



Lincoln Electric Holdings, Inc.

Q4 & Full Year 2013 Earnings Conference Call • February 14, 2014



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.

FY2013 Highlights

Generating Solid Returns From Focused Execution



- **Record FY2013 performance:**
 - **Record operating profit margin: reported 14.3%, adjusted 15.0%**
 - **Record operating working capital ratio: 17.6% of sales**
 - **Record cash flow from operations at \$339 million**
 - **Record EPS: reported \$3.54, adjusted \$3.77**
- **Solid ROIC at 18.9%**
- **Record return of \$217 million to shareholders** (share repurchase & dividend)

Income Statement – FY2013

Ongoing Profit and Earnings Expansion



(\$ in '000)	FY 2013	% of Sales	FY 2012	% of Sales	YoY % Change	
Net Sales*	\$ 2,852.7		\$ 2,853.4		0.0%	
Operating Income*	\$ 407.0	14.3%	\$ 362.1	12.7%	12.4%	↑
Operating Income, as Adjusted* ¹	\$ 428.4	15.0%	\$ 372.8	13.1%	14.9%	↑
Net Income*	\$ 293.8	10.3%	\$ 257.4	9.0%	14.1%	↑
Net Income, as Adjusted* ¹	\$ 313.2	11.0%	\$ 265.8	9.3%	17.8%	↑
Diluted EPS*	\$ 3.54		\$ 3.06		15.7%	↑
Diluted EPS, as Adjusted* ¹	\$ 3.77		\$ 3.16		19.3%	↑

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






* FY2013 results include \$109.1 million in Net Sales, \$40.2 million in Operating Income, \$52.4 million in Adjusted Operating Income, \$25.6 million in Net Income, \$37.8 million in Adjusted Net Income, \$0.31 in EPS and \$0.46 in Adjusted EPS from our

4 Venezuelan operation, which operates in a highly inflationary environment.

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 U.S. • China 	<ul style="list-style-type: none"> • Brazil • U.S. & Canada 	<ul style="list-style-type: none"> • North America • South America • Asia Pacific • Middle East
Areas of Weakness	<ul style="list-style-type: none"> • Europe (improving) 	<ul style="list-style-type: none"> • North America • Europe • Asia Pacific 	<ul style="list-style-type: none"> • Commercial high rise & industrial-Europe 	<ul style="list-style-type: none"> • Europe • Asia Pacific 	
Challenges		<ul style="list-style-type: none"> • Commodity costs • Coal/Iron Ore 	<ul style="list-style-type: none"> • Only regional improvement • Rising credit costs • Excess capacity 	<ul style="list-style-type: none"> • EU fiscal issues • Excess capacity & inventory 	<ul style="list-style-type: none"> • Regulatory environ.
Opportunities	<ul style="list-style-type: none"> • New models • Expanding production base • Advanced materials • New products 	<ul style="list-style-type: none"> • At/near trough – new projects • New products 	<ul style="list-style-type: none"> • Improved macros drive renovations • Urban renewal • New products 	<ul style="list-style-type: none"> • Specialty (LNG) • Improved yard productivity • New products 	<ul style="list-style-type: none"> • Shale gas & v. chain • Large scale projects (pipe mill) • Grid upgrades • Offshore/deep water • New products

Focused on Profitable Growth & Optimizing Operations

- ▶ Automation investment continues:
 - Acquired Robolution GmbH in Frankfurt Germany and an interest in Burlington Automation in Ontario Canada in Q4 2013
 - Launched and/or expanded 2 automation facilities in the Americas (Brazil and Mexico)
- ▶ Ongoing internal initiatives: transitioning towards a more favorable product mix, segment-oriented go-to-market strategies, and various manufacturing and process efficiencies
- ▶ Expect previously announced European consumable platform consolidation and efficiency projects for consumables in Asia Pacific to be accretive to EPS by 3- to 4-cents in 2014

Efforts Driving Improved Shareholder Returns.

