



Lincoln Electric Holdings, Inc.

Q1 2014 Earnings Conference Call • April 23, 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.

Q1 2014 Highlights

Solid operational execution holds margins steady

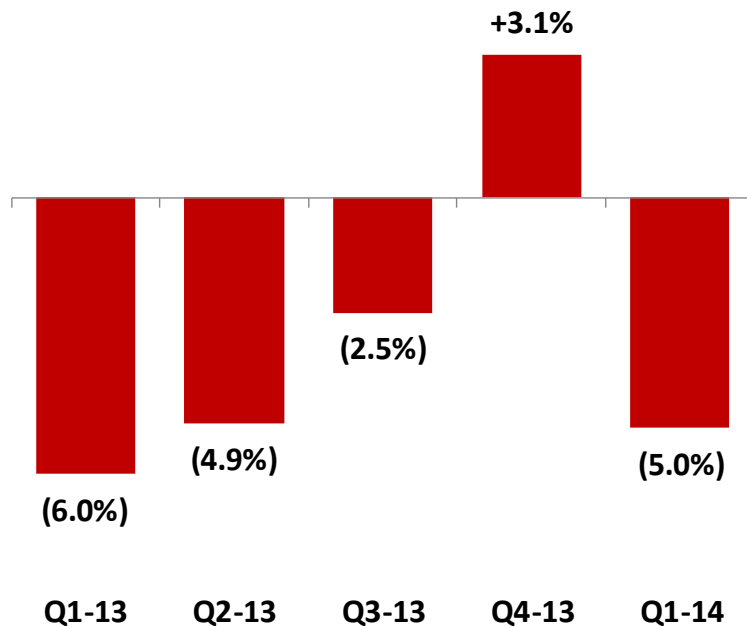


- **Sales declined 4.7% on 5.0% lower volumes**
- **Volumes impacted by lower equipment investment – notably in international markets impacting North American exports**
- **Reported operating income margin of 11.7% (down 60 basis points); 14.3% Adjusted operating income margin (up 50 basis points)**
- **Reported EPS down 14% to \$0.69 primarily on Venezuela remeasurement loss; Adjusted EPS down 1% to \$0.91**
- **ROIC at 18.6%**
- **Returned \$70 million in cash to shareholders (shares & dividends)**

End Market Demand Remains Uneven



Change in Net Sales From Volume (Q1-2013 to Q1-2014)



- **Areas of Sector Strength:**
 - Energy sector
 - Transportation
 - Maintenance & Repair
- **Flat/Limited Growth:**
 - Structural (steel-based construction)
 - Construction equipment
- **Continued Weakness**
 - General manufacturing
 - Ship building
 - Mining

Q1-14 volume trends improved in March – but March and April volume run-rates remain below prior year levels

Staying Focused on Profitable Growth & Optimizing Operations

▶ Sales and Margin Growth from Targeted Applications:

- **Automation:** Integrating Robolution GmbH and Burlington Automation – both acquired in Q4-2013
- **Alloys:** Completing integration of alloy lines into our Northeast Ohio manufacturing footprint
- Continuing to enhance mix profile (products, geographies and customers)

▶ Improvements to our Asia Pacific business

▶ Commercial Excellence:

- Salesforce productivity tools, CRM software, and training
- Enhancing internet and e-commerce strategy

▶ Operational Excellence:

- Continuous improvement projects (lean and EH&S-focused)
- Investment in new electronics (printed circuit board) platform
- Global SAP roll out continues

Efforts Driving Improved Shareholder Returns.

Income Statement – Q1 2014

\$ in Millions	Q1	% of	Q1	% of	YoY %
	2014	Sales	2013	Sales	Change
Net Sales*	\$ 685.1		\$ 718.6		(4.7%)
Gross Profit	226.3	33.0%	226.6	31.5%	(0.1%)
SG&A	145.9	21.3%	136.9	19.1%	(6.6%)
Rationalization & Asset Imp. (gains)	-	-	1.1	0.1%	101.6%
Operating Income*	80.4	11.7%	88.6	12.3%	(9.2%)
Operating Income, as Adjusted* ¹	98.1	14.3%	99.3	13.8%	(1.3%)
Income Taxes	26.0	3.8%	23.8	3.3%	(9.1%)
Effective Tax Rate	31.5%		26.3%		(520) bps
Net Income*	<u>\$ 56.5</u>	8.2%	<u>\$ 66.8</u>	9.3%	(15.5%)
Net Income, as Adjusted* ¹	<u>\$ 74.1</u>	10.8%	<u>\$ 77.1</u>	10.7%	(3.9%)
Diluted EPS*	\$ 0.69		\$ 0.80		(13.8%)
Diluted EPS, as Adjusted* ¹	\$ 0.91		\$ 0.92		(1.1%)

