management concluded that, as of the Evaluation Date, our internal control over financial reporting was effective.

Our independent registered public accounting firm, Deloitte & Touche LLP, has audited our internal control over financial reporting, as stated in their report below.

Changes in Internal Controls

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that the disclosure controls and procedures or internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, errors and instances of fraud, if any, within the company have been or will be detected.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of IPG Photonics Corporation

Control over Financial Reporting

We have audited the internal control over financial reporting of IPG Photonics Corporation and subsidiaries (the "Company") as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2025, of the Company and our report dated February 23, 2026, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
February 23, 2026

ITEM 9B. ***OTHER INFORMATION***

None of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," in each case as defined in Item 408 of Regulation S-K during the quarter ended December 31, 2025.

ITEM 9C. ***DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS***

Not applicable.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

Certain of the information required hereunder is incorporated herein by reference to our definitive Proxy Statement to be filed pursuant to Regulation 14A, which Proxy Statement is anticipated to be filed with the SEC within 120 days after December 31, 2025. Pursuant to General Instruction G(3) of Form 10-K, additional information required hereunder relating to our executive officers is contained in Part I of this Annual Report on Form 10-K under the caption "Executive Officers of the Registrant."

ITEM 11. *EXECUTIVE COMPENSATION*

The information required hereunder is incorporated herein by reference to our definitive Proxy Statement to be filed pursuant to Regulation 14A, which Proxy Statement is anticipated to be filed with the SEC within 120 days after December 31, 2025.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

The information required hereunder is incorporated herein by reference to our definitive Proxy Statement to be filed pursuant to Regulation 14A, which Proxy Statement is anticipated to be filed with the SEC within 120 days after December 31, 2025, with the exception of the information regarding securities authorized for issuance under our equity compensation plans, which is set forth below.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, RSUs and PSUs (a)	Weighted-Average Exercise Price of Outstanding Options, RSUs and PSUs (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved by Security Holders [1]	1,824,226	$ 100.68	2,366,752
Equity Compensation Plans Not Approved by Security Holders	—		—
Total	1,824,226		2,366,752

[1] As of December 31, 2025, there were 2,133,891 shares available for future issuance under the 2025 Incentive Compensation Plan and 232,861 shares available for future issuance under the employee stock purchase plan.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

The information required hereunder is incorporated herein by reference to our definitive Proxy Statement to be filed pursuant to Regulation 14A, which Proxy Statement is anticipated to be filed with the SEC within 120 days after December 31, 2025.

ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

The information required hereunder is incorporated herein by reference to our definitive Proxy Statement to be filed pursuant to Regulation 14A, which Proxy Statement is anticipated to be filed with the SEC within 120 days after December 31, 2025.

PART IV

ITEM 15. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***

a. The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements.

   See Index to Financial Statements on page F-1.

2. Financial Statement Schedules.

   All schedules are omitted because they are not applicable or the required information is shown on the financial statements or notes thereto.

3. Exhibits.

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 1, 2023)
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the Commission on January 23, 2023)
4.1	Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement No. 333-136521 filed with the Commission on November 14, 2006)
4.2	Description of the Registrant's Securities Registered under Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K filed with the Commission on February 24, 2020)
10.1†	2025 Incentive Compensation Plan effective May 20, 2025 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on May 21, 2025)
10.2†	IPG Photonics Corporation Non-Employee Director Compensation Plan, as amended and restated effective September 30, 2025 (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the Commission on October 3, 2025)
10.3†	IPG Photonics Corporation 2008 Employee Stock Purchase Plan, as amended and restated effective December 1, 2018 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on June 3, 2019)
10.4†	IPG Photonics Corporation Senior Executive Annual Incentive Plan, as amended and restated September 30, 2025 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Commission on October 3, 2025)
10.5	Form of Indemnification Agreement between the Registrant and each of its Directors and Executive Officers (incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K/A filed with the Commission on February 22, 2017)
10.6†	Confidentiality, Non-Competition and Confirmatory Assignment Agreement dated May 4, 2021 between the Registrant and Dr. Eugene Scherbakov (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 4, 2021)
10.7†	Advisor Agreement dated April 25, 2024 between the Registrant and Dr. Eugene Scherbakov (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Commission on April 30, 2024)
10.8†	Employment Agreement dated April 25, 2024 between the Registrant and Dr. Mark Gitin (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on April 30, 2024)
10.9†	Amendment to Employment Agreement between the Registrant and Dr. Mark Gitin, dated September 30, 2025 (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the Commission on October 3, 2025)
10.10†	Form of Confidentiality, Non-Competition and Confirmatory Assignment Agreement between the Registrant and each of the named executive officers and certain other executive officers, (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the Commission on October 15, 2013)
10.11†	Form of Letter amending Confidentiality, Non-Competition and Confirmatory Assignment Agreements between the Registrant and each of the named executive officers and certain other executive officers (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K/A filed with the Commission on February 22, 2017)
10.12†	IPG Photonics Corporation Executive Severance Plan, amended and restated on September 30, 2025 (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed with the Commission on October 3, 2025)
10.13†	Form of Severance Plan Participation Agreements dated September 30, 2025 between the Registrant and each of Angelo Lopresti, Timothy Mammen, Trevor Ness and Dr. Igor Samartsev (incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed with the Commission on October 3, 2025)

10.14†	Services Agreement dated August 15, 2024 between the Registrant and Dr. Alexander Ovtchinnikov (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on August 16, 2024)
10.15†	Amendment to Services Agreement dated April 8, 2025 between the Registrant and Dr. Alexander Ovtchinnikov (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the Commission on April 11, 2025)
10.16†	Managing Director's Service Contract dated July 1, 2025 between IPG Photonics GmbH & Co. KG and Dr. Paulus Bucher (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on July 8, 2025)
10.17	Credit Agreement dated as of June 24, 2025 among the Registrant and certain subsidiaries, and Bank of America, N.A., in its capacity as Administrative Agent, Swing Line Lender and L/C Issuer, the other L/C Issuers, and the other Lenders from time to time a party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Commission on June 30, 2025)
10.18	The Registration Rights Agreement by and between IQ EQ Trust Company, U.S., LLC, as trustee of each of The Valentin Gapontsev Trust I, and The Valentin Gapontsev Trust III and the Registrant dated February 20, 2025 (incorporated by reference to Exhibit 10.1 to the Form S-3 Registration Statement filed with the Commission on February 20, 2025)
19	Insider Trading Policy
21.1*	List of Subsidiaries
23.1*	Consent of Deloitte & Touche LLP
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 1350
97	IPG Photonics Corporation Incentive Based Compensation Recoupment Policy
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith. The certification attached as Exhibit 32.1 that accompanies this Annual Report on Form 10-K is deemed furnished and not filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation.

† Identifies management contract or compensatory plans or arrangements required to be filed as an exhibit.

b. Exhibits.

See (a)(3) above.

c. Additional Financial Statement Schedules.

All schedules are omitted because they are not applicable or the required information is shown on the financial statements or notes thereto.

ITEM 16. ***FORM 10-K SUMMARY***

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 23, 2026.

IPG PHOTONICS CORPORATION

By: /s/ Mark M. Gitin
Mark M. Gitin
Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Mark M. Gitin and Angelo P. Lopresti, jointly and severally, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Mark M. Gitin Mark M. Gitin	Chief Executive Officer and Director (Principal Executive Officer)	February 23, 2026
/s/ Timothy P.V. Mammen Timothy P.V. Mammen	Senior Vice President, Chief Financial Officer (Principal Financial Officer)	February 23, 2026
/s/ Mary E. Buttarazzi Mary E. Buttarazzi	Vice President, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	February 23, 2026
/s/ Gregory Beecher Gregory Beecher	Director	February 23, 2026
/s/ Jeanmarie Desmond Jeanmarie Desmond	Director	February 23, 2026
/s/ Gregory Dougherty Gregory Dougherty	Director	February 23, 2026
/s/ Kolleen Kennedy Kolleen Kennedy	Director	February 23, 2026
/s/ Eric Meurice Eric Meurice	Director	February 23, 2026
/s/ Natalia Pavlova Natalia Pavlova	Director	February 23, 2026
/s/ John Peeler John Peeler	Non-Executive Chair of the Board and Director	February 23, 2026
/s/ Eugene Scherbakov Eugene Scherbakov	Director	February 23, 2026
/s/ Agnes Tang Agnes Tang	Director	February 23, 2026

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of IPG Photonics Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of IPG Photonics Corporation and subsidiaries (the "Company") as of December 31, 2025 and 2024, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2026, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Excess or Obsolete Inventory Reserve: Refer to Notes 1 and 4 to the financial statements

Critical Audit Matter Description

The Company evaluates inventory each reporting period for excess quantities and obsolescence, recording inventory provisions when necessary based upon historic usage, estimated future usage and age. Once recorded, these inventory provisions are considered permanent adjustments to the carrying value of inventory. The Company recorded inventory provisions of $30.1 million for the year ended December 31, 2025.

We identified the provision for excess quantities and obsolete inventory as a critical audit matter because of the significant estimates and assumptions management makes to quantify the inventory provisions to be recorded, including the determination of expected demand, especially when considering the vertically integrated nature of the Company's operations, as well as parts subject to technological obsolescence. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the policy and the reasonableness of assumptions including expected demand.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's judgments underlying the calculation of excess or obsolete inventory provisions, included the following, among others:

- We tested the effectiveness of controls over inventory, including those over the estimation of inventory provisions for excess quantities and obsolescence.
- We evaluated the reasonableness of the Company's excess and obsolete inventory provisions policy, considering historical experience and the underlying assumptions.
- We tested the calculation of the excess and obsolete inventory provisions pursuant to the Company's policy, including the completeness and accuracy of the data used in the calculation.
- We evaluated management's ability to estimate future demand by comparing actual inventory usage to estimates made in prior years.
- We considered the existence of contradictory evidence based on consideration of internal communication to management and the board of directors, Company press releases, and analysts' reports, as well as any changes within the business.

/s/ Deloitte & Touche LLP

Boston, Massachusetts
February 23, 2026

We have served as the Company's auditor since 1999.

