



Lincoln Electric Holdings, Inc.

Q2 2013 Earnings Conference Call • July 29, 2013



Safe Harbor & Reg-G



Forward-Looking Statements:

Statements made during this presentation which are not historical facts may be considered forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied. Forward-looking statements generally can be identified by the use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “forecast,” “guidance” or words of similar meaning. For further information concerning issues that could materially affect financial performance related to forward-looking statements, please refer to Lincoln Electric’s quarterly earnings releases and periodic filings with the Securities and Exchange Commission, which can be found on www.sec.gov or on www.lincolnelectric.com.

Non-GAAP Measures:

Our management uses non-GAAP financial measures in assessing and evaluating the Company’s performance, which exclude items we consider unusual or special items. We believe the use of such financial measures and information may be useful to investors. Non-GAAP financial measures should be read in conjunction with the GAAP financial measures, as non-GAAP measures are a supplement to, and not a replacement for, GAAP financial measures. Please refer to the attached schedules for the reconciliation of non-GAAP financial measures to the related GAAP financial measures.

Q2 2013 Highlights

Generating Solid Returns



- **Record 14.8% operating profit margin (adjusted basis) despite uneven end market conditions**
- **EPS up 10% and up 12% on an adjusted basis**
- **Cash flow from operations solid at \$107 million (includes \$25M voluntary U.S. pension contribution)**
- **ROIC at 18.9%**
- **Returned \$73 million in cash to shareholders (shares & dividends)**
- **Announced new 15 million share repurchase program**

Income Statement – Q2 2013

Ongoing Profit and Earnings Expansion



(\$ in Millions)	Q2 2013	% of Sales	Q2 2012	% of Sales	YoY % Change	
Net Sales	\$727.4		\$744.0		(2.2%)	
Operating Income	\$104.3	14.3%	\$ 96.0	12.9%	8.6%	
Operating Income, as Adjusted ¹	\$107.7	14.8%	\$ 98.7	13.3%	9.1%	
Net Income	\$ 72.6	10.0%	\$ 66.3	8.9%	9.5%	
Net Income, as Adjusted ¹	\$ 75.7	10.4%	\$68.1	9.2%	11.1%	
Diluted EPS	\$ 0.87		\$ 0.79		10.1%	
Diluted EPS, as Adjusted ¹	\$ 0.91		\$ 0.81		12.3%	

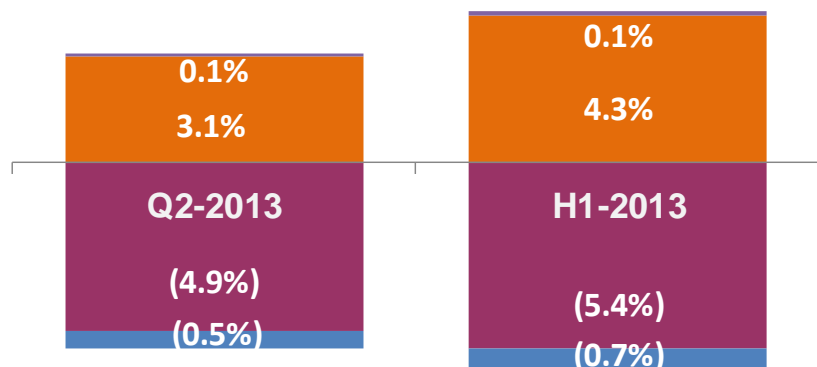
4 ¹Please refer to the appendix for reconciliation of non-GAAP measures.

Sales Performance

Slight decline on uneven end market conditions and internal initiatives

(\$ in Millions)

Components of Net Sales



Key H1-2013 Net Sales Drivers

- ↑ Acquisitions
- ↑ Exports
- ↑ Equipment (includes automation)
- ↑ South America

- = Price






- ↓ Consumables (macro's & reshaping portfolio)
- ↓ Foreign Exchange

	<u>Q2-2013 v. PY</u>		<u>H1-2013 v. PY</u>	
	<u>% Δ</u>	<u>\$ Δ</u>	<u>% Δ</u>	<u>\$ Δ</u>
■ Volume	(4.9%)	\$(36)	(5.4%)	\$(80)
■ Price	0.1%	\$1	0.1%	\$2
■ Acq	3.1%	\$23	4.3%	\$63
■ Forex	(0.5%)	\$(4)	(0.7%)	\$(10)
Total	(2.2%)	\$(17)*	(1.7%)	\$(25)