Fav/(Unfav)

Sales Mix	
Volume	(5.0%)
Price	0.4%
Acquisitions	1.1%
F/X	(1.2%)
Total	(4.7%)

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

*Q1 2014 results include \$24.2 million in Net Sales, \$(6.7) million loss in Operating Income, \$10.9 million in Adjusted Operating Income, \$(6.5) million loss in Net Income, \$11.2 million in Adjusted Net Income, \$(0.08) loss in EPS and \$0.14 in adjusted EPS from our Venezuelan operation, which operates in a highly inflationary environment and incurred a remeasurement loss on 3/31/2014.

Welding Segment – North America

(\$ in Millions)	Q1 2014	Q1 2013	% YoY Change		Sales Mix*	
Net Sales	\$ 401.9	\$ 419.6	(4.2%)	↓	Volume	(5.6%)
Adjusted EBIT¹	\$ 71.4	\$ 76.7	(6.9%)	↓	Price	0.3%
Adj EBIT Margin¹	16.4%	17.1%	(70) bps	↓	Acq/Div	1.9%
					Forex	(0.8%)
					Total	(4.2%)

Volumes lower on equipment exports and challenging Q1/2013 equipment comparisons. Margin largely impacted by lower volumes.

* Figures may not sum due to rounding

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

Welding Segment – Europe

(\$ in Millions)	Q1 2014	Q1 2013	% YoY Change		Sales Mix*	
Net Sales	\$ 105.4	\$ 110.5	(4.6%)	↓	Volume	(5.0%)
Adjusted EBIT¹	\$ 9.3	\$ 10.7	(13.2%)	↓	Price	(1.4%)
Adj EBIT Margin¹	8.4%	9.3%	(90) bps	↓	Acq/Div	-
					Forex	1.8%
					Total	(4.6%)

Volumes lower in certain European markets while growth continues in Eastern Europe and the UK.

* 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)	Q1 2014	Q1 2013	% YoY Change		Sales Mix*	
Net Sales	\$ 61.3	\$ 70.0	(12.5%)	↓	Volume	(7.7%)
Adjusted EBIT¹	\$ (0.6)	\$ 2.3	(127.9%)	↓	Price	(0.5%)
Adj EBIT Margin¹	(1.0%)	3.1%	(410) bps	↓	Acq/Div	-
					Forex	(4.3%)
					Total	(12.5%)

Volumes impacted by weak industrial demand in China and weakness in mining in Australia. Margins challenged by volumes and 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)	Q1 2014	Q1 2013	% YoY Change		Sales Mix*	
Net Sales²	\$ 44.0	\$ 36.4	20.9%	↑	Volume	(5.6%)
Adjusted EBIT^{1,2}	\$ 11.8	\$ 5.1	130.1%	↑	Price	35.2%
Adj EBIT Margin¹	26.7%	14.0%	1270 bps	↑	Acq/Div	-
					Forex	(8.7%)
					Total	20.9%

While volumes increased in most markets, lower volumes reflect the reduction of imported products in Venezuela. Price and margin growth reflect actions taken to address inflation in Venezuela.

* Amounts may not sum due to rounding

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

² Q1-2014 results include \$24.2 million in Net Sales and \$10.8 million in Adjusted EBIT from our Venezuelan operation, which operates in a highly inflationary environment.

Venezuela – Key Actions and Risks in 2014



Key Updates:

1. Company is applying the SICAD I rate instead of the “official” exchange rate as of 3/31/2014

- Bolivar-denominated monetary assets and liabilities revalued at \$25 million (\$24M in cash and equivalents)
- \$17.7 million after-tax charge taken in Q1 2014 (SG&A) reflecting SICAD I.