IPG PHOTONICS CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31, 2025	December 31, 2024
	(In thousands, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 403,790	$ 620,040
Short-term investments	435,538	310,152
Accounts receivable, net	181,734	171,131
Inventories	313,416	284,780
Prepaid income taxes	43,196	17,592
Prepaid expenses and other current assets	45,766	27,300
Total current assets	1,423,440	1,430,995
Long-term investments	76,533	—
Deferred income taxes, net	123,889	115,031
Goodwill	71,735	67,241
Intangible assets, net	49,933	55,376
Property, plant and equipment, net	637,516	588,375
Other assets	41,234	32,246
Total assets	$ 2,424,280	$ 2,289,264
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 39,288	$ 35,385
Accrued expenses and other current liabilities	184,849	152,048
Income taxes payable	9,900	17,586
Total current liabilities	234,037	205,019
Other long-term liabilities and deferred income taxes	62,113	59,774
Total liabilities	296,150	264,793
Commitments and contingencies (Note 13)		
IPG Photonics Corporation equity:		
Common stock, $0.0001 par value, 175,000,000 shares authorized; 56,964,939 and 42,127,067 shares issued and outstanding, respectively, at December 31, 2025; 56,632,974 and 42,548,561 shares issued and outstanding, respectively, at December 31, 2024.	6	6
Treasury stock, at cost, 14,837,872 and 14,084,413 shares held at December 31, 2025 and December 31, 2024, respectively.	(1,555,629)	(1,505,321)
Additional paid-in capital	1,077,172	1,035,285
Retained earnings	2,644,964	2,613,868
Accumulated other comprehensive loss	(38,383)	(119,367)
Total stockholders' equity	2,128,130	2,024,471
Total liabilities and stockholders' equity	$ 2,424,280	$ 2,289,264

See notes to consolidated financial statements.

IPG PHOTONICS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2025	2024	2023
	(In thousands, except per share data)		
Net sales	$ 1,003,777	$ 977,134	$ 1,287,439
Cost of sales	622,314	638,979	745,741
Gross profit	381,463	338,155	541,698
Operating expenses:			
Sales and marketing	97,862	89,582	85,679
Research and development	117,402	109,783	98,704
General and administrative	143,140	124,313	125,749
Net loss from divestitures and sale of assets	—	190,201	—
Impairment of long-lived assets	—	27,006	1,237
Restructuring charges (recoveries), net	601	—	(288)
Loss (gain) on foreign exchange	9,354	5,524	(1,356)
Total operating expenses	368,359	546,409	309,725
Operating income (loss)	13,104	(208,254)	231,973
Other income, net:			
Interest income, net	29,857	45,467	41,735
Other income, net	2,135	899	1,167
Total other income	31,992	46,366	42,902
Income (loss) before provision for income taxes	45,096	(161,888)	274,875
Provision for income taxes	14,000	19,638	55,997
Net income (loss)	31,096	(181,526)	218,878
Net income (loss) per common share:			
Basic	$ 0.73	$ (4.09)	$ 4.64
Diluted	$ 0.73	$ (4.09)	$ 4.63
Weighted average shares outstanding:			
Basic	42,345	44,336	47,154
Diluted	42,650	44,336	47,320

See notes to consolidated financial statements.

IPG PHOTONICS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
Net income (loss)	$ 31,096	$ (181,526)	$ 218,878
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments and other	80,984	93,163	(7,854)
Unrealized loss on derivatives	—	—	(152)
Total other comprehensive income (loss)	80,984	93,163	(8,006)
Comprehensive income (loss)	$ 112,080	$ (88,363)	$ 210,872

See notes to consolidated financial statements.

IPG PHOTONICS CORPORATION

CONSOLIDATED STATEMENTS OF EQUITY

	Year Ended December 31,							
	Common Stock		Treasury Stock					
(In thousands, except share data)	Shares	Amount	Shares	Amount	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
Balance, January 1, 2023	**48,138,257**	**$ 6**	**(7,879,415)**	**$ (938,009)**	**$ 951,371**	**$ 2,576,516**	**$ (204,524)**	**$ 2,385,360**
Vesting of RSUs and PSUs, net of shares withheld for taxes, and exercise of stock options	241,782	—	—	—	(1,891)	—	—	(1,891)
Common stock issued under employee stock purchase plan	57,984	—	—	—	5,038	—	—	5,038
Purchased common stock	(2,117,352)	—	(2,117,352)	(223,496)	—	—	—	(223,496)
Stock-based compensation	—	—	—	—	39,502	—	—	39,502
Net income	—	—	—	—	—	218,878	—	218,878
Foreign currency translation adjustments and other	—	—	—	—	—	—	(7,854)	(7,854)
Unrealized loss on derivatives, net of tax	—	—	—	—	—	—	(152)	(152)
Balance, December 31, 2023	**46,320,671**	**$ 6**	**(9,996,767)**	**$ (1,161,505)**	**$ 994,020**	**$ 2,795,394**	**$ (212,530)**	**$ 2,415,385**
Vesting of RSUs and PSUs, net of shares withheld for taxes, and exercise of stock options	241,475	—	—	—	(728)	—	—	(728)
Common stock issued under employee stock purchase plan	74,061	—	—	—	4,923	—	—	4,923
Purchased common stock	(4,087,646)	—	(4,087,646)	(343,816)	—	—	—	(343,816)
Stock-based compensation	—	—	—	—	37,070	—	—	37,070
Net loss	—	—	—	—	—	(181,526)	—	(181,526)
Foreign currency translation adjustments and other	—	—	—	—	—	—	93,163	93,163
Balance, December 31, 2024	**42,548,561**	**$ 6**	**(14,084,413)**	**$ (1,505,321)**	**$ 1,035,285**	**$ 2,613,868**	**$ (119,367)**	**$ 2,024,471**
Vesting of RSUs and PSUs, net of shares withheld for taxes, and exercise of stock options	245,713	—	—	—	(6,184)	—	—	(6,184)
Common stock issued under employee stock purchase plan	86,252	—	—	—	5,124	—	—	5,124
Purchased common stock	(753,459)	—	(753,459)	(50,308)	—	—	—	(50,308)
Stock-based compensation	—	—	—	—	42,947	—	—	42,947
Net income	—	—	—	—	—	31,096	—	31,096
Foreign currency translation adjustments and other	—	—	—	—	—	—	80,984	80,984
Balance, December 31, 2025	**42,127,067**	**$ 6**	**(14,837,872)**	**$ (1,555,629)**	**$ 1,077,172**	**$ 2,644,964**	**$ (38,383)**	**$ 2,128,130**

See notes to consolidated financial statements.

IPG PHOTONICS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2025	2024	2023
	(In thousands)		
Cash flows from operating activities:			
Net income (loss)	$ 31,096	$ (181,526)	$ 218,878
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	66,854	61,443	69,621
Deferred income taxes	(13,680)	(25,660)	(13,789)
Stock-based compensation	42,947	37,070	39,502
Impairment of long-lived assets and restructuring (recoveries), net	—	27,006	(486)
Unrealized (gain) loss on foreign currency transactions	(822)	1,161	(4,334)
Net loss from divestitures and sales of assets	—	190,201	—
Provisions for inventory, warranty and bad debt	43,314	90,377	61,058
Amortization of premium/discount on investments	(14,017)	(17,657)	(25,102)
Other	4,969	3,962	5,194
Changes in assets and liabilities that (used) provided cash, net of acquisitions:			
Accounts receivable	(4,761)	46,827	(10,395)
Inventories	(52,918)	47,725	1,823
Prepaid expenses and other current assets	(11,050)	6,527	(2,025)
Accounts payable	4,334	(1,526)	(16,319)
Accrued expenses and other current liabilities	10,267	(37,355)	(44,693)
Income and other taxes payable	(31,189)	(679)	17,053
Net cash provided by operating activities	75,344	247,896	295,986
Cash flows from investing activities:			
Purchases of and deposits on property, plant and equipment	(78,798)	(98,524)	(110,483)
Proceeds from sales of property, plant and equipment	922	28,578	31,241
Purchases of investments	(943,323)	(713,151)	(1,232,863)
Proceeds from maturities of investments	755,421	1,083,464	1,073,993
Acquisitions of businesses, net of cash acquired	505	(66,738)	—
Net cash outflow from divestiture	—	(25,324)	—
Other	43	427	558
Net cash (used in) provided by investing activities	(265,230)	208,732	(237,554)
Cash flows from financing activities:			
Principal payments on long-term borrowings	—	—	(16,031)
Payments for taxes related to net share settlement of equity awards less proceeds from issuance of common stock under employee stock option and purchase plans	(1,060)	4,195	3,147
Purchase of treasury stock, at cost including excise tax	(53,132)	(343,816)	(223,496)
Net cash used in financing activities	(54,192)	(339,621)	(236,380)
Effect of changes in exchange rates on cash and cash equivalents	27,828	(11,641)	(5,587)
Net (decrease) increase in cash and cash equivalents	(216,250)	105,366	(183,535)
Cash and cash equivalents — Beginning of year	620,040	514,674	698,209
Cash and cash equivalents — End of year	$ 403,790	$ 620,040	$ 514,674
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 226	$ 277	$ 1,284
Cash paid for income taxes	$ 57,008	$ 40,632	$ 62,916
Cash paid for excise tax on net share repurchases	$ 3,113	$ 1,893	$ —
Non-cash transactions:			
Demonstration units transferred from inventory to other assets	$ 8,379	$ 6,720	$ 5,404
Inventory transferred to machinery and equipment	$ 2,691	$ 3,158	$ 2,767
Additions to property, plant and equipment included in accounts payable	$ 3,769	$ 5,971	$ 3,251
Leased assets obtained in exchange for new operating lease liabilities	$ 7,504	$ 6,195	$ 4,457
Excise tax on net share repurchases accrued in period	$ 289	$ 3,197	$ 1,809

See notes to consolidated financial statements.

IPG PHOTONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business — IPG Photonics Corporation (the "Company" or "IPG") develops, manufactures and sells high-performance fiber lasers, fiber amplifiers, and diode lasers that are used for diverse applications, primarily in materials processing. The Company was incorporated as a Delaware corporation in December 1998. Its world headquarters is located in Marlborough, Massachusetts. It also has facilities and sales offices elsewhere in North and South America, Europe and Asia.

Principles of Consolidation — The accompanying financial statements include the accounts of the Company and its majority-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Change in Accounting Estimates — In December 2024, we completed an assessment of the useful lives of our machinery and equipment. Based on the Company's historical usage patterns and experience with these assets, we determined that the estimated useful life for most machinery and equipment should be increased from seven to ten years for most assets based upon the Company's experience of historical usage. The change in estimate resulted in a decrease of depreciation expense reflected in the Company's Consolidated Statements of Operations. As a result of this change, Operating income and Net income increased approximately $3,700 and $2,800 for the year ended December 31, 2025, respectively, and diluted net income per common share increased approximately $0.07 for the year ended December 31, 2025. The impact was immaterial for the year ended December 31, 2024.

