



Lincoln Electric Holdings, Inc.

Q4 and Full Year 2014 Earnings Conference Call • February 17, 2015



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.

Full Year 2014 Highlights

Strong Performance on Execution and Capital Allocation Strategy

- **RECORD FY2014 performance:**
 - Record operating profit margin: reported 13.3%, adjusted 15.1%
 - Record EPS: reported \$3.18, adjusted \$3.82
 - Record operating working capital ratio: 16.5%
 - Record cash flow from operations: \$402 million
- **Improved ROIC at 19.1%**
- **Record return of \$380 million to shareholders** (share repurchases & dividends)

Income Statement – FY 2014



\$ in Millions	FY	% of	FY	% of	YoY %
	2014	Sales	2013	Sales	Change
					<i>Fav/(Unfav)</i>
Net Sales	\$ 2,813.3		\$ 2,852.7		(1.4%)
Gross Profit	949.3	33.7%	942.7	33.0%	0.7%
SG&A	545.5	19.4%	527.2	18.5%	(3.5%)
Rationalization & Asset Imp. (gains)	30.1	1.1%	8.4	0.3%	(255.1%)
Operating Income ²	373.7	13.3%	407.0	14.3%	(8.2%)
Operating Income, as Adjusted ^{1,2}	424.9	15.1%	428.4	15.0%	(0.8%)
Income Taxes	121.9	4.3%	124.8	4.4%	2.3%
Effective Tax Rate	32.4%		30.0%		(240) bps
Net Income	<u>\$ 254.7</u>	9.1%	<u>\$ 293.8</u>	10.3%	(13.3%)
Net Income, as Adjusted ¹	<u>\$ 305.9</u>	10.9%	<u>\$ 313.2</u>	11.0%	(2.3%)
Diluted EPS	\$ 3.18		\$ 3.54		(10.2%)
Diluted EPS, as Adjusted ^{1,3}	\$ 3.82		\$ 3.77		1.3%

Sales Mix	
Volume	(2.0%)
Price	1.8%
Acquisitions	1.5%
F/X	(2.6%)
Total	(1.4%)

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

² FY 2014 operating profit includes a \$30.1 million rationalization and asset impairment charge of which \$32.7 million is a non-cash asset impairment charge primarily related to a planned divestiture of manufacturing capacity in the Asia Pacific Welding segment.

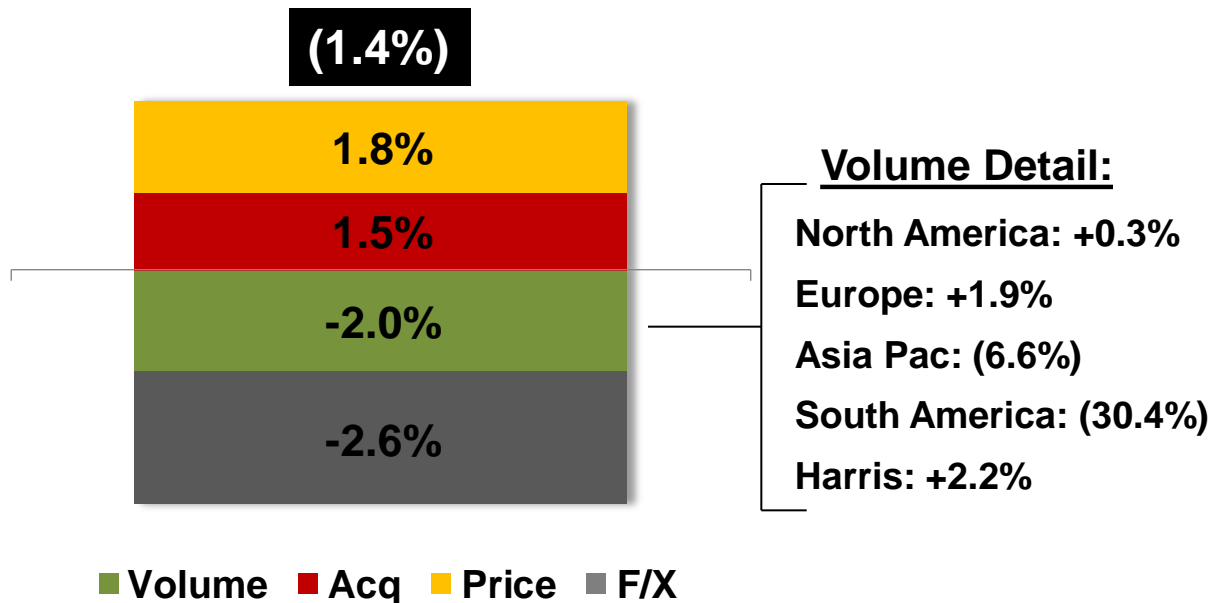
³ FY 2014 results include \$0.17 in adjusted EPS from our Venezuelan operation, which operates in a highly inflationary environment. This