Key End Sectors

Sector Trends Illustrate Dynamic Conditions



	Transportation	Heavy Fabrication	Construction/ Structural	Shipbuilding	Energy-Related ¹
					
Areas of Strength	<ul style="list-style-type: none"> • U.S. • China • Mexico 	<ul style="list-style-type: none"> • Brazil • India 	<ul style="list-style-type: none"> • Residential U.S. <i>early stage</i> • Commercial-low rise U.S. • China 	<ul style="list-style-type: none"> • Brazil 	<ul style="list-style-type: none"> • Latin Am. • Asia Pacific • N. America • Middle East
Areas of Weakness	<ul style="list-style-type: none"> • Europe 	<ul style="list-style-type: none"> • North America • Europe • Asia Pacific 	<ul style="list-style-type: none"> • Commercial high rise & industrial-EU 	<ul style="list-style-type: none"> • Europe • Asia Pacific 	<ul style="list-style-type: none"> • Europe
Challenges	<ul style="list-style-type: none"> • Macros 	<ul style="list-style-type: none"> • Excess inventory • Commodity pricing 	<ul style="list-style-type: none"> • Macros • Excess investment 	<ul style="list-style-type: none"> • Excess inventory 	<ul style="list-style-type: none"> • Nuclear • Pipemill
Opportunities	<ul style="list-style-type: none"> • New models • Advanced materials 	<ul style="list-style-type: none"> • At/near trough – new projects 	<ul style="list-style-type: none"> • Improved macros drive renovations 	<ul style="list-style-type: none"> • Specialty (LNG) • Improved productivity • New Products 	<ul style="list-style-type: none"> • Shale gas • Grid upgrade • Processing • New Products

Focused on Optimizing Operations & Profitability

- ▶ Continuing to invest in long-term growth with a new automation greenfield operation in Brazil for 2014 launch
- ▶ Executing on global strategic projects and monitoring conditions for additional actions
- ▶ Ongoing alignment to maximize profitability:
 - Anniversaried several efforts in Q2
 - Completing in 2013: Italian facility closure Q3 and the consolidation of TechAlloy in Cleveland in Q4
 - Continuing investment in a global ERP platform
- ▶ Achieving our estimated 2013 incremental benefits: \$8 to \$10 million
 - Lower overhead costs
 - Manufacturing efficiencies

Efforts Driving Improved Shareholder Returns

Income Statement – Q2 2013

\$ in Millions	Q2 2013	% of Sales	Q2 2012	% of Sales	YoY % Change <i>Fav/(Unfav)</i>
Net Sales	\$ 727.4		\$ 744.0		(2.2%)
Gross Profit	240.3	33.0%	225.0	30.2%	6.8%
SG&A	135.2	18.6%	127.7	17.2%	(5.9%)
Special Items	0.9	0.5%	1.3	0.4%	28.4%
Operating Income	104.3	14.3%	96.0	12.9%	8.6%
Operating Income, as Adjusted	107.7	14.8%	98.7	13.3%	9.1%
Net Income	<u>\$ 72.6</u>	10.0%	<u>\$ 66.3</u>	8.9%	9.5%
Net Income, as Adjusted	<u>\$ 75.7</u>	10.4%	<u>\$ 68.1</u>	9.2%	11.1%
Diluted EPS	\$ 0.87		\$ 0.79		10.1%
Diluted EPS, as Adjusted	\$ 0.91		\$ 0.81		12.3%

Sales Mix	
Volume	(4.9%)
Price	0.1%
Acquisitions	3.1%
F/X	(0.5%)
Total	(2.2%)

Welding Segment - North America

(\$ in Millions)	Q2 2013	Q2 2012	% YoY Change		Sales Mix*	
Net Sales	\$ 419.1	\$ 416.2	0.7%	↑	Volume	(4.9%)
Adjusted EBIT*	\$ 82.8	\$ 76.6	8.1%	↑	Price	0.3%
Adj EBIT Margin*	18.2%	16.8%	140 bps	↑	Acq/Div	5.5%
					Forex	(0.2%)
					Total	0.7%