Income Statement – Q4 2013

\$ in Millions	Q4	% of	Q4	% of	YoY %
	2013	Sales	2012	Sales	Change
					<i>Fav/(Unfav)</i>
Net Sales*	\$ 714.8		\$ 684.6		4.4%
Gross Profit	243.0	34.0%	213.0	31.1%	14.1%
SG&A	123.9	17.3%	122.3	17.9%	(1.3%)
Special Items	0.3	-	5.0	0.7%	94.9%
Operating Income*	118.9	16.6%	85.7	12.5%	38.7%
Operating Income, as Adjusted* ¹	119.9	16.8%	90.7	13.3%	32.1%
Income Taxes	33.3	4.7%	25.6	3.7%	(30.0%)
Effective Tax Rate	27.5%		29.3%		180 bps
Net Income*	<u>\$ 88.3</u>	12.4%	<u>\$ 62.1</u>	9.1%	42.3%
Net Income, as Adjusted* ¹	<u>\$ 89.2</u>	12.5%	<u>\$ 65.9</u>	9.6%	35.3%
Diluted EPS*	\$ 1.07		\$ 0.74		44.6%
Diluted EPS, as Adjusted* ¹	\$ 1.09		\$ 0.79		38.0%

Sales Mix	
Volume	3.1%
Price	-
Acquisitions	1.9%
F/X	(0.6%)
Total	4.4%

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

* Q4-2013 results include \$40.9 million in Net Sales, \$24.2 million in Reported and Adjusted Operating Income, \$17.7 million in Reported and Adjusted Net Income, \$0.22 in Reported and Adjusted EPS from our Venezuelan operation, which operates in a highly inflationary environment.

Welding Segment – North America

(\$ in Millions)	Q4 2013	Q4 2012	% YoY Change		Sales Mix*	
Net Sales	\$ 410.0	\$ 392.9	4.4%	↑	Volume	1.5%
Adjusted EBIT¹	\$ 83.8	\$ 76.2	10.0%	↑	Price	0.1%
Adj EBIT Margin¹	19.2%	18.0%	120 bps	↑	Acq/Div	3.3%
					Forex	(0.5%)
					Total	4.4%

**Volume growth driven by automation projects and consumables.
Margin growth reflects mix, price/cost and LIFO credit.**

* Figures may not sum due to rounding

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

Welding Segment – Europe

(\$ in Millions)	Q4 2013	Q4 2012	% YoY Change		Sales Mix*	
Net Sales	\$ 111.9	\$ 107.5	4.1%	↑	Volume	4.4%
Adjusted EBIT¹	\$ 8.1	\$ 5.0	62.0%	↑	Price	(2.6%)
Adj EBIT Margin¹	6.9%	4.5%	240 bps	↑	Acq/Div	-
					Forex	2.2%
					Total	4.1%

Volumes up on stabilizing core European markets and strength in Eastern Europe and Middle East demand.

* Amounts may not sum due to rounding

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

Welding Segment – Asia Pacific



(\$ in Millions)	Q4 2013	Q4 2012	% YoY Change		Sales Mix*	
Net Sales	\$ 63.2	\$ 70.2	(10.0%)	↓	Volume	(5.7%)
Adjusted EBIT¹	\$ (0.2)	\$ (1.4)	85.7%	↑	Price	(1.4%)
Adj EBIT Margin¹	(0.2%)	(1.9%)	170 bps	↑	Acq/Div	-
					Forex	(3.0%)
					Total	(10.0%)

**Volumes impacted by weak end sector trends – notably in Australia.
Margins challenged by geographic and product mix.**

* Amounts may not sum due to rounding

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

Welding Segment – South America



(\$ in Millions)	Q4 2013	Q4 2012	% YoY Change		Sales Mix*	
Net Sales²	\$ 63.3	\$ 39.9	58.5%	↑	Volume	29.4%
Adjusted EBIT^{1,2}	\$ 25.2	\$ 4.8	425.0%	↑	Price	34.7%
Adj EBIT Margin¹	39.8%	12.1%	2,770 bps	↑	Acq/Div	-
					Forex	(5.6%)
					Total	58.5%

Solid volume growth across all South America – further driven by Venezuela. Margin growth reflects effect of inflation in Venezuela.

* Amounts may not sum due to rounding

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

² Q4-2013 results include \$40.9 million in Net Sales and \$24.2 million in Adjusted EBIT from our Venezuelan operation, which operates in a highly inflationary environment.