Foreign Currency — The financial information for entities outside the United States is measured using local currencies as the functional currency. Assets and liabilities are translated into U.S. dollars at the exchange rate in effect on the respective balance sheet dates. Income and expenses are translated into U.S. dollars based on the average rate of exchange for the corresponding period. Exchange rate differences resulting from translation adjustments are accounted for directly as a component of accumulated other comprehensive (loss) income.

Cash and Cash Equivalents and Investments — Cash and cash equivalents consist primarily of highly liquid investments, such as money market fund deposits, commercial paper, U.S. government and government agency notes, term deposits, and corporate bonds with maturities of three months or less at the date of purchase with insignificant interest rate risk. Short-term investments consist of liquid investments including commercial paper, corporate bonds, U.S. government and government agency notes and term deposits with original maturities of greater than three months but less than one year with insignificant interest rate risk. Long-term investments consist of liquid investments including corporate bonds and U.S. government and government agency notes with original maturities of greater than one year with insignificant interest rate risk. Fixed-term securities included in cash equivalents and investments are held-to-maturity and accounted for at amortized cost.

Accounts Receivable and Allowance for Credit Losses — Accounts receivable include $32,158 and $26,361 of bank acceptance drafts at December 31, 2025 and 2024, respectively. Bank acceptance drafts are bank guarantees of payment on specified dates. The weighted average maturity of these bank acceptance drafts is approximately 106 days. The Company maintains an allowance for credit losses to provide for the estimated amount of accounts receivable that will not be collected. The allowance is based upon an estimate of expected credit losses over the life of outstanding receivables. The estimate involves an assessment of customer creditworthiness, historical payment experience, an assumption of future expected credit losses, and the age of outstanding receivables.

Activity related to the allowance for credit losses was as follows:

	2025	2024	2023
Balance at January 1	$ 2,462	$ 1,763	$ 2,639
Provision for credit losses, net of recoveries	156	1,370	36
Uncollectible accounts written off	(554)	(588)	(840)
Foreign currency translation	125	(83)	(72)
Balance at December 31	$ 2,189	$ 2,462	$ 1,763

Inventories — Inventories are stated at the lower of cost and net realizable value on a first-in, first-out basis. Inventories include parts and components that may be specialized in nature and subject to obsolescence. The Company periodically reviews the quantities and carrying values of inventories to assess whether the inventories are recoverable. The costs associated with provisions for excess quantities, technological obsolescence, or scrap related to out of specification components are charged to cost of sales as incurred.

Business Combination — The fair value of the consideration exchanged in a business combination is allocated to tangible assets and identifiable intangible assets acquired and liabilities assumed at acquisition date fair value. Goodwill is measured as the excess of the consideration transferred over the net fair value of identifiable assets acquired and liabilities assumed. The accounting for an acquisition involves a considerable amount of judgment and estimation. Cost, income, market or a combination of approaches may be used to establish the fair value of consideration exchanged, assets acquired, and liabilities assumed, depending on the nature of those items. The valuation approach is determined in accordance with generally accepted valuation methods. Key areas of estimation and judgment may include the selection of valuation approaches, cost of capital, market characteristics, cost structure, impacts of synergies, and estimates of terminal value, among other factors.

The Company's estimates and assumptions used as part of the purchase price allocation process are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill. Upon conclusion of the measurement period, or final determination of the value of the assets acquired and liabilities assumed, whichever comes first, any subsequent adjustments are recorded to results of operations.

Goodwill — Goodwill is the amount by which the cost of the acquired net assets in a business acquisition exceeded the fair values of the net identifiable assets on the date of purchase. Goodwill is assessed for impairment at least annually, on a reporting unit basis, or more frequently when events and circumstances occur indicating that the recorded goodwill may be impaired. The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. If the carrying value of a reporting unit exceeds its fair value, the implied fair value of goodwill is compared with the carrying value of goodwill. If the carrying value of goodwill exceeds the implied fair value, an impairment loss is recorded in an amount equal to that excess. The results of the goodwill assessments for the years ended December 31, 2025 and 2024 are discussed in Note 7, "Goodwill and Intangible Assets."

Intangible Assets — Intangible assets result from the Company's various business acquisitions. Intangible assets are reported at cost, less accumulated amortization, and are amortized on a straight-line basis either over their estimated useful lives of one year to thirteen years or over the period the economic benefits of the intangible asset are consumed.

Property, Plant and Equipment — Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is determined using the straight-line method based on the estimated useful lives of the related assets. In the case of leasehold improvements, the estimated useful lives of the related assets do not exceed the remaining terms of the corresponding leases. The following table presents the assigned economic useful lives of property, plant and equipment:

Category	Economic Useful Life
Buildings	20-30 years
Machinery and equipment	5-10 years
Office furniture and fixtures	5-7 years

Expenditures for repairs and maintenance are charged to operating expenses when they are incurred.

Long-Lived Assets — Long-lived assets, which consist primarily of property, plant and equipment, identifiable intangible assets and right-of-use ("ROU") assets, are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recorded equal to the amount by which the carrying value exceeds the fair value of assets. The impact of the long-lived assets impairment for the years ended December 31, 2025 and 2024 are discussed in Note 5, "Divestiture, Impairment of Long-lived Assets and Sale of Assets."

Included in other long-term assets is certain demonstration equipment. The demonstration equipment is amortized over the respective estimated economic lives, generally 3 years. The carrying value of the demonstration equipment totaled $7,215 and $5,480 at December 31, 2025 and 2024, respectively. Amortization expense of demonstration equipment for the years ended December 31, 2025, 2024 and 2023, was $4,307, $3,111 and $3,480, respectively.

Authorized Capital — The Company has authorized capital stock consisting of 175,000,000 shares of common stock, par value $0.0001 per share, and 5,000,000 shares of preferred stock, par value $0.0001 per share. There are no shares of preferred stock outstanding as of December 31, 2025.

Revenue Recognition — Revenue is recognized when transfer of control to the customer occurs in an amount reflecting the consideration that the Company expects to be entitled. In order to achieve this core principle, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

The Company considers customer purchase orders, which in some cases are governed by master sales agreements, to be contracts with a customer. As part of its consideration of the contract, the Company evaluates certain factors including the customer's ability to pay (or credit risk). For each contract, the Company considers the promise to transfer products, each of which is identified as a distinct performance obligation. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled. As the Company's standard payment terms are less than one year, the Company has elected the practical expedient under ASC 606-10-32-18 to not assess whether a contract has a significant financing component. The Company allocates the transaction price to each distinct product based on its relative standalone selling price.

The Company often receives orders with the customer's schedule of delivery dates for products that may extend across several reporting periods. The Company allocates the transaction price of the contract to each delivery based on the product standalone selling price. As scheduled delivery dates are generally within one year, under the optional exemption provided by ASC 606-10-50-14 revenues allocated to future shipments of partially completed contracts are not disclosed. As the Company is typically required to fulfill customer orders within a year, the Company’s backlog of orders is generally not in excess of one year for products to be delivered. As allowed under ASC 606 – Revenue Contracts with Customers, the Company has elected not to disclose the Company’s remaining performance obligations, which represent the costs associated with the completion of the manufacturing process of in-process equipment related to contracts that have an original duration of one year or less.

Rights of return are not generally included in customer contracts. Returns are infrequent and are recorded as a reduction of revenue.

In certain subsidiaries the Company provides sales commissions to sales representatives based on sales volume. The Company has determined that the incentive portion of its sales commissions qualify as contract costs. The Company has elected the practical expedient in ASC 340-40-25-4 to expense sales commissions when incurred as the amortization period of the asset that would otherwise have been recognized is one year or less.

Revenue Recognition at a Point in Time — Revenues recognized at a point in time consist primarily of product, installation and service sales. The Company recognizes revenue for laser and spare part sales following the transfer of control of such products to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying contracts. Installation revenue is recognized upon completion of the installation service, which typically occurs within 90 days of delivery. When sales contracts contain multiple performance obligations, such as the shipment or delivery of products and installation, the Company allocates the transaction price to each performance obligation identified in the contract based on relative standalone selling prices and recognizes the related revenue as control of each individual product or service is transferred to the customer, in satisfaction of the corresponding performance obligations.

Revenue Recognition over Time — The Company offers extended warranty agreements, which extend the standard warranty periods. Extended warranties are sold separately from products and represent a distinct performance obligation. Revenue related to the performance obligation for extended warranties is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Company. The customer receives the assurance that the product will operate in accordance with agreed-upon specifications evenly during the extended warranty period regardless of whether they make a claim during that period, and therefore, revenue at time of sale is deferred and recognized over the time period of the extended warranty period.

The Company enters into contracts to sell customized large scale materials processing systems through its subsidiary Genesis Systems Group, LLC, for which revenue is generally recognized over time, depending on the terms of the contract. Recognizing revenue over time for these contracts is based on the Company's judgment that the customized large scale materials processing systems do not have an alternative use and the Company has an enforceable right to payment for performance completed to date.

The determination of the revenue to be recognized in a given period for performance obligations over time is based on the input method. The Company generally uses the total cost-to-cost input method of progress because it best depicts the transfer of control to the customer that occurs as costs are incurred. Under the cost-to-cost method, the extent of progress towards completion is measured based on the proportion of costs incurred to date to the total estimated costs at completion of the performance obligation.

Customer Deposits and Deferred Revenue — When the Company receives consideration from a customer or such consideration is unconditionally due prior to transferring goods or services under the terms of a sales contract, the Company records customer deposits or deferred revenue, which represent contract liabilities. The Company recognizes deferred revenue as net sales after control of the goods or services has been transferred to the customer and all revenue recognition criteria are met.

Warranties — The Company typically provides one to five-year warranties on lasers and amplifiers. Warranties are limited and provide that the product meets specifications and is free from defects in materials and workmanship. Most of the Company's sales offices provide support to customers in their respective geographic areas. The Company estimates the warranty accrual considering past claims experience, the number of units still covered by warranty and the average life of the remaining warranty period. The warranty accrual has generally been sufficient to cover product warranty repair and replacement costs.

Stock-based Compensation — The Company accounts for stock-based compensation expense using the fair value of the awards granted. The Company issues equity incentive awards in the form of time-based restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs"). The fair value for RSUs and performance-based PSUs are based on the closing share price of the Company's common stock on the date of grant. The final number of shares delivered upon vesting of PSUs is determined based on the achievement of specified performance targets such as financial metrics or the relative return of the Company's common stock compared to an index ("TSR PSUs"). The fair value of TSR PSUs is based on a Monte Carlo simulation model. The Company recognizes stock-based compensation as an expense on a straight-line basis, over the requisite service period. The Company accounts for forfeitures as they occur.