⁴ compares with \$0.46 in adjusted EPS from Venezuela in FY2013.

End Markets Remained Uneven Globally



Change in Net Sales (FY-2014 vs. FY-2013)



- **Areas of Sector Strength:**
 - Energy sector (most)
 - Heavy Fabrication (rail)
 - Transportation/Auto
 - Structural (non-res)
- **Low Growth:**
 - General Fabrication
 - Shipbuilding
- **Continued Weakness:**
 - Mining
 - Maintenance & Repair

Volumes unfavorably impacted by lower exports and international markets

Initiatives Driving Profitable Growth



▶ Commercial Initiatives:

Automation:

- Integration program
- Broadening reach
- Accelerate new technology platforms

Equipment:

- Leverage new portfolio in Europe
- Enhance portfolio in Asia Pacific

Alloys: Continue R&D and commercial development

Mix: Continue to enhance mix profile

▶ Operational Excellence Programs:

- Continuing to reposition platform in Asia Pacific
- Working capital efficiency through roll out of various processes and tools
- Ongoing continuous improvement projects previously announced (lean, SAP roll out)

Income Statement – Q4 2014



\$ in Millions	Q4	% of	Q4	% of	YoY %
	2014	Sales	2013	Sales	Change
					<i>Fav/(Unfav)</i>
Net Sales	\$ 684.0		\$ 714.8		(4.3%)
Gross Profit	231.1	33.8%	243.0	34.0%	(4.9%)
SG&A	126.0	18.4%	123.9	17.3%	(1.7%)
Rationalization & Asset Imp. (gains)	0.2	-	0.3	-	35.9%
Operating Income ²	104.9	15.3%	118.9	16.6%	(11.8%)
Operating Income, as Adjusted ¹	105.1	15.4%	119.9	16.8%	(12.3%)
Income Taxes	25.4	3.7%	33.3	4.7%	23.8%
Effective Tax Rate	25.2%		27.5%		230 bps
Net Income	<u>\$ 75.2</u>	11.0%	<u>\$ 88.3</u>	12.4%	(14.8%)
Net Income, as Adjusted ¹	<u>\$ 75.4</u>	11.0%	<u>\$ 89.2</u>	12.5%	(15.5%)
Diluted EPS	\$ 0.96		\$ 1.07		(10.3%)
Diluted EPS, as Adjusted ^{1,2}	\$ 0.96		\$ 1.09		(11.9%)

Sales Mix	
Volume	(3.5%)
Price	1.7%
Acquisitions	2.2%
F/X	(4.8%)
Total	(4.3%)

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

² Q4/2014 EPS results were not impacted by our Venezuelan operation, which operates in a highly inflationary environment. This compares with \$0.22 gain in adjusted EPS from Venezuela in Q4/2013.