The Harris Products Group



(\$ in Millions)	Q4 2013	Q4 2012	% YoY Change		Sales Mix*	
Net Sales	\$ 66.4	\$ 74.0	(10.3%)	↓	Volume	4.2%
Adjusted EBIT¹	\$ 6.4	\$ 5.5	16.4%	↑	Price	(13.9%)
Adj EBIT Margin¹	9.3%	7.3%	200 bps	↑	Acq/Div	-
					Forex	(0.6%)
					Total	(10.3%)

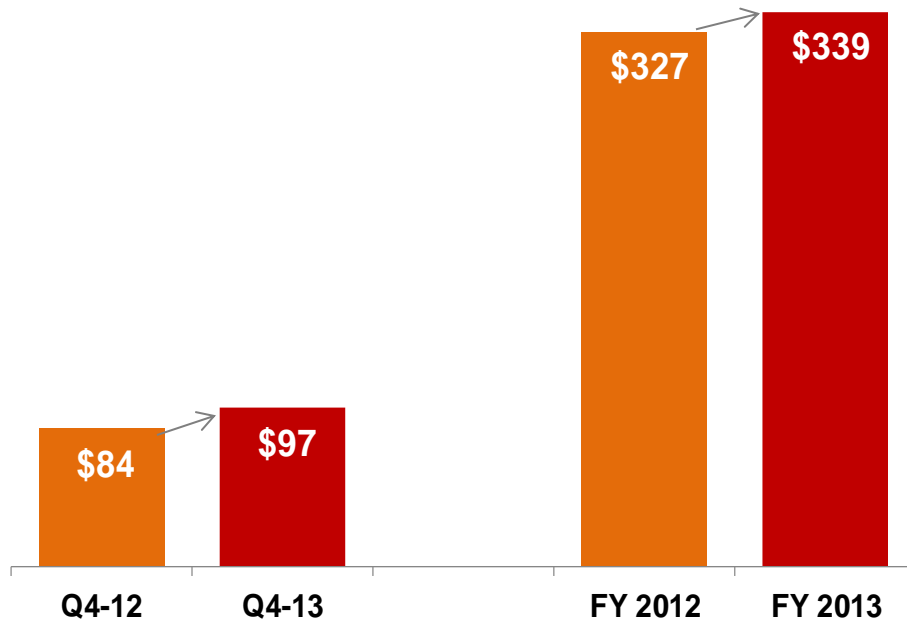
**Volumes up on HVAC, refrigeration and retail demand.
Lower price reflects declining raw material prices.
Margins higher on mix and expense control.**

* Amounts may not sum due to rounding

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

Operating Cash Flows Solid

Operating Cash Flows



▶ Cash Flow at 12/31/2013

- Solid operating cash flows
- Operating working capital: 17.6% of sales
- Net cash balance \$281 million

▶ Debt at 12/31/2013

- Debt/invested capital: 1.2%
- Net cash to total capital 18.1%

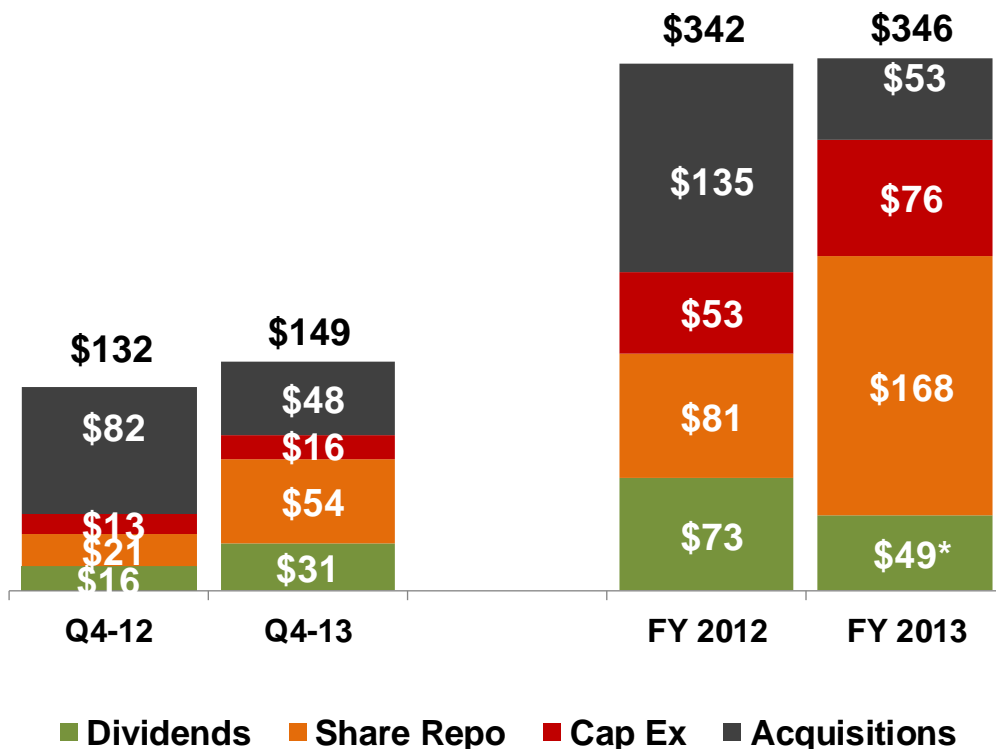
▶ 2013 Pension Contributions & Payments

- Q4: \$3 million
- FY2013: \$87 million in 2013 v. \$70 million in 2012
- U.S. plan now fully funded