Solid margin growth despite weak volumes and incremental SG&A costs from acquisitions on favorable mix and price/cost

* Figures may not sum due to rounding

9 Please refer to the appendix for reconciliation of non-GAAP measures

Welding Segment – Europe

(\$ in Millions)	Q2 2013	Q2 2012	% YoY Change	Sales Mix*	
Net Sales	\$ 108.7	\$ 114.4	(5.0%) ↓	Volume	(4.9%)
Adjusted EBIT*	\$ 9.5	\$ 11.0	(13.3%) ↓	Price	0.7%
Adj EBIT Margin*	8.4%	9.2%	(80) bps ↓	Acq/Div	-
				Forex	(0.8%)
				Total	(5.0%)

Margins demonstrating resilience as end markets appear to be stabilizing near trough and the business is ‘anniversarying’ internal initiatives

* Amounts may not sum due to rounding

Please refer to the appendix for reconciliation of non-GAAP measures

Welding Segment – Asia Pacific

(\$ in Millions)	Q2 2013	Q2 2012	% YoY Change	Sales Mix*	
Net Sales	\$ 69.2	\$ 85.4	(19.0%) ↓	Volume	(17.8%)
Adjusted EBIT*	\$ 0.7	\$ 4.0	(83.7%) ↓	Price	(1.2%)
Adj EBIT Margin*	0.9%	4.4%	(350) bps ↓	Acq/Div	-
				Forex	0.1%
				Total	(19.0%)

Volumes impacted by persistent weak end sector trends and internal initiatives - Margins challenged by geographic mix

* Amounts may not sum due to rounding

Please refer to the appendix for reconciliation of non-GAAP measures

Welding Segment – South America



(\$ in Millions)	Q2 2013	Q2 2012	% YoY Change		Sales Mix*	
Net Sales	\$ 44.5	\$ 37.2	19.7%	↑	Volume	8.2%
Adjusted EBIT*	\$ 11.1	\$ 3.0	271%	↑	Price	16.2%
Adj EBIT Margin*	24.8%	8.0%	1,680 bps	↑	Acq/Div	-
					Forex	(4.7%)
					Total	19.7%

Solid volume performance on improving regional end sector trends and margin expansion on mix, pricing to offset currency devaluation, and operational improvements

* Amounts may not sum due to rounding

Please refer to the appendix for reconciliation of non-GAAP measures

The Harris Products Group

(\$ in Millions)	Q2 2013	Q2 2012	% YoY Change		Sales Mix*	
Net Sales	\$ 86.0	\$ 90.8	(5.3%)	↓	Volume	2.2%
Adjusted EBIT*	\$ 7.3	\$ 9.0	(18.8%)	↓	Price	(7.0%)
Adj EBIT Margin*	8.3%	9.7%	(140) bps	↓	Acq/Div	-
					Forex	(0.5%)
					Total	(5.3%)

Volumes up on improving end market trends while margin realization impacted by lower pricing on declining raw materials