Welding Segment – North America

(\$ in Millions)	Q4 2014	Q4 2013	% YoY Change		Sales Mix ²	
Net Sales	\$ 429.9	\$ 410.0	4.8%	↑	Volume	1.3%
Adjusted EBIT¹	\$ 88.5	\$ 83.8	5.5%	↑	Price	0.7%
Adj EBIT Margin¹	19.3%	19.2%	10 bps	↑	Acq/Div	3.9%
					Forex	(1.0%)
					Total	4.8%

**Solid domestic demand and acquisitions offset export weakness.
Margins higher on mix and lower expenses.**

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

² Figures may not sum due to rounding

Welding Segment – Europe

(\$ in Millions)	Q4 2014	Q4 2013	% YoY Change		Sales Mix ²	
Net Sales	\$ 97.3	\$ 111.9	(13.0%)	↓	Volume	(1.9%)
Adjusted EBIT¹	\$ 9.4	\$ 8.1	15.7%	↑	Price	(0.8%)
Adj EBIT Margin¹	9.3%	6.9%	240 bps	↑	Acq/Div	-
					Forex	(10.3%)
					Total	(13.0%)

Unit volumes slowed across Europe and faced challenging YoY comparison. Margins expand on mix and productivity improvements.

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

² Figures may not sum due to rounding

Welding Segment – Asia Pacific



(\$ in Millions)	Q4 2014	Q4 2013	% YoY Change		Sales Mix ²	
Net Sales	\$ 58.1	\$ 63.2	(8.0%)	↓	Volume	(7.7%)
Adjusted EBIT¹	\$ 1.9	\$ (0.2)	NM ³	↑	Price	0.6%
Adj EBIT Margin¹	3.1%	(0.2%)	NM ³	↑	Acq/Div	-
					Forex	(0.9%)
					Total	(8.0%)

Volumes weak on soft market conditions and strategic realignment, while margins improve on mix.

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

² Figures may not sum due to rounding

³ NM=not meaningful

Welding Segment – South America



(\$ in Millions)	Q4 2014	Q4 2013	% YoY Change		Sales Mix ³	
Net Sales²	\$ 32.7	\$ 63.3	(48.4)%	↓	Volume	(44.1%)
					Price	22.0%
Adjusted EBIT^{1,2}	\$ (0.2)	\$ 25.2	NM ⁴	↓	Acq/Div	-
					Forex	(26.2%)
Adj EBIT Margin¹	(0.7%)	39.8%	NM ⁴	↓	Total	(48.4%)

Lower volumes and margin primarily due to the Venezuela currency remeasurement in 2014 and disruption to operations.

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

² Q4-2014 results include \$15.8 million in Net Sales and \$0.3 million in Adjusted EBIT from our Venezuelan operation. This compares with \$40.9 million in Net Sales and \$24.3 million in Adjusted EBIT in Q4-2013.

³ Amounts may not sum due to rounding

⁴ NM=not meaningful

The Harris Products Group



(\$ in Millions)	Q4 2014	Q4 2013	% YoY Change		Sales Mix ²	
Net Sales	\$ 66.0	\$ 66.4	(0.7%)	↓	Volume	7.3%
Adjusted EBIT¹	\$ 6.4	\$ 6.4	(0.5%)	↓	Price	(5.9%)
Adj EBIT Margin¹	9.4%	9.3%	10 bps	↑	Acq/Div	-
					Forex	(2.1%)
					Total	(0.7%)

Volume strength reflects strong equipment sales. Lower price reflects declining commodity costs. Margins holding on mix and cost management.