Capital Allocation



Capital Allocation



▶ Dividends

- Q4: \$16 million; FY2013: \$49 million*
- Announced 15% increase for 2014 (\$0.23 per common share per quarter)

▶ Share Repurchases

- Q4: +157% to \$54 million
- FY2013: +107% to \$168 million

▶ Capital Expenditures

- Q4: +23% to \$16 million
- FY2013: +43% to \$76 million due to Venezuela facility purchase

▶ Return on Invested Capital

- 18.9% at December 31, 2013



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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 December 31,		Twelve months ended December 31,	
	2013	2012	2013	2012
Operating income as reported	\$ 118,905	\$ 85,705	\$ 406,985	\$ 362,081
Special items (pre-tax):				
Rationalization and asset impairment charges (1)	259	5,037	8,463	9,354
Loss on the sale of land (2)	705	—	705	—
Venezuelan currency devaluation (3)	—	—	12,198	—
Venezuelan statutory severance obligation (4)	—	—	—	1,381
Adjusted operating income (6)	\$ 119,869	\$ 90,742	\$ 428,351	\$ 372,816
Net income as reported	\$ 88,324	\$ 62,084	\$ 293,780	\$ 257,411
Special items (after-tax):				
Rationalization and asset impairment charges (1)	223	3,823	7,573	7,442
Loss on the sale of land (2)	705	—	705	—
Venezuelan currency devaluation (3)	—	—	12,198	—
Venezuelan statutory severance obligation (4)	—	—	—	906
Special items attributable to non-controlling interests (5)	(47)	—	(1,068)	—
Adjusted net income (6)	\$ 89,205	\$ 65,907	\$ 313,188	\$ 265,759
Diluted earnings per share as reported	\$ 1.07	\$ 0.74	\$ 3.54	\$ 3.06
Special items	0.02	0.05	0.23	0.10
Adjusted diluted earnings per share (6)	\$ 1.09	\$ 0.79	\$ 3.77	\$ 3.16
Weighted average shares (diluted)	82,184	83,677	83,042	84,175

Please see footnotes on the next slide.

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)

FOOTNOTES:

- (1) The three and twelve months ended December 31, 2013 include net charges associated with long-lived asset impairments and severance and other related costs from the consolidation of manufacturing operations partially offset by gains related to the sale of assets at rationalized operations.
- (2) Represents the loss realized related to the sale of land.
- (3) Represents the impact of the devaluation of the Venezuelan currency.
- (4) Represents an unfavorable adjustment due to a change in Venezuelan labor law, which provides for increased employee severance obligations.
- (5) The three months ended December 31, 2013 represents the portion of land sale attributable to non-controlling interests. The three and twelve months ended December 31, 2013 include the portion of land sale and the long-lived asset impairments attributable to non-controlling interests.
- (6) 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 December 31, 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 December 31, 2013							
Net sales	\$ 410,033	\$ 111,874	\$ 63,170	\$ 63,303	\$ 66,411	\$ —	\$ 714,791
Inter-segment sales	27,385	6,046	2,327	11	2,396	(38,165)	—
Total	<u>\$ 437,418</u>	<u>\$ 117,920</u>	<u>\$ 65,497</u>	<u>\$ 63,314</u>	<u>\$ 68,807</u>	<u>\$ (38,165)</u>	<u>\$ 714,791</u>
EBIT ⁽¹⁾	\$ 83,902	\$ 7,752	\$ (792)	\$ 25,187	\$ 6,415	\$ (1,387)	\$ 121,077
As a percent of total sales	19.2%	6.6%	(1.2%)	39.8%	9.3%		16.9%
Special items charge ⁽²⁾	\$ (57)	\$ 381	\$ 640	\$ —	\$ —	\$ —	\$ 964
EBIT, as adjusted ⁽⁴⁾	\$ 83,845	\$ 8,133	\$ (152)	\$ 25,187	\$ 6,415	\$ (1,387)	\$ 122,041
As a percent of total sales	19.2%	6.9%	(0.2%)	39.8%	9.3%		17.1%
Three months ended December 31, 2012							
Net sales	\$ 392,939	\$ 107,507	\$ 70,223	\$ 39,931	\$ 74,048	\$ —	\$ 684,648
Inter-segment sales	29,676	3,870	3,188	—	1,944	(38,678)	—
Total	<u>\$ 422,615</u>	<u>\$ 111,377</u>	<u>\$ 73,411</u>	<u>\$ 39,931</u>	<u>\$ 75,992</u>	<u>\$ (38,678)</u>	<u>\$ 684,648</u>
EBIT ⁽¹⁾	\$ 75,925	\$ 3,914	\$ (5,090)	\$ 4,829	\$ 5,544	\$ 1,996	\$ 87,118
As a percent of total sales	18.0%	3.5%	(6.9%)	12.1%	7.3%		12.7%
Special items charge ⁽³⁾	\$ 273	\$ 1,068	\$ 3,696	\$ —	\$ —	\$ —	\$ 5,037
EBIT, as adjusted ⁽⁴⁾	\$ 76,198	\$ 4,982	\$ (1,394)	\$ 4,829	\$ 5,544	\$ 1,996	\$ 92,155
As a percent of total sales	18.0%	4.5%	(1.9%)	12.1%	7.3%		13.5%