The Company has an employee stock purchase plan ("ESPP") offered to its U.S. and German employees. The Company uses the Black-Scholes model to calculate the purchase date fair value of the shares issued under the employee stock purchase plan and recognize expense related to shares purchased ratably over the offering period. The description of the Company's stock-based compensation plans and the assumptions it uses to calculate the fair value of stock-based compensation is described in Note 14, "Stock-based Compensation."

Advertising Expense — The cost of advertising is expensed as incurred. The Company conducts substantially all of its sales and marketing efforts through trade shows, professional and technical conferences, direct sales and the Company's website. The Company's advertising costs were not material for the periods presented.

Research and Development — Research and development costs are expensed as incurred.

Government Grants — The Company receives government grants related to certain research and development activities and capital investments. The Company accounts for government grants by analogy to International Accounting Standard 20, Accounting for Government Grants and Disclosure of Government Assistance. Grants related to research and development

activities are recognized as a reduction of the related research and development expenses when there is reasonable assurance that the grants will be received and that the Company has complied with the applicable conditions. Grants related to the acquisition or construction of property, plant and equipment are recorded as a reduction of the cost of the related asset and are recognized in earnings over the useful life of the asset through reduced depreciation expense.

Restructuring — The Company records charges associated with approved restructuring plans to reorganize operations, to remove redundant headcount and infrastructure associated with business acquisitions or to improve the efficiency of business processes. Restructuring charges can include severance costs to eliminate a specific number of positions, infrastructure charges to vacate facilities and consolidate operations and contract cancellation costs. The Company records restructuring charges when they are probable and estimable. The Company accrues for severance and other employee separation costs under these plans when the plan is communicated to employees and an amount per employee can be reasonably estimated either by the communicated terms, or by legal requirements, if applicable.

Income Taxes — Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities and net operating loss and credit carryforwards. These differences are valued using enacted rates in effect when those differences are expected to reverse. Valuation allowances are provided against deferred tax assets that are not deemed to be recoverable. The Company recognizes tax positions that are more likely than not to be sustained upon examination by relevant tax authorities. The tax positions are measured at the greatest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement.

The Company provides reserves for potential payments of tax to various tax authorities related to uncertain tax positions and other issues. The reserves are based on a determination of whether a tax benefit claimed in its tax filings is more likely than not to be realized following the resolution of any potential tax audits related to the tax benefit, assuming that the matter in question will be reviewed by the tax authorities.

Concentration of Credit Risk — Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents, short-term investments and accounts receivable. The Company maintains substantially all of its cash and cash equivalents and short-term investments in various financial institutions, which it believes to be high-credit quality financial institutions. The Company grants credit to customers in the ordinary course of business and provides a reserve for potential credit losses. Such losses historically have been within management's expectations.

One of the Company's customers accounted for 11% and 12% of the Company's net accounts receivable as of December 31, 2025 and 2024, respectively. The Company has historically depended on a few customers for a significant percentage of its annual net sales. The composition of this group can change from year to year. Net sales derived from the Company's five largest customers as a percentage of its annual net sales were 16%, 13% and 13% in 2025, 2024 and 2023, respectively.

Comprehensive Income (Loss) — Comprehensive income (loss) includes charges and credits to equity that are not the result of transactions with stockholders. Included within comprehensive income or loss is the cumulative foreign currency translation adjustment, and unrealized gains or losses on derivatives. These adjustments are accumulated within the Consolidated Statements of Comprehensive Income (Loss).

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Total components of accumulated other comprehensive loss were as follows:

	Foreign currency translation adjustments and other	Unrealized (loss) gain on derivatives, net of tax	Total
Balance, January 1, 2023	$ (204,676)	$ 152	$ (204,524)
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments and other before reclassification, net of tax of $151	(7,854)	—	(7,854)
Unrealized loss on derivatives, net of tax benefit of $46	—	(152)	(152)
Total other comprehensive loss	(7,854)	(152)	(8,006)
Balance, December 31, 2023	$ (212,530)	$ —	$ (212,530)
Other comprehensive income, net of tax:			
Foreign currency translation adjustments and other before reclassification, net of tax of $161	(43,507)	—	(43,507)
Reclassification for foreign currency translation adjustments related to the divestiture of Russian operations to net loss, net of tax expense of $1,324	136,670	—	136,670
Total other comprehensive income	93,163	—	93,163
Balance, December 31, 2024	$ (119,367)	$ —	$ (119,367)
Other comprehensive income, net of tax:			
Foreign currency translation adjustments and other before reclassification, net of tax of $195	80,984	—	80,984
Total other comprehensive income	80,984	—	80,984
Balance, December 31, 2025	$ (38,383)	$ —	$ (38,383)

Derivative Instruments — The Company's primary market exposures are to interest rates and foreign exchange rates. From time to time the Company may use certain derivative financial instruments to help manage these exposures. The Company executes these instruments with financial institutions it judges to be credit-worthy. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. The Company recognizes all derivative financial instruments as either assets or liabilities at fair value in the Consolidated Balance Sheets.

Earnings (Loss) Per Share — Basic net income (loss) per common share is computed by dividing net income attributable to common shareholders of the Company by the weighted-average number of common shares outstanding during the reporting period. Diluted net income per common share is computed similarly to basic net income per common share, except that it includes the potential dilution that could occur if dilutive securities were exercised. Information about potentially dilutive and antidilutive shares for the reporting period is provided in Note 18, "Net Income (Loss) Attributable to IPG Photonics Corporation Per Share."

Leases — The Company determines if an arrangement is a lease at inception. Operating leases are included in other assets, accrued expenses and other current liabilities, and other long-term liabilities and deferred income taxes on the Company's Consolidated Balance Sheets.

ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, IPG uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The ROU assets include any lease payments made and initial direct costs incurred and exclude lease incentives. Lease terms may include options to extend or terminate the lease that are included in calculating the net present value of the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component.

Self-Insurance Reserves — The Company is self-insured for health insurance and dental insurance claims in the United States. The self-insurance liability is undiscounted and is based on claims filed and an actuarial estimate of claims not reported. These liabilities are included in accrued expenses and other current liabilities on the Company's Consolidated Balance Sheets. To limit the Company's potential liabilities for these risks, the Company purchases insurance from a third party that provides stop-loss protection for medical costs in the United States that exceed $225 per person per annum.

Recent Accounting Pronouncements

Adopted Pronouncements — In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"), which requires an entity on an annual basis to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. The guidance also requires an entity to disclose on an annual basis information about income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. The Company has adopted ASU 2023-09 in 2025. Refer to Note 16, "Income Taxes."

Pronouncements Currently Under Evaluation — In November 2024, the FASB issued ASU No. 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Aggregation Disclosures (Subtopic 220-40)" ("ASU 2024-03"), which requires more detailed disaggregated disclosure of income statement expenses. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after December 15, 2027. The Company is evaluating the impact of this standard on its Consolidated Financial Statements.

In July 2025, the FASB issued ASU No. 2025-05, "Financial Instruments - Credit Losses (Topic 326): Measurements of Credit Losses for Accounts Receivable and Contract Assets" ("ASU 2025-05"), which provides a practical expedient to apply ASC 326 to current accounts receivable and current contract assets. The practical expedient allows the Company to make a policy election to assume that current conditions as of the balance sheet date will not change for the remaining lives of the assets. ASU 2025-05 is effective for fiscal years beginning after December 15, 2025, and interim reporting periods within those years. The Company does not expect that the adoption of this standard will have a material impact on its Consolidated Financial Statements.

In September 2025, the FASB issued ASU No. 2025-06, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)" ("ASU 2025-06"), which updates guidance regarding the requirements to begin capitalizing internal-use software. ASU 2025-06 is effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods with early adoption permitted. The Company is currently evaluating the impact of this standard on its Consolidated Financial Statements.

In December 2025, the FASB issued ASU No. 2025-10, "Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities" ("ASU 2025-10"), which establishes authoritative guidance on the accounting for government grants received by business entities, including guidance for a grant related to an asset and a grant related to income. The new standard allows for a number of accounting policy elections to be made upon adoption and be applied to the subsequent grants received on a prospective basis. ASU 2025-10 is effective for annual reporting periods beginning after December 15, 2028, and interim periods within those annual reporting periods. The Company is currently evaluating the impact of this standard on its Consolidated Financial Statements.

In December 2025, the FASB issued ASU No. 2025-11, "Interim Reporting (Topic 270): Narrow-Scope Improvements" ("ASU 2025-11"), which improves the navigability of the required interim disclosures and clarifies when that guidance is applicable. The ASU is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. The amendments can be applied either (1) prospectively or (2) retrospectively to any or all prior periods presented in the financial statements. The Company is currently evaluating the impact of the adoption of this amendment on its Consolidated Financial Statements.

In December 2025, the FASB issued ASU No. 2025-12, "Codification Improvements" ("ASU 2025-12"), as part of its ongoing project to enhance the clarity and usability of the FASB Codification. The amendments address a broad range of topics and include technical corrections, clarifications, updates for unintended application issues, and other minor improvements. ASU 2025-12 is effective for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. The Company is currently evaluating the impact of this standard on its Consolidated Financial Statements.

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2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Sales are derived from products for different applications: fiber lasers, diode lasers, systems and accessories for materials processing, fiber lasers, amplifiers and diodes for advanced applications, and fiber lasers, systems and fibers for medical applications.