2. Expect Q2 2014 charge to COGs of \$3.5 million for inventory valued at the historical “official” rate

3. Future Company performance will reflect the remeasurement and financial results may also be impacted by key risk factors

4. Company has limited operations in Venezuela to selling only locally-sourced and produced products

2014 Risk Factors to Lincoln Electric Venezuela Earnings:

1. Any further devaluations and/or use of an alternate exchange rate (ie: “Official”, SICAD I, or SICAD II)

2. Potential disruptions to operations

3. Changes in local raw material sourcing

* SICAD I rate is an auction-based exchange rate of 10.7 bolivars:1USD on 3/31/2014. SICAD I compares with the “official” exchange rate of 6.3 bolivars:1USD.

The Harris Products Group



(\$ in Millions)	Q1 2014	Q1 2013	% YoY Change		Sales Mix*	
Net Sales	\$ 72.5	\$ 82.1	(11.7%)	↓	Volume	0.5%
Adjusted EBIT¹	\$ 6.1	\$ 7.2	(15.3%)	↓	Price	(11.2%)
Adj EBIT Margin¹	8.1%	8.5%	(40) bps	↓	Acq/Div	-
					Forex	(1.0%)
					Total	(11.7%)

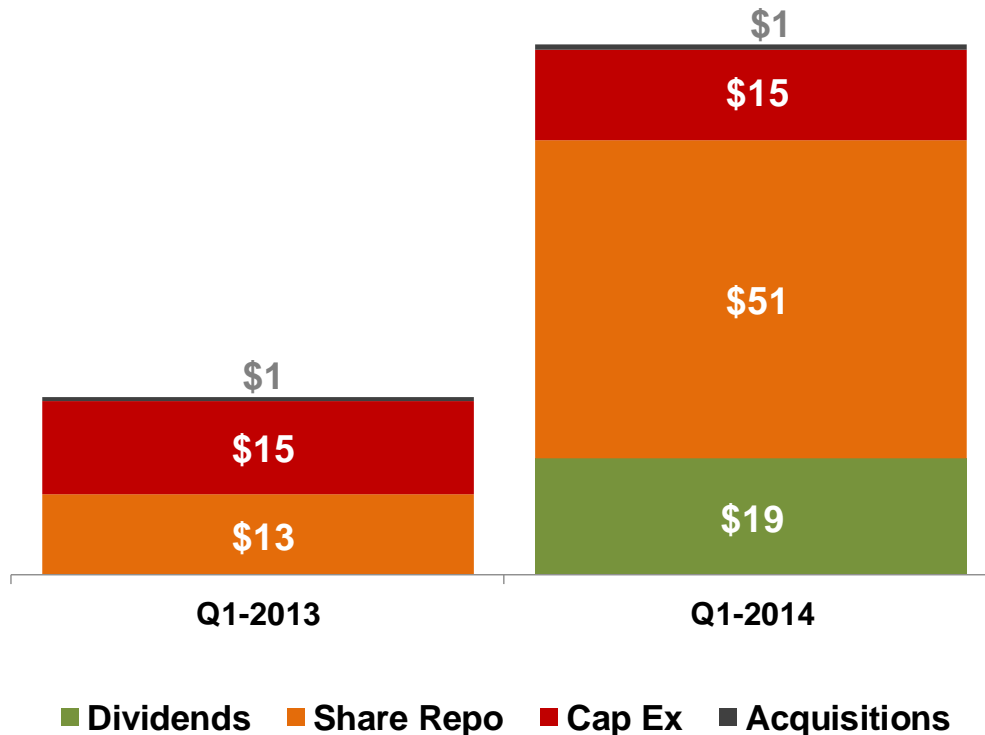
**Modest volume growth on retail programs and consumables,
while lower price reflects declining raw material prices.**

* Amounts may not sum due to rounding

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

Capital Allocation

Capital Allocation



▶ Dividends

- Q1: \$19 million*
(+15% to \$0.23 per common share/quarter)