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

(2) Special items in the three and twelve months ended December 31, 2013 include net rationalization and asset impairment charges and a loss recognized on the sale of land. The twelve months ended December 31, 2013 special charges also include the impact of the devaluation of the Venezuelan currency.

(3) Special items in the three and twelve months ended December 31, 2012 include net rationalization and asset impairment charges. The twelve months ended December 31, 2012 special charges also include 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 – Twelve Months Ended December 31, 2013

(In thousands)

(Unaudited)

	North America Welding	Europe Welding	Asia Pacific Welding	South America Welding	The Harris Products Group	Corporate / Eliminations	Consolidated
Twelve months ended December 31, 2013							
Net sales	\$ 1,652,769	\$ 429,548	\$ 266,282	\$ 195,895	\$ 308,177	\$ —	\$ 2,852,671
Inter-segment sales	127,254	19,911	14,906	233	9,605	(171,909)	—
Total	\$ 1,780,023	\$ 449,459	\$ 281,188	\$ 196,128	\$ 317,782	\$ (171,909)	\$ 2,852,671
EBIT ⁽¹⁾	\$ 317,455	\$ 34,202	\$ (4,256)	\$ 45,108	\$ 27,826	\$ (4,350)	\$ 415,985
As a percent of total sales	17.8%	7.6%	(1.5%)	23.0%	8.8%		14.6%
Special items charge ⁽²⁾	\$ 1,052	\$ 2,045	\$ 6,071	\$ 12,198	\$ —	\$ —	\$ 21,366
EBIT, as adjusted ⁽⁴⁾	\$ 318,507	\$ 36,247	\$ 1,815	\$ 57,306	\$ 27,826	\$ (4,350)	\$ 437,351
As a percent of total sales	17.9%	8.1%	0.6%	29.2%	8.8%		15.3%
Twelve months ended December 31, 2012							
Net sales	\$ 1,580,818	\$ 452,227	\$ 324,482	\$ 161,483	\$ 334,357	\$ —	\$ 2,853,367
Inter-segment sales	131,062	16,048	14,829	38	8,549	(170,526)	—
Total	\$ 1,711,880	\$ 468,275	\$ 339,311	\$ 161,521	\$ 342,906	\$ (170,526)	\$ 2,853,367
EBIT ⁽¹⁾	\$ 292,243	\$ 33,765	\$ 2,254	\$ 16,920	\$ 29,477	\$ (4,886)	\$ 369,773
As a percent of total sales	17.1%	7.2%	0.7%	10.5%	8.6%		13.0%
Special items charge ⁽³⁾	\$ 827	\$ 3,534	\$ 4,993	\$ 1,381	\$ —	\$ —	\$ 10,735
EBIT, as adjusted ⁽⁴⁾	\$ 293,070	\$ 37,299	\$ 7,247	\$ 18,301	\$ 29,477	\$ (4,886)	\$ 380,508
As a percent of total sales	17.1%	8.0%	2.1%	11.3%	8.6%		13.3%

(1) Please refer to footnotes on the prior slide which include full year commentary.