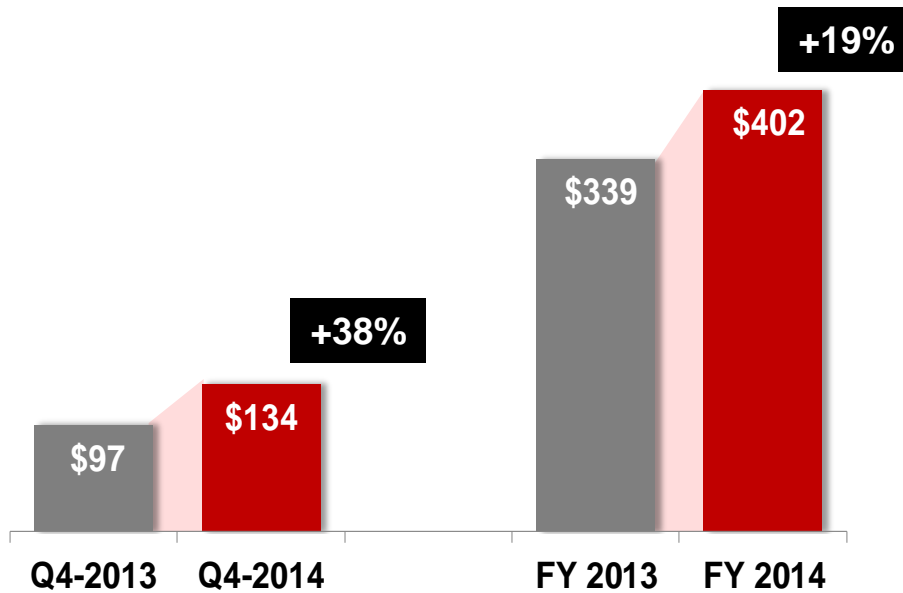
¹ Please refer to the appendix for reconciliation of non-GAAP measures