The following tables represent a disaggregation of revenue from contracts with customers for the years ended December 31, 2025, 2024 and 2023:

	Year Ended December 31,		
	2025	2024	2023
Sales by Application			
Materials processing	$ 860,191	$ 857,336	$ 1,152,804
Other applications	143,586	119,798	134,635
Total	$ 1,003,777	$ 977,134	$ 1,287,439
Sales by Product			
High Power Continuous Wave ("CW") Lasers	$ 308,825	$ 332,743	$ 524,981
Medium Power CW Lasers	88,178	63,685	71,672
Pulsed Lasers	143,251	146,759	185,581
Quasi-Continuous Wave ("QCW") Lasers	51,772	48,016	48,648
Laser and Non-Laser Systems	147,243	139,145	161,177
Other Revenue including Other Lasers, Amplifiers, Service, Parts, Accessories	264,508	246,786	295,380
Total	$ 1,003,777	$ 977,134	$ 1,287,439
Sales by Geography			
North America	$ 267,183	$ 258,888	$ 313,986
Europe:			
Germany	105,160	87,800	88,026
Other Europe	138,543	197,152	291,336
Total Europe	243,703	284,952	379,362
Asia:			
China	291,905	244,996	355,321
Japan	66,369	62,352	72,333
Other	121,805	113,232	142,378
Total Asia	480,079	420,580	570,032
Rest of World	12,812	12,714	24,059
Total	$ 1,003,777	$ 977,134	$ 1,287,439

	Year Ended December 31,		
	2025	2024	2023
Timing of Revenue Recognition			
Goods and services transferred at a point in time	$ 982,584	$ 942,209	$ 1,239,551
Goods and services transferred over time	21,193	34,925	47,888
Total	$ 1,003,777	$ 977,134	$ 1,287,439

The Company recognizes revenue over time on contracts for the sale of large scale materials processing systems. The timing of customer payments on these contracts generally differs from the timing of revenue recognized. If revenue recognized exceeds customer payments, a contract asset is recorded and if customer payments exceed revenue recognized, a contract

liability is recorded. Contract assets are included within prepaid expenses and other current assets on the Consolidated Balance Sheets. Contract liabilities are included within accrued expenses and other current liabilities on the Consolidated Balance Sheets. Certain deferred revenues related to extended warranties in excess of one year from the balance sheet date are included within other long-term liabilities and deferred income taxes on the Consolidated Balance Sheets.

The following table reflects the changes in the Company's contract assets and liabilities for the years ended December 31, 2025 and 2024:

	December 31, 2025	January 1, 2025	Change	December 31, 2024	January 1, 2024	Change
Contract assets						
Contract assets	$ 3,464	$ 4,737	$ (1,273)	$ 4,737	$ 9,383	$ (4,646)
Contract liabilities						
Contract liabilities - current	66,209	56,454	9,755	56,454	69,219	(12,765)
Contract liabilities - long-term	3,336	2,882	454	2,882	2,851	31

During the years ended December 31, 2025 and 2024, the Company recognized revenue of $42,164 and $54,105, respectively, that was included in the contract liabilities at the beginning of the period.

The following table represents the Company's remaining performance obligations from contracts that are recognized over time as of December 31, 2025:

	Remaining Performance Obligations						
	2026	2027	2028	2029	2030	Thereafter	Total
Revenue expected to be recognized for extended warranty agreements	$ 2,546	$ 1,703	$ 1,013	$ 491	$ 106	$ 23	$ 5,882
Revenue to be earned over time from contracts to sell large scale materials processing systems	24,995	4,403	—	—	—	—	29,398
Total	$ 27,541	$ 6,106	$ 1,013	$ 491	$ 106	$ 23	$ 35,280

3. FAIR VALUE MEASUREMENTS

The Company's financial instruments consisted of cash equivalents, short-term and long-term investments, accounts receivable, accounts payable, and revolving lines of credit.

The valuation techniques used to measure fair value are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect internal market assumptions. These two types of inputs create the following fair value hierarchy: Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Company classifies its financial instruments according to the prescribed criteria.

The fair value of money market fund deposits, cash equivalent term deposits, accounts receivable, accounts payable and drawings on revolving lines of credit is reasonably close to their carrying amounts due to the short maturity of most of these instruments or as a result of the competitive market interest rates, which have been negotiated. The fair value of the Company's commercial paper, corporate bonds, U.S. Treasury and agency obligations and term deposits are based on Level 2 inputs.

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The following table presents fair value information related to the Company's assets and liabilities measured at amortized cost on the Consolidated Balance Sheets:

	Fair Value Measurements at December 31, 2025			
	Total	Level 1	Level 2	Level 3
Assets				
Cash equivalents:				
Money market fund deposits	$ 173,538	$ 173,538	$ —	$ —
Term deposits	58,782	—	58,782	—
Total cash equivalents	232,320	173,538	58,782	—
Short-term investments:				
Corporate bonds	264,431	—	264,431	—
Commercial paper	101,922	—	101,922	—
U.S. Treasury and agency obligations	66,469	—	66,469	—
Term deposits	3,104	—	3,104	—
Total short-term investments	435,926	—	435,926	—
Long-term investments:				
Corporate bonds	52,294	—	52,294	—
U.S. Treasury and agency obligations	24,300	—	24,300	—
Total long-term investments	76,594	—	76,594	—
Total	$ 744,840	$ 173,538	$ 571,302	$ —

	Fair Value Measurements at December 31, 2024			
	Total	Level 1	Level 2	Level 3
Assets				
Cash equivalents:				
Money market fund deposits	$ 77,855	$ 77,855	$ —	$ —
Commercial paper	163,589	—	163,589	—
U.S. Treasury and agency obligations	47,770	—	47,770	—
Term deposits	45,079	—	45,079	—
Corporate bonds	15,777	—	15,777	—
Total cash equivalents	350,070	77,855	272,215	—
Short-term investments:				
Commercial paper	219,355	—	219,355	—
Corporate bonds	60,306	—	60,306	—
U.S. Treasury and agency obligations	27,348	—	27,348	—
Term deposits	3,048	—	3,048	—
Total short-term investments	310,057	—	310,057	—
Total	$ 660,127	$ 77,855	$ 582,272	$ —

There were no impairments for the investments considered held-to-maturity at December 31, 2025 and December 31, 2024. There were no current expected credit loss allowances for the investments considered held-to-maturity at December 31, 2025 and 2024. The Company holds highly-rated held-to-maturity instruments that are within five years of maturity.

The following table presents the effective maturity dates of debt investments, which are held-to-maturity:

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	December 31, 2025		December 31, 2024	
	Book Value	Fair Value	Book Value	Fair Value
Investment maturity				
Less than 1 year	$ 435,538	$ 435,926	$ 310,152	$ 310,057
1 through 5 years	76,533	76,594	—	—
Total	$ 512,071	$ 512,520	$ 310,152	$ 310,057

4. INVENTORIES

Inventories consist of the following:

	December 31,	
	2025	2024
Components and raw materials	$ 155,412	$ 150,257
Work-in-process	44,525	28,973
Finished goods	113,479	105,550
Total	$ 313,416	$ 284,780

The Company recorded inventory provisions of $30,106, $82,515 and $45,499 for the years ended December 31, 2025, 2024 and 2023, respectively. These provisions relate to the recoverability of the value of inventories due to excess quantities and technological changes. Within the inventory provision recorded in 2024, $29,487 was attributed to items previously considered safety stock and items that became technologically obsolete. These provisions are reported as a reduction to components and raw materials, work-in-process and finished goods.

5. DIVESTITURE, IMPAIRMENT OF LONG-LIVED ASSETS AND SALE OF ASSETS

During the third quarter of 2024, the Company recorded a loss on divestiture of $197,651, which is included in Net loss from divestiture and sale of assets in the Company's Consolidated Statements of Operations. As a result of the Russia-Ukraine conflict and related sanctions, the Company's ability to ship and receive components from its Russian operations was significantly curtailed. On August 29, 2024, the Company completed the sale of its Russian subsidiary, pursuant to a share purchase agreement with a purchaser entity associated with Softline Projects LLC and existing management of IRE-Polus for $51,096. The loss mainly consisted of $59,293 related to the carrying value of net assets of the Russian subsidiary that was in excess of net proceeds received on the sale and $135,346 related to the cumulative translation adjustment component of other comprehensive income that was previously included in stockholders' equity of the Company's Consolidated Balance Sheets.

During the third quarter of 2024, the Company also recorded an impairment of long-lived assets of $26,566 related to its Belarusian operations which is included in total impairment of long-lived assets in the Company's Consolidated Statements of Operations. On June 29, 2024, the European Union (“EU”) issued new sanctions for Belarus. The sanctions, effective July 1 2024, allowed shipments to the Company's German operations related to existing contracts to continue through October 2, 2024. The Company completed fulfillment of existing contracts in September 2024. The Company is no longer able to supply laser cabinets and other mechanical components from the Company's factory in Belarus. As a result, the Company completed an impairment analysis of the assets in Belarus during the third quarter of 2024. The long-lived asset impairment charge, which was primarily related to fixed assets, was based on a probability-weighted average of valuations using the discounted cash flow method under the income approach to estimate the fair value of the long-lived assets in Belarus.

6. BUSINESS COMBINATION

During the fourth quarter of 2024, the Company acquired 100% of the shares of Clean-Lasersysteme GmbH ("cleanLASER"), a leader in laser cleaning systems for $66,738, net of cash acquired. The purchase of cleanLASER strengthens IPG's global position in high-precision laser systems for cleaning applications by bringing additional know-how, complementary market exposure, and product and technology synergies. As a result of the acquisition, the Company recorded intangible assets of $35,495, with a weighted-average remaining useful life of 10 years. The intangible assets comprised of $17,233 related to developed technology and product know-how with a weighted-average estimated useful life of 9 years, $14,795 related to customer relationships and backlog with weighted-average remaining useful life of 11 years and $3,467

trademark and trade name with a weighted-average estimated useful life of 9 years. The excess of the acquisition consideration over the fair value of the assets acquired and liabilities assumed has been allocated to goodwill, which amounted to $29,652, none of which will be deductible for tax purposes.

During the fourth quarter of 2025, the Company completed the purchase price allocations in its Consolidated Financial Statements related to the cleanLASER acquisition, which resulted in a final net working capital reduction of $505 that was received from the former owners prior to year-end.

The Company has a continued employment arrangement with one of the sellers subject to a potential earn-out payment based upon the achievement of certain financial and non-financial milestones. The Company has treated this potential payment as compensation expense that will be recorded pro-ratably over the employment arrangement period of 24 months. The Company has accrued $2,966 related to this arrangement within accrued expenses and other current liabilities on the Company's Consolidated Balance Sheet as of December 31, 2025.

7. GOODWILL AND INTANGIBLE ASSETS

The following table sets forth the changes in the carrying amount of goodwill for the years ended December 31, 2025 and 2024:

	2025	2024
Balance at January 1	$ 67,241	$ 38,540
Goodwill arising from business combination	—	29,652
Foreign exchange adjustment	4,494	(951)
Balance at December 31	$ 71,735	$ 67,241

The Company performed the 2025 and 2024 annual impairment test as of October 1, 2025 and 2024, respectively, and no impairments were recorded as a result of the tests. The carrying balance of goodwill at December 31, 2025, and 2024 was net of accumulated impairments of $44,589.