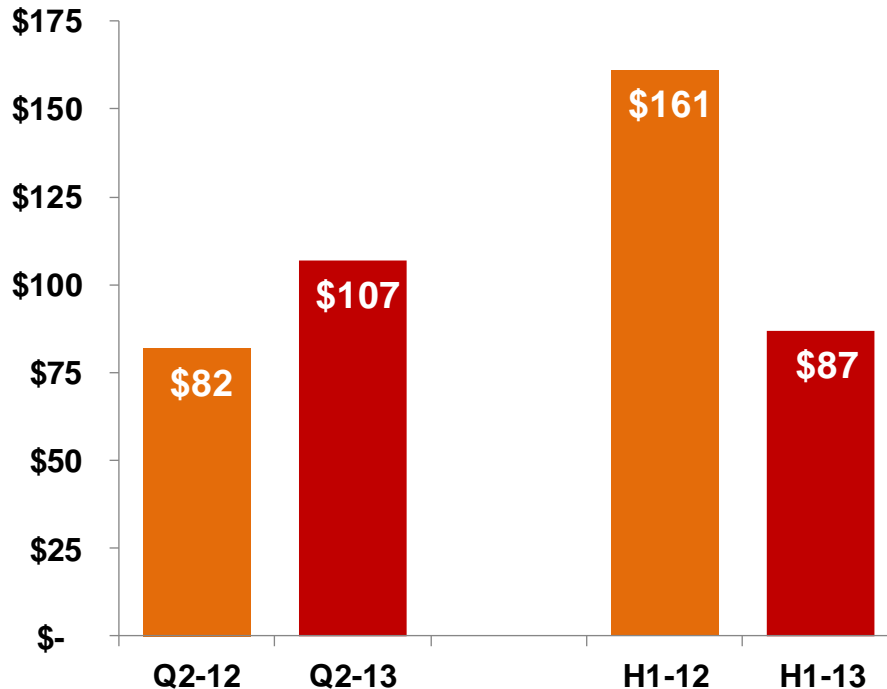
* Amounts may not sum due to rounding

Please refer to the appendix for reconciliation of non-GAAP measures

Operating Cash Flows Solid

H1/13 reflects voluntary pension payments and higher A/R vs. PY

Operating Cash Flows



▶ Cash Flow

- Solid operating cash flows
- Improvements in working capital management
- Net cash balance \$240 million

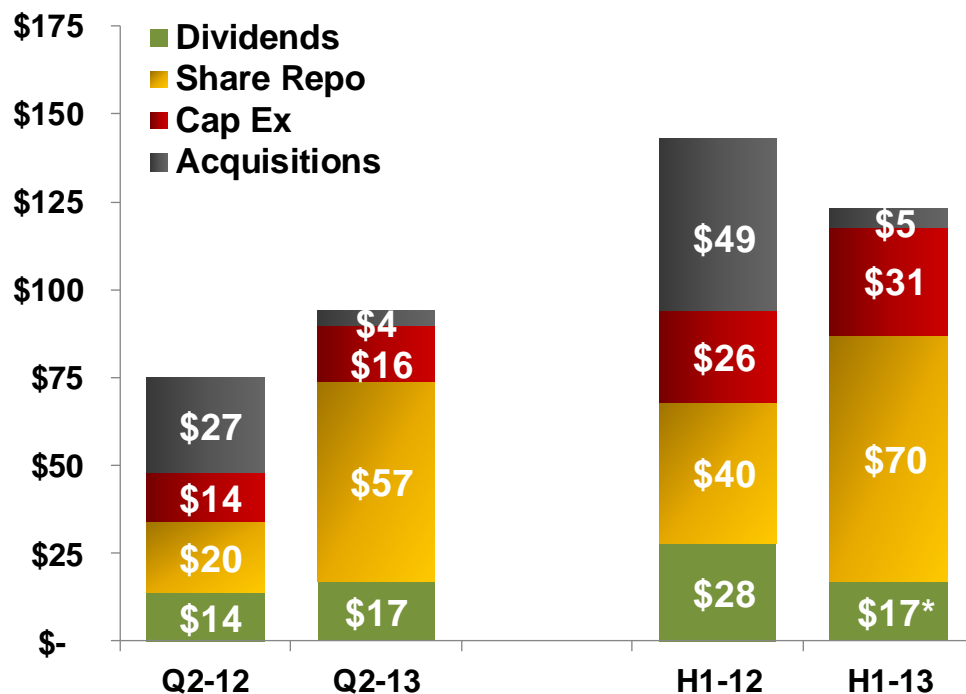
▶ Debt

- Debt/invested capital: 1.1%
- Net cash to total capital 17%

▶ Pension Contributions

- Q2/13: \$26 million
- H1/13: \$81 million

Q2 and H1-2013 Capital Allocation



Q2 Highlights v. PY:

▶ Dividends

- +17% to \$17 million (\$0.20 per common share per quarter)

▶ Share Repurchases

- +184% to \$57 million

▶ Capital Expenditures

- +17% to \$15.9 million
- Focused on cost improvements

▶ Return on Invested Capital

- 18.9% at June 30, 2013

Contributed \$75 million to U.S. pension plan through June 30, 2013



LINCOLN®
ELECTRIC
THE WELDING EXPERTS®

Non-GAAP Financial Measures

Non-GAAP Financial Measures: Reconciliation of Operating Income, Net Income and Earnings to Non-GAAP Adjusted Operating Income, Adjusted Net Income and Adjusted Earnings