▶ Share Repurchases

- Q1: +299% to \$51 million

▶ Capital Expenditures

- Q1: (4%) to \$15 million

▶ Return on Invested Capital

- 18.6% at March 31, 2014



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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 March 31,	
	2014	2013
Operating income as reported	\$ 80,438	\$ 88,630
Special items (pre-tax):		
Rationalization and asset impairment (gains) charges (1)	(17)	1,051
Venezuela foreign exchange losses (2)	17,665	9,660
Adjusted operating income (3)	\$ 98,086	\$ 99,341
Net income as reported	\$ 56,453	\$ 66,806
Special items (after-tax):		
Rationalization and asset impairment (gains) charges (1)	(7)	673
Venezuela foreign exchange losses (2)	17,665	9,660
Adjusted net income (3)	\$ 74,111	\$ 77,139
Diluted earnings per share as reported	\$ 0.69	\$ 0.80
Special items	0.22	0.12
Adjusted diluted earnings per share (3)	\$ 0.91	\$ 0.92
Weighted average shares (diluted)	81,616	83,786

(1) The three months ended March 31, 2014 include net gains primarily related to the sale of assets at rationalized operations. The three months ended March 31, 2013 include net charges associated with 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) The three months ended March 31, 2014 represents the impact of the Venezuelan remeasurement loss. The three months ended March 31, 2013 represents the impact of the devaluation of the Venezuelan currency.

(3) 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 March 31, 2014

(In thousands)
(Unaudited)

	North America Welding	Europe Welding	Asia Pacific Welding	South America Welding	The Harris Products Group	Corporate / Eliminations	Consolidated
Three months ended March 31, 2014							
Net sales	\$ 401,906	\$ 105,406	\$ 61,286	\$ 43,993	\$ 72,471	\$ —	\$ 685,062
Inter-segment sales	32,943	5,860	4,449	29	2,118	(45,399)	—
Total	<u>\$ 434,849</u>	<u>\$ 111,266</u>	<u>\$ 65,735</u>	<u>\$ 44,022</u>	<u>\$ 74,589</u>	<u>\$ (45,399)</u>	<u>\$ 685,062</u>
EBIT ⁽¹⁾	\$ 71,411	\$ 9,253	\$ (631)	\$ (5,900)	\$ 6,058	\$ 2,891	\$ 83,082
As a percent of total sales	16.4%	8.3%	(1.0%)	(13.4%)	8.1%		12.1%
Special items (gain) charge ⁽²⁾	\$ (47)	\$ 39	\$ (9)	\$ 17,665	\$ —	\$ —	\$ 17,648
EBIT, as adjusted ⁽⁴⁾	\$ 71,364	\$ 9,292	\$ (640)	\$ 11,765	\$ 6,058	\$ 2,891	\$ 100,730
As a percent of total sales	16.4%	8.4%	(1.0%)	26.7%	8.1%		14.7%
Three months ended March 31, 2013							
Net sales	\$ 419,554	\$ 110,491	\$ 70,039	\$ 36,374	\$ 82,115	\$ —	\$ 718,573
Inter-segment sales	28,985	4,279	4,384	20	2,224	(39,892)	—
Total	<u>\$ 448,539</u>	<u>\$ 114,770</u>	<u>\$ 74,423</u>	<u>\$ 36,394</u>	<u>\$ 84,339</u>	<u>\$ (39,892)</u>	<u>\$ 718,573</u>
EBIT ⁽¹⁾	\$ 75,800	\$ 10,707	\$ 2,096	\$ (4,548)	\$ 7,151	\$ (603)	\$ 90,603
As a percent of total sales	16.9%	9.3%	2.8%	(12.5%)	8.5%		12.6%
Special items (gain) charge ⁽³⁾	\$ 860	\$ (6)	\$ 197	\$ 9,660	\$ —	\$ —	\$ 10,711
EBIT, as adjusted ⁽⁴⁾	\$ 76,660	\$ 10,701	\$ 2,293	\$ 5,112	\$ 7,151	\$ (603)	\$ 101,314
As a percent of total sales	17.1%	9.3%	3.1%	14.0%	8.5%		14.1%

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

(2) Special items in the three months ended March 31, 2014 include net gains primarily related to the sale of assets at rationalized operations and the impact of the Venezuelan remeasurement loss.

(3) Special items in the three months ended March 31, 2013 include net rationalization and asset impairment charges (gains) and the impact of the devaluation of the Venezuelan currency.

(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.