Intangible assets, subject to amortization, consisted of the following:

	December 31, 2025				December 31, 2024			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Lives	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Lives
Customer relationships	$ 64,815	$ (36,101)	$ 28,714	11 years	$ 62,671	$ (29,747)	$ 32,924	11 years
Technology, and Production know-how	43,267	(25,638)	17,629	8 years	40,823	(22,891)	17,932	8 years
Trademarks and trade names	16,117	(12,527)	3,590	8 years	15,665	(11,145)	4,520	8 years
Patents	8,034	(8,034)	—	8 years	8,034	(8,034)	—	8 years
Total	$ 132,233	$ (82,300)	$ 49,933		$ 127,193	$ (71,817)	$ 55,376	

Amortization expense for the years ended December 31, 2025, 2024 and 2023 was $9,790, $5,933 and $7,895, respectively.

The estimated future amortization expense for intangibles as of December 31, 2025 is as follows:

2026	2027	2028	2029	2030	Thereafter	Total
$ 8,054	$ 7,841	$ 7,468	$ 7,226	$ 4,281	$ 15,063	$ 49,933

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	December 31,	
	2025	2024
Land	$ 44,612	$ 40,799
Buildings	462,301	419,641
Machinery and equipment	497,924	468,140
Office furniture and fixtures	95,598	81,538
Construction-in-progress	173,348	152,680
Total property, plant and equipment	1,273,783	1,162,798
Accumulated depreciation	(636,267)	(574,423)
Total property, plant and equipment — net	$ 637,516	$ 588,375

The Company recorded depreciation expense of $52,757, $52,399 and $58,245 for the years ended December 31, 2025, 2024 and 2023, respectively.

Long-lived assets include property, plant and equipment, related deposits on such assets and demonstration equipment. The geographic locations of the Company's long-lived assets, net, based on physical location of the assets, as of December 31, 2025 and 2024 are as follows:

	December 31,	
	2025	2024
United States	$ 363,038	$ 375,757
Germany	229,636	167,867
Canada	17,014	13,520
Japan	11,139	11,919
Italy	9,667	9,539
Poland	9,398	8,703
China	5,578	4,396
Belarus	4,354	3,779
Other	9,349	9,320
Total	$ 659,173	$ 604,800

9. OTHER LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	December 31,	
	2025	2024
Accrued compensation	$ 81,943	$ 56,568
Contract liabilities	66,209	56,454
Current portion of accrued warranty	17,348	21,398
Short-term lease liabilities	5,074	4,835
Other	14,275	12,793
Total	$ 184,849	$ 152,048

Other long-term liabilities and deferred income taxes consist of the following:

	December 31,	
	2025	2024
Unrecognized tax benefits	$ 15,111	$ 13,855
Accrued warranty	14,116	12,954
Long-term lease liabilities	12,176	13,124
Deferred income taxes	9,397	14,206
Other	11,313	5,635
Total	$ 62,113	$ 59,774

10. PRODUCT WARRANTIES

Activity related to the warranty accrual was as follows:

	2025	2024	2023
Balance at January 1	$ 34,352	$ 47,209	$ 52,862
Provision for warranty accrual	11,828	5,810	13,596
Warranty claims	(17,154)	(15,611)	(19,801)
Warranty related to business divested	—	(1,603)	—
Foreign currency translation	2,438	(1,453)	552
Balance at December 31	$ 31,464	$ 34,352	$ 47,209

Accrued warranty reported in the accompanying Consolidated Balance Sheets as of December 31, 2025 and December 31, 2024 consists of $17,348 and $21,398 in accrued expenses and other current liabilities and $14,116 and $12,954 in other long-term liabilities and deferred income taxes, respectively.

11. FINANCING ARRANGEMENTS

Revolving Line of Credit Facilities:

On June 24, 2025, the Company entered into a new credit agreement with Bank of America, N.A. which matures on June 24, 2030. The credit agreement provides a $200,000 unsecured, revolving credit facility, of which $25,000 may be used for the issuance of letters of credit. The new facility replaced the previous $75,000 U.S. revolving line of credit with a scheduled maturity date of June 30, 2025.

At December 31, 2025, there were no amounts drawn or guarantees issued on the credit facility. The remaining availability under the new line was $200,000 at December 31, 2025. At December 31, 2024, there were no amounts drawn on the prior credit facility, and there were $2,103 of guarantees issued, which reduced the amount of the availability under the facility.

Under the new credit agreement, the Company is required to meet certain financial covenants, which are tested quarterly and include an interest coverage ratio and a net leverage ratio. The interest coverage covenant requires the Company maintain a trailing twelve-month ratio of consolidated EBITDA to consolidated interest expense on all obligations that is at least 3.0 times. The net leverage covenant requires the Company maintain a trailing twelve-month ratio, which is the sum of all indebtedness for borrowed money on a consolidated basis, less cash and available marketable securities not classified as long-term investments in the U.S. in excess of $50,000 up to a maximum of $500,000, to consolidated EBITDA that is less than 3.0 times. The Company was in compliance with the financial covenants as of December 31, 2025.

In addition to the financial covenants, the Company's credit agreement contains additional customary events of default, including non-payment of principal, interest or fees, violation of covenants, cross default to certain other indebtedness, invalidity of any loan document, material judgments, bankruptcy and insolvency events and change of control, subject, in certain instances, to cure periods. Upon the occurrence of an event of default, the lenders may elect to declare amounts outstanding under the credit agreement immediately due and payable.

In addition, the Company maintains euro lines of credit with a total principal amount of €7,400 and €6,500 ($8,687 and $6,751) as of December 31, 2025 and December 31, 2024, respectively, which are available to certain European subsidiaries. At December 31, 2025 and December 31, 2024, there were no amounts drawn on the euro lines of credit, and there were $3,123 and $1,533, respectively, of guarantees issued against the facilities, which reduces the amount of the availability under the facilities.

Additionally, the Company has lines of credit totaling $21,723 in various countries, which are used for the issuance of letters of credit, guarantees and overdrafts. As of December 31, 2025, the amount drawn was $1,059 and there were $1,797 of guarantees issued against these facilities.

12. LEASES

The Company leases certain warehouses, office spaces, land, vehicles and equipment under operating lease agreements. The remaining terms of these leases range from less than 1 year to 16 years. The operating lease expense for the years ended December 31, 2025, 2024 and 2023, totaled $6,040, $6,364 and $4,529, respectively. The cash paid for amounts included in the measurement of lease liabilities included in the operating cash flows from operating leases was $8,510, $5,668 and $6,110 for the years ended December 31, 2025, 2024 and 2023, respectively. The Company does not have any finance lease arrangements.

The Company's operating lease assets and lease liabilities consist of the following as of December 31, 2025 and 2024:

		December 31,	
Account	Classification	2025	2024
Right-of-use assets	Other assets	$ 17,006	$ 14,524
Short-term lease liabilities	Accrued expenses and other current liabilities	5,074	4,835
Long-term lease liabilities	Other long-term liabilities and deferred income taxes	12,176	13,124
Total lease liabilities		$ 17,250	$ 17,959

The table below presents the maturities of operating lease liabilities as of December 31, 2025:

2026	$ 5,692
2027	4,679
2028	3,324
2029	1,924
2030	1,045
Thereafter	2,330
Total future minimum lease payments	18,994
Less: imputed interest	(1,744)
Present value of lease liabilities	$ 17,250

Other information relevant to the Company's operating leases consist of the following as of December 31, 2025 and 2024:

	Year Ended December 31,	
	2025	2024
Weighted-average remaining lease term	5.08 years	5.41 years
Weighted-average discount rate	4.52 %	4.62 %

13. COMMITMENTS AND CONTINGENCIES

Employment Agreements — The Company has entered into employment agreements with certain members of senior management. The terms of these agreements are up to two years and include non-competition, non-solicitation and

nondisclosure provisions, as well as provisions for defined severance for terminations of employment under certain conditions and a change of control of the Company. The Company also maintains a severance plan for certain of its senior management providing for defined severance for terminations of employment under certain conditions and a change of control of the Company.

Contractual Obligations — The Company has entered into various purchase obligations that include agreements for construction of buildings, raw materials, equipment, and IT services. Obligations under these agreements were $65,245 and $71,238 as of December 31, 2025 and 2024, respectively, and the obligations related to raw materials and equipment are generally expected to be fulfilled within one year.

Legal Proceedings — In December 2024, affiliates of Trumpf SE & Co. KG ("Trumpf") filed patent lawsuits in two different Unified Patent Courts located in Germany against IPG Laser GmbH & Co. KG alleging infringement of two patents granted by the European Patent Office by the Company's adjustable mode beam (AMB) lasers. The Company's AMB lasers are used in certain welding and cutting applications. Hearings in the two cases were held in January 2026 at Dusseldorf and Mannheim, Germany, and the courts announced their intent to issue decisions with respect to the Mannheim case on February 24, 2026 and with respect to the Dusseldorf case on March 16, 2026. The Company plans to vigorously defend this litigation. There can be no assurance that the outcome of either case will be favorable to the Company, and an adverse finding that the Company infringed one or more of the patents-in-suit could have a material adverse effect on the Company and its business. The Company is unable to reasonably estimate possible losses, because, among other things, of the uncertainty of the findings and decisions in the two cases.

In January 2026, the Company filed a complaint in the U.S. District Court for the Eastern District of Texas against Trumpf alleging infringement of one U.S. Patent which covers IPG's safety-control electronics invention. This action is in its early stages.

From time to time, the Company may be involved in certain legal proceedings not listed above, and claims, governmental and/or regulatory inspections, inquiries and investigations arising out of the ordinary course of its business, but does not consider such matters to be material either individually or in the aggregate at this time. The Company's view of the matters not listed may change in the future as the litigation and events related thereto unfold.