(In thousands, except per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Operating income as reported	\$ 104,272	\$ 96,025	\$ 192,902	\$ 187,675
Special items (pre-tax):				
Rationalization charges (1)	851	1,258	1,902	1,258
Venezuelan currency devaluation (2)	2,538	—	12,198	—
Venezuelan statutory severance obligation (3)	—	1,381	—	1,381
Adjusted operating income (4)	\$ 107,661	\$ 98,664	\$ 207,002	\$ 190,314
Net income as reported	\$ 72,606	\$ 66,319	\$ 139,412	\$ 130,562
Special items (after-tax):				
Rationalization charges (1)	579	915	1,252	915
Venezuelan currency devaluation (2)	2,538	—	12,198	—
Venezuelan statutory severance obligation (3)	—	906	—	906
Adjusted net income (4)	\$ 75,723	\$ 68,140	\$ 152,862	\$ 132,383
Diluted earnings per share as reported	\$ 0.87	\$ 0.79	\$ 1.67	\$ 1.54
Special items	0.04	0.02	0.16	0.03
Adjusted diluted earnings per share (4)	\$ 0.91	\$ 0.81	\$ 1.83	\$ 1.57
Weighted average shares (diluted)	83,411	84,448	83,606	84,527

(1) The three and six months ended June 30, 2013 include net charges associated with severance and other costs from the consolidation of manufacturing operations initiated in 2012 partially offset by gains related to the sale of assets at rationalized operations.

(2) Represents the impact of the devaluation of the Venezuelan currency.

(3) Represents an unfavorable adjustment due to a change in Venezuelan labor law which provides for increased employee severance obligations.

(4) Adjusted operating income, Adjusted net income and Adjusted diluted earnings per share are non-GAAP financial measures that management believes are important to investors to evaluate and compare the Company's financial performance from period to period. Management uses this information in assessing and evaluating the Company's underlying operating performance. Non-GAAP financial measures should be read in conjunction with the GAAP financial measures, as non-GAAP measures are a supplement to, and not a replacement for, GAAP financial measures.

Non-GAAP Financial Measures

Non-GAAP Financial Measures: EBIT and Adjusted EBIT – Three Months Ended June 30, 2013

(In thousands)
(Unaudited)

	North America Welding	Europe Welding	Asia Pacific Welding	South America Welding	The Harris Products Group	Corporate / Eliminations	Consolidated
Three months ended June 30, 2013							
Net sales	\$ 419,069	\$ 108,661	\$ 69,239	\$ 44,503	\$ 85,960	\$ —	\$ 727,432
Inter-segment sales	35,529	4,330	4,374	51	2,674	(46,958)	—
Total	\$ 454,598	\$ 112,991	\$ 73,613	\$ 44,554	\$ 88,634	\$ (46,958)	\$ 727,432
EBIT ⁽¹⁾	\$ 82,511	\$ 9,457	\$ 143	\$ 8,527	\$ 7,343	\$ (1,538)	\$ 106,443
As a percent of total sales	18.2%	8.4%	0.2%	19.1%	8.3%		14.6%
Special items charge ⁽²⁾	\$ 266	\$ 75	\$ 510	\$ 2,538	\$ —	\$ —	\$ 3,389
EBIT, as adjusted ⁽⁴⁾	\$ 82,777	\$ 9,532	\$ 653	\$ 11,065	\$ 7,343	\$ (1,538)	\$ 109,832
As a percent of total sales	18.2%	8.4%	0.9%	24.8%	8.3%		15.1%
Three months ended June 30, 2012							
Net sales	\$ 416,223	\$ 114,437	\$ 85,433	\$ 37,169	\$ 90,783	\$ —	\$ 744,045
Inter-segment sales	39,658	4,466	5,076	11	2,353	(51,564)	—
Total	\$ 455,881	\$ 118,903	\$ 90,509	\$ 37,180	\$ 93,136	\$ (51,564)	\$ 744,045
EBIT ⁽¹⁾	\$ 76,479	\$ 10,399	\$ 3,425	\$ 1,599	\$ 9,041	\$ (2,509)	\$ 98,434
As a percent of total sales	16.8%	8.7%	3.8%	4.3%	9.7%		13.2%
Special items charge ⁽³⁾	\$ 77	\$ 592	\$ 589	\$ 1,381	\$ —	\$ —	\$ 2,639
EBIT, as adjusted ⁽⁴⁾	\$ 76,556	\$ 10,991	\$ 4,014	\$ 2,980	\$ 9,041	\$ (2,509)	\$ 101,073
As a percent of total sales	16.8%	9.2%	4.4%	8.0%	9.7%		13.6%

(1) EBIT is defined as Operating income plus Equity earnings in affiliates and Other income.