14. STOCK-BASED COMPENSATION

Stock-based compensation, including the employee stock purchase plan, is included in the following financial statement captions:

	Year Ended December 31,		
	2025	2024	2023
Cost of sales	$ 8,955	$ 8,687	$ 7,929
Sales and marketing	6,138	5,941	5,421
Research and development	10,318	10,239	9,396
General and administrative	17,603	12,283	16,858
Total stock-based compensation	43,014	37,150	39,604
Tax effect of stock-based compensation	(9,430)	(8,191)	(8,660)
Net stock-based compensation	$ 33,584	$ 28,959	$ 30,944

Incentive Plans — In 2025, the Company's stockholders approved the 2025 Incentive Compensation Plan (the "2025 Plan"), which replaced the Company's 2006 Incentive Compensation Plan (as amended, the "2006 Plan") and provides for the issuance of stock options, PSUs, RSUs, other equity-based awards and cash awards to the Company's directors, employees, consultants and advisors. The 2025 Plan provides for issuance of 2,100,000 shares of the Company's common stock, less one share of common stock for each share of common stock subject to an award granted under the 2006 Plan after March 10, 2025. Generally, subject to certain exceptions, any shares underlying an award under the 2006 Plan and 2025 Plan that expire without being exercised, or are forfeited, canceled or otherwise terminated without a distribution to a participant of shares, cash, or other benefit in lieu of shares or that are withheld by, or otherwise remitted to, the Company to satisfy a participant's tax withholding obligations will again be available for issuance under the 2025 Plan. Accordingly, the number of shares available for future grant under the 2025 Plan may differ from, and may exceed, the number of shares initially authorized for issuance under such

plan. At December 31, 2025, 2,133,891 shares of the Company's common stock were available for future grant under the 2025 Plan. The Company may grant stock options only at an exercise price equal to or greater than the fair market value of its common stock on the date of grant. Equity awards generally vest over periods of one to three years and, in the case of stock options, generally expire ten years after the date of the grant. The vesting of awards under the 2025 Plan and the 2006 Plan accelerate following the occurrence of certain change of control events if the participant's employment is terminated within two years by the Company without cause or by the participant for good reason or if an entity acquires control of the Company and does not agree to assume existing awards or replace with equivalent value awards. Awards granted to non-employee directors automatically become vested upon a change of control. All shares issued under the 2025 Plan are registered shares, newly issued by the Company.

The Company granted certain RSUs and PSUs to executive officers and other senior managers. The RSUs provide for time-based vesting of a fixed number of shares generally over three years. Non-executive directors of the Company receive RSUs for their board service, which vest generally one year after the grant date and provide for vesting of a fixed number of shares. The PSUs provide the holder with the right to receive shares of the Company's common stock after the applicable award vesting period, generally three years. The final number of shares, if any, delivered upon vesting of PSUs are determined over the relevant performance period, generally three years. Outstanding PSUs as of December 31, 2025 are based on internal financial metrics established by the Company's Board. The final number of shares to be delivered under the PSUs range from 0% to 200% of the target award amount.

The Company has not granted stock options since 2020. The following table summarizes the option activity for the year ended December 31, 2025:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at January 1, 2025	615,363	$ 153.29		
Granted	—	—		
Exercised	(9,383)	83.48		
Canceled	(105,879)	114.38		
Outstanding at December 31, 2025	500,101	$ 162.84	1.97 years	$ —
Exercisable at December 31, 2025	500,101	$ 162.84	1.97 years	$ —

The intrinsic value of the options exercised during the years ended December 31, 2025, 2024 and 2023 was $34, $1,747 and $4,085, respectively. All options were vested during the year ended December 31, 2025. Cash received from option exercises during the year ended December 31, 2025 was $783. Tax benefit received from option exercises during the year ended December 31, 2025 was $8.

The following table summarizes the RSU activity for the year ended December 31, 2025:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2025	743,266	$ 103.41
Granted	704,376	64.61
Vested	(355,015)	113.11
Forfeited	(64,488)	77.52
Nonvested at December 31, 2025	1,028,139	$ 75.07

The fair value of each RSU is the market price of Company stock on the date of grant. The weighted average grant date fair value of RSUs granted during the years ended December 31, 2025, 2024 and 2023 was $64.61, $86.09 and $128.71, respectively. The intrinsic value of the RSUs that vested during the years ended December 31, 2025, 2024 and 2023, was $21,352, $19,634 and $23,082, respectively. The total compensation cost related to nonvested RSUs not yet recorded at December 31, 2025 was $47,160 which is expected to be recognized over a weighted-average of 1.9 years. The aggregate fair value of RSUs vested during the years ended December 31, 2025, 2024 and 2023 was $40,156, $32,386 and $28,319, respectively.

The following table summarizes financial metric-based PSUs activity for the year ended December 31, 2025:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2025	245,585	$ 107.97
Granted	82,875	65.23
Vested	—	—
Forfeited	(32,474)	95.76
Nonvested at December 31, 2025	295,986	$ 84.64

For the years ended December 31, 2025, 2024 and 2023, the weighted average grant date fair value for new grants was $65.23, $86.54, and $131.13, respectively. Expense for the financial metric-based PSUs was recognized at 0% to 100% of the target goals. The total compensation cost related to nonvested PSUs not yet recorded at December 31, 2025 was $7,930, which is expected to be recognized over a weighted average period of 2.1 years.

The Company has not granted TSR PSUs since 2021. There were no TSR PSUs outstanding during the year ended December 31, 2025. The intrinsic value of the TSR PSUs vested during the years ended December 31, 2024 and 2023 was nil and $128, respectively. The aggregate fair value of awards vested during the years ended December 31, 2024 and 2023 was nil and $331, respectively.

The Company has an employee stock purchase plan ("ESPP") offered to its U.S. and German employees. The plan allows employees who participate to purchase shares of common stock through payroll deductions at a 15% discount to the lower of the closing stock price on the first day or the last day of the six-month purchase period. Payroll deductions may not exceed 10% of the employee's compensation and are subject to other limitations.

The assumptions used in the Black-Scholes model for the calculation of the ESPP fair values were as follows:

	2025	2024	2023
Performance term (year)	0.5	0.5	0.5
Volatility	38% - 53%	36% - 38%	35% - 37%
Risk-free rate of return	4.24% - 4.29%	5.26% - 5.37%	4.76% - 5.47%
Dividend yield	0.00%	0.10%	0.10%
Fair value per share	$18.30 - $20.95	$20.45 - $26.92	$23.42 - $33.55

Compensation expense related to the employee stock purchase plan was $1,689, $1,602 and $1,595 for the years ended December 31, 2025, 2024 and 2023, respectively. During the years ended December 31, 2025, 2024 and 2023 the Company issued 86,252, 74,061 and 57,984 shares, respectively, at an average price of $59.39, $66.48 and $86.89, respectively, under the employee stock purchase plan. As of December 31, 2025, there were 232,861 shares available for issuance under the employee stock purchase plan.

15. EMPLOYEE BENEFIT PLANS

The Company maintains a defined contribution retirement plan offered to its eligible U.S. employees, as well as plans at certain foreign and domestic subsidiaries. The Company makes matching contributions to each plan, which amounted to approximately $6,487, $6,069 and $6,496 for the years ended December 31, 2025, 2024 and 2023, respectively.

Effective January 1, 2025, the Company is self-insured for employee medical benefits in the United States. The employee medical obligations are managed by a third-party provider and the Company has accrued $3,024 related to this arrangement in accrued expenses and other current liabilities within the Consolidated Balance Sheet as of December 31, 2025. To limit the Company’s potential liabilities for these risks, the Company purchases insurance from a third party that provides stop-loss protection for medical costs in the United States that exceed $225 per person per annum.

16. INCOME TAXES

Income (loss) before the impact of income taxes consisted of the following:

	Year Ended December 31,		
	2025	2024	2023
U.S.	$ 8,388	$ 4,879	$ 131,601
Foreign	36,708	(166,767)	143,274
Total	$ 45,096	$ (161,888)	$ 274,875

The Company's provision for income taxes consisted of the following:

	Year Ended December 31,		
	2025	2024	2023
Current:			
Federal	$ 4,730	$ 13,992	$ 22,908
State	(352)	2,906	4,623
Foreign	23,302	28,400	42,255
Total current	27,680	45,298	69,786
Deferred:			
Federal	(8,494)	(15,535)	(10,306)
State	(1,494)	(2,283)	(1,635)
Foreign	(3,692)	(7,842)	(1,848)
Total deferred	(13,680)	(25,660)	(13,789)
Provision for income taxes	$ 14,000	$ 19,638	$ 55,997

A reconciliation of income tax expense at the U.S. federal statutory income tax rate to the recorded tax provision were as follows:

	Year Ended December 31, 2025	
	($)	(%)
Tax at statutory rate	$ 9,470	21.0 %
Effect of Cross-Border Tax Laws:		
FDII	(2,886)	(6.4)%
Other	173	0.4 %
Total Effect of Cross-Border Tax Laws	(2,713)	(6.0)%
Tax Credits:		
R&D Credit	(3,638)	(8.1)%
Other	250	0.6 %
Total Tax Credits	(3,388)	(7.5)%

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Nontaxable or Nondeductible items:		
Stock Compensation	6,004	13.3 %
162(m) Limitation	769	1.7 %
Other	132	0.3 %
Total Nontaxable or Nondeductible items	6,905	15.3 %
State and Local Income Taxes, Net of Federal Income Tax Effect	(1,604)	(3.6)%
Foreign Tax Effects:		
Belarus:		
Losses not benefitted	1,329	2.9 %
Other	108	0.2 %
Total Belarus	1,437	3.2 %
China:		
Stock Compensation	1,112	2.5 %
Non-U.S. rate differential - net	427	0.9 %
Total China	1,539	3.4 %
Germany:		
Non-U.S. rate differential - net	(1,059)	(2.3)%
Trade Tax	3,195	7.1 %
Changes in tax laws or rates enacted in the current period	(1,120)	(2.5)%
Profit in Ending Inventory	(723)	(1.6)%
Stock Compensation	642	1.4 %
Other	35	0.1 %
Total Germany	970	2.2 %
United Kingdom:		
Change in valuation allowance	(614)	(1.4)%
Other	(115)	(0.3)%
Total United Kingdom	(729)	(1.7)%
Other Foreign Jurisdictions	160	0.4 %
Worldwide changes in Unrecognized Tax Benefits	2,000	4.4 %
Other	(47)	(0.1)%
Total	$ 14,000	31.0 %

A reconciliation of income tax expense at the U.S. federal statutory income tax rate to the recorded tax provision for the years ended December 31, 2024 and 2023 were as follows:

	Year Ended December 31,	
	2024	2023
Tax at statutory rate	$ (33,996)	$ 57,724
Non-U.S. rate differential - net	8,676	12,685
State income taxes - net	2,949	3,380
Stock-based compensation - tax detriment	5,385	1,835
Foreign derived intangible income benefit ("FDII")	(3,371)	(9,322)
Prior year and audit adjustments	(636)	(4,793)
Tax effect of loss from divestiture	42,152	—
Withholding and other taxes on intercompany dividends	3,360	—
Federal and state tax credits	(8,723)	(6,375)
Change in reserves, including interest and penalties	(2,866)	2,379
Change in valuation allowance	6,470	(2,548)
Other - net	238	1,032
Provision for income taxes	$ 19,638	$ 55,997

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities were as follows:

	Year Ended December 31,	
	2025	2024
Property, plant and equipment	$ (3,065)	$ (6,166)
Intangible assets	56,709	47,617
Inventory provisions	39,737	42,760
Allowances and accrued liabilities	4,544	1,880
Withholding and other taxes on intercompany dividends	(504)	(3,360)
Other tax credits	26,964	24,115
Deferred compensation	20,409	20,728
Net operating loss carryforwards	6,913	6,401
Valuation allowance	(37,215)	(33,150)
Net deferred tax assets	$ 114,492	$ 100,825

The Company accrues taxes on dividend distributions to the extent that foreign subsidiaries have cash in excess of their operational needs. The Company has recorded $504 and $3,360 as a deferred tax liability on December 31, 2025 and 2024, respectively, for certain withholding and dividend taxes related to possible future distributions of excess cash from certain non-U.S. subsidiaries to their respective parent companies. In 2025 and 2024, the German subsidiary paid a dividend to the U.S. parent company of $42,468 and $80,282, respectively. There were no federal or withholding taxes due on the distributions from Germany to the U.S., but in both years the Company accrued a nominal amount of state tax relating to the distribution. In 2025, the China subsidiary paid a dividend via the Hong Kong subsidiary to the U.S. parent company of $34,206 which was subject to withholding tax of $3,428. There were no federal taxes due on the distribution from China to Hong Kong to the U.S., but the Company accrued a nominal amount of state tax relating to the distribution. The Company has accrued for net deferred tax assets within deferred income taxes,net and for deferred tax liabilities within other long-term liabilities and deferred income taxes on the Consolidated Balance Sheet as of December 31, 2025 and 2024, respectively.

With regard to the other non-U.S. subsidiaries, the Company continues to consider the earnings from these entities to be indefinitely reinvested to the extent the cash balance in each subsidiary is not greater than the current needs for operations and

expansion. At December 31, 2025 and 2024, the cumulative undistributed earnings in non-U.S. subsidiaries were approximately $643,869 and $687,579, respectively, and excluded earnings for possible future distributions for which tax has been accrued.

In determining the Company's 2025 and 2024 tax provisions, the Company calculated the deferred tax assets and liabilities for each separate tax entity. The Company then considered a number of factors including the positive and negative evidence regarding the realization of deferred tax assets to determine whether a valuation allowance should be recognized with respect to the deferred tax assets.

As of December 31, 2025 and 2024, the Company had state tax credit carryforwards (net of federal tax effect) of $26,983 and $24,133, respectively. The state tax credit carryforwards begin expiring in 2026. The Company has determined that some of the state credits will more likely than not expire before they can be used and has recorded a valuation allowance of $24,275 and $21,425 as of December 31, 2025 and 2024, respectively.

The Company has tax loss carryforwards in foreign jurisdictions totaling $48,123 and $46,486 as of December 31, 2025 and 2024, respectively. The Company believes it is more likely than not that most of the loss carryforwards will expire before they can be used and has provided a valuation allowance against the tax benefit of the losses in foreign jurisdictions of $11,886 and $11,484 at December 31, 2025 and 2024, respectively. The Company sold its Russian subsidiary in 2024 which decreased the valuation allowance on Russian deferred tax assets by $23,873.

There are no significant valuation allowances against other deferred tax assets as of December 31, 2025.

The Company provides reserves for potential payments of tax to various tax authorities related to uncertain tax positions and other issues. Reserves recorded are based on a determination of the amount of a tax benefit taken by the Company that is more likely than not to be realized, assuming that the matter in question will be reviewed by the tax authorities.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits:

	2025	2024	2023
Balance at January 1	$ 13,855	$ 17,176	$ 15,841
Reductions in prior period positions	(6,675)	(433)	(1,820)
Settlement of prior period positions	—	(3,347)	—
Additions for tax positions in prior period	8,096	341	514
Additions for tax positions in current period	230	225	3,041
Foreign exchange adjustments	(395)	(107)	(400)
Balance at December 31	$ 15,111	$ 13,855	$ 17,176

The liability for uncertain tax benefits is included in other long-term liabilities and deferred income taxes at December 31, 2025 and 2024. Substantially all of the uncertain tax benefits recorded as of December 31, 2025 will benefit the Company's effective tax rate, if recognized.

Estimated penalties and interest related to the potential underpayment of income taxes were a net expense of $1,347 and $349 for the years ended December 31, 2025 and 2024, respectively, and are included within the provision for income taxes. Total accrued penalties and interest related to the underpayment of income taxes were $3,769 and $2,497 at December 31, 2025 and 2024, respectively.

The Company's uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. The Company is currently under a tax audit in China for tax years 2013 through 2022. Open tax years by major jurisdictions are:

Jurisdiction	Open Tax Years
United States	2022 - 2025
Germany	2024 - 2025
China	2013 - 2025

The Company paid (net of refunds received) the following amount for income taxes, broken down by jurisdiction:

	Year Ended December 31, 2025
US federal	$ 14,739
US state & local	2,277
Foreign:	
Germany federal	15,008
Germany local	14,795
China federal	6,120
Other	4,069
Total	$ 57,008

Income taxes paid (net of refunds received) are disaggregated by U.S. federal, U.S. state and local, and foreign jurisdictions. For the year ended December 31, 2025, significant state jurisdictions included California, Massachusetts, and Minnesota.

17. NET INCOME (LOSS) PER COMMON SHARE

The following table sets forth the computation of diluted net income (loss) per common share following the treasury stock method:

	Year Ended December 31,		
	2025	2024	2023
Net income (loss)	$ 31,096	$ (181,526)	$ 218,878
Basic weighted average common shares	42,344,616	44,335,857	47,154,217
Dilutive effect of common stock equivalents	305,096	—	165,858
Diluted weighted average common shares	42,649,712	44,335,857	47,320,075
Basic net income (loss) per common share	$ 0.73	$ (4.09)	$ 4.64
Diluted net income (loss) per common share	$ 0.73	$ (4.09)	$ 4.63

The computation of diluted weighted average common shares excludes certain common stock equivalents, including non-qualified stock options, PSUs, RSUs and the ESPP because the effect of including them would be anti-dilutive. The weighted average anti-dilutive shares outstanding for the years ended December 31, 2025, 2024 and 2023, respectively, were as follows:

	Year Ended December 31,		
	2025	2024	2023
Restricted stock units	94,041	715,728	246,481
Non-qualified stock options	539,338	696,189	533,402
Performance stock units	49,684	235,897	51,851
Employee stock purchase plan	—	42,900	30,951
Total weighed average anti-dilutive shares outstanding	683,063	1,690,714	862,685

On February 13, 2024, the Company announced that its board of directors has authorized the purchase of up to $300,000 of IPG common stock. This authorization is in addition to the Company's previously authorized stock repurchase programs.

For the years ended December 31, 2025, 2024 and 2023, respectively, the Company repurchased 753,459 shares, 4,087,646 shares, and 2,117,352 shares of its common stock with an average price of $66.36, $83.30 and $104.68 per share in the open market, respectively. The May 2023 authorization to repurchase common stock was completed in 2024 and the February 2024 authorization was completed in 2025. The impact on the reduction of weighted average shares for years ended December 31, 2025, 2024 and 2023 was 407,542 shares, 2,195,177 shares and 1,167,412 shares, respectively.

18. SEGMENT REPORTING

The Company operates in one segment which involves the design, development, production and distribution of fiber lasers, laser and non-laser systems, fiber amplifiers, and related optical components. The Company has a single, company-wide management team that administers all properties as a whole rather than as discrete operating segments. The CODM, who is the Company's chief executive officer, measures financial performance as a single enterprise, and not on geography, legal entity, or end market basis. Throughout the year, the chief operating decision maker allocates capital resources on a project-by-project basis across the Company's entire asset base, as reflected in the Company's Consolidated Balance Sheets, to maximize profitability without regard to geography, legal entity, or end market basis. The Company operates in a number of countries throughout the world in a variety of product lines. Information regarding product lines and geographic financial information is provided in Note 2, "Revenue from Contracts with Customers" and Note 8, "Property, Plant and Equipment." The accounting policies used in the Company's segment reporting are the same as those described in Note 1, "Nature of Business and Summary of Significant Accounting Policies."

The CODM primarily utilizes "Net income (loss)" as well as "Net income (loss) per common share" included in the Company's Consolidated Statements of Operations as the key indicators in assessing the enterprise's performance and

allocating resources. In evaluating Net income (loss), the CODM also reviews gross profit as well the Company's income before foreign exchange and other segment items to set and evaluate performance targets.

The following table presents the break-down of Net income (loss), including significant segment expenses.

	Year Ended December 31,		
	2025	2024	2023
	(In thousands, except per share data)		
Net sales	$ 1,003,777	$ 977,134	$ 1,287,439
Cost of product sold [a]	482,444	478,176	602,746
Manufacturing, service and other operations salaries, bonus, and benefits, including contractor costs	283,111	258,776	305,324
Other manufacturing expenses [b]	133,576	125,163	158,553
Capitalized labor and overhead	(276,817)	(223,136)	(320,882)
Cost of sales	622,314	638,979	745,741
Gross profit	381,463	338,155	541,698
Sales and marketing, research and development, and general and administrative [c]	358,404	323,678	310,132
Income before foreign exchange and other segment items	23,059	14,477	231,566
Less: Loss (gain) on foreign exchange	9,354	5,524	(1,356)
Less: Other segment items [d]	(1,534)	216,308	(218)
Add: Interest income, net	29,857	45,467	41,735
Less: Provision for income taxes	14,000	19,638	55,997
Net income (loss)	$ 31,096	$ (181,526)	$ 218,878

[a] Includes cost materials, shipping costs, scrap, and inventory reserves.

[b] Includes depreciation and amortization, service, warranty, and other manufacturing expenses.

[c] Sales and marketing, research and development, and general and administrative expenses are disclosed by period in the Company's Consolidated Statements of Operations.

[d] Other segment items include net loss on divestiture and sale of assets, impairment of long-lived assets, restructuring charges (recoveries), net, and other income, net.

19. SUBSEQUENT EVENTS

On February 12, 2026, the Company announced that its board of directors has authorized the purchase of up to $100,000 of IPG common stock. Share repurchases may be made periodically in open-market transactions, and are subject to market conditions, legal requirements and other factors. The share repurchase program authorization does not obligate the Company to repurchase any dollar amount or number of its shares, and repurchases may be commenced or suspended from time to time without prior notice.