(2) Special items in the three and six months ended June 30, 2013 include net rationalization and asset impairment charges and the impact of the devaluation of the Venezuelan currency.

(3) Special items include net rationalization and asset impairment charges and an unfavorable adjustment due to a change in Venezuelan labor law which provides for increased employee severance obligations.

(4) The primary profit measure used by management to assess segment performance is EBIT, as adjusted. EBIT for each operating segment is adjusted for special items to derive EBIT, as adjusted.

Non-GAAP Financial Measures

Non-GAAP Financial Measures: EBIT and Adjusted EBIT – Six Months Ended June 30, 2013

(In thousands)

(Unaudited)

	North America Welding	Europe Welding	Asia Pacific Welding	South America Welding	The Harris Products Group	Corporate / Eliminations	Consolidated
Six months ended June 30, 2013							
Net sales	\$ 838,623	\$ 219,152	\$ 139,278	\$ 80,877	\$ 168,075	\$ —	\$ 1,446,005
Inter-segment sales	64,514	8,609	8,758	71	4,898	(86,850)	—
Total	<u>\$ 903,137</u>	<u>\$ 227,761</u>	<u>\$ 148,036</u>	<u>\$ 80,948</u>	<u>\$ 172,973</u>	<u>\$ (86,850)</u>	<u>\$ 1,446,005</u>
EBIT ⁽¹⁾	\$ 158,311	\$ 20,164	\$ 2,239	\$ 3,979	\$ 14,494	\$ (2,141)	\$ 197,046
As a percent of total sales	17.5%	8.9%	1.5%	4.9%	8.4%		13.6%
Special items charge ⁽²⁾	\$ 1,126	\$ 69	\$ 707	\$ 12,198	\$ —	\$ —	\$ 14,100
EBIT, as adjusted ⁽⁴⁾	\$ 159,437	\$ 20,233	\$ 2,946	\$ 16,177	\$ 14,494	\$ (2,141)	\$ 211,146
As a percent of total sales	17.7%	8.9%	2.0%	20.0%	8.4%		14.6%
Six months ended June 30, 2012							
Net sales	\$ 797,552	\$ 240,240	\$ 177,996	\$ 77,007	\$ 178,372	\$ —	\$ 1,471,167
Inter-segment sales	73,200	8,917	8,893	11	4,736	(95,757)	—
Total	<u>\$ 870,752</u>	<u>\$ 249,157</u>	<u>\$ 186,889</u>	<u>\$ 77,018</u>	<u>\$ 183,108</u>	<u>\$ (95,757)</u>	<u>\$ 1,471,167</u>
EBIT ⁽¹⁾	\$ 145,998	\$ 23,210	\$ 5,998	\$ 4,504	\$ 16,194	\$ (4,262)	\$ 191,642
As a percent of total sales	16.8%	9.3%	3.2%	5.8%	8.8%		13.0%
Special items charge ⁽³⁾	\$ 77	\$ 592	\$ 589	\$ 1,381	\$ —	\$ —	\$ 2,639
EBIT, as adjusted ⁽⁴⁾	\$ 146,075	\$ 23,802	\$ 6,587	\$ 5,885	\$ 16,194	\$ (4,262)	\$ 194,281
As a percent of total sales	16.8%	9.6%	3.5%	7.6%	8.8%		13.2%

(1) EBIT is defined as Operating income plus Equity earnings in affiliates and Other income.

(2) Special items in the three and six months ended June 30, 2013 include net rationalization and asset impairment charges and the impact of the devaluation of the Venezuelan currency.

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(4) The primary profit measure used by management to assess segment performance is EBIT, as adjusted. EBIT for each operating segment is adjusted for special items to derive EBIT, as adjusted.