² Figures may not sum due to rounding

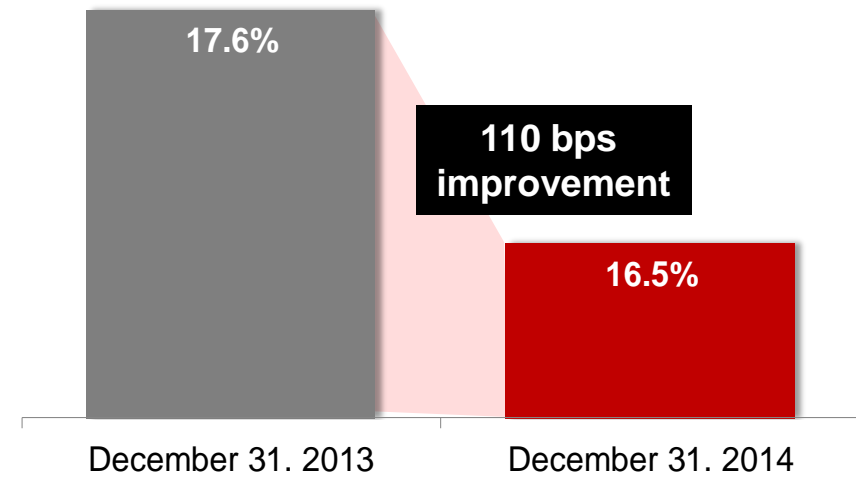
Cash Flow from Operations Metrics



Cash Flow from Operations



Average Operating Working Capital Ratio

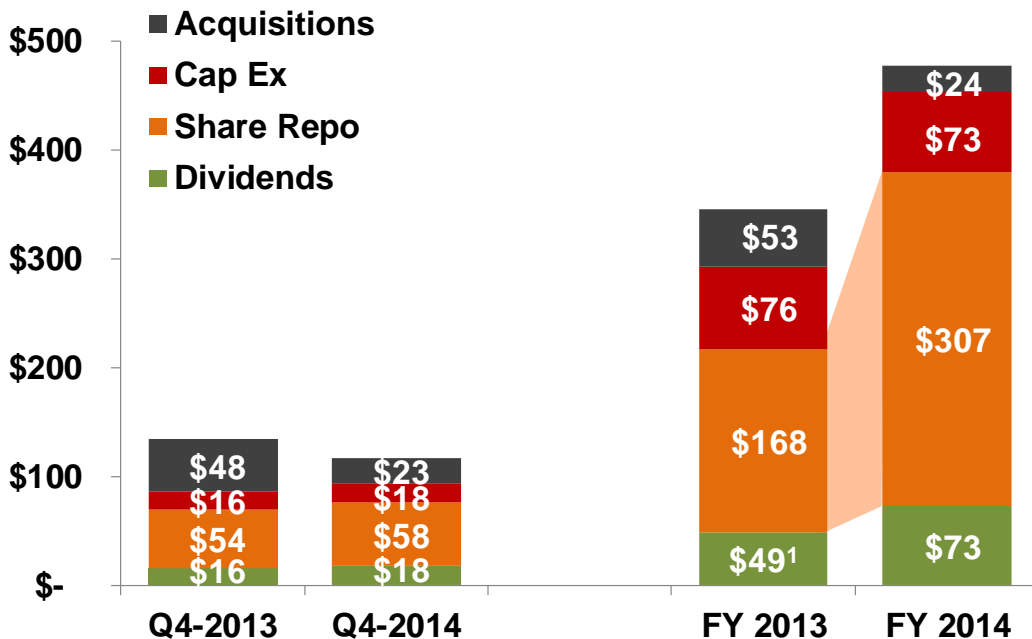


Capital Allocation



Capital Allocation

FY 2014 Results



- ▶ **Dividends:** +49%¹ to \$73M
- ▶ **Share Repurchases:** +83% to \$307M
- ▶ **Capital Expenditures:** (4.0%) to \$73M
- ▶ **Net Cash Balance:** \$208M at 12/31/14
- ▶ **Return on Invested Capital:** 19.1%

**Returned 95% of cash flow from operations to shareholders
(shares & dividends) in 2014**

¹ Q1 2013 dividend payment was paid in December 2012.



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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 December 31,		Twelve months ended December 31,	
	2014	2013	2014	2013
Operating income as reported	\$ 104,917	\$ 118,905	\$ 373,747	\$ 406,985
Special items (pre-tax):				
Rationalization and asset impairment charges ⁽¹⁾	166	259	30,053	8,463
Loss on the sale of land ⁽²⁾	—	705	—	705
Venezuela foreign exchange losses ⁽³⁾	—	—	21,133	12,198
Adjusted operating income ⁽⁵⁾	\$ 105,083	\$ 119,869	\$ 424,933	\$ 428,351
Net income as reported	\$ 75,212	\$ 88,324	\$ 254,686	\$ 293,780
Special items (after-tax):				
Rationalization and asset impairment charges ⁽¹⁾	167	223	30,914	7,573
Loss on the sale of land ⁽²⁾	—	705	—	705
Venezuela foreign exchange losses ⁽³⁾	—	—	21,133	12,198
Special items attributable to non-controlling interests ⁽⁴⁾	—	(47)	(805)	(1,068)
Adjusted net income ⁽⁵⁾	\$ 75,379	\$ 89,205	\$ 305,928	\$ 313,188
Diluted earnings per share as reported	\$ 0.96	\$ 1.07	\$ 3.18	\$ 3.54
Special items	—	0.02	0.64	0.23
Adjusted diluted earnings per share ⁽⁵⁾	\$ 0.96	\$ 1.09	\$ 3.82	\$ 3.77
Weighted average shares (diluted)	78,280	82,184	80,096	83,042

(1) The three and twelve months ended December 31, 2014 include non-cash asset impairment charges. The twelve months ended December 31, 2014 also includes net rationalization credits including gains on the sale of assets. 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, including real estate, at rationalized operations.

(2) Represents the loss realized related to the sale of land.

(3) The twelve months ended December 31, 2014 represents the impact of the Venezuelan remeasurement loss related to the adoption of a new foreign exchange mechanism in the first quarter. The twelve months ended December 31, 2013 represents the impact of the devaluation of the Venezuelan currency.

(4) Represents the portion of special items attributable to non-controlling interests.

(5) 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, 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 December 31, 2014							
Net sales	\$ 429,907	\$ 97,288	\$ 58,113	\$ 32,689	\$ 65,957	\$ —	\$ 683,954
Inter-segment sales	28,064	3,699	3,176	71	1,821	(36,831)	—
Total	<u>\$ 457,971</u>	<u>\$ 100,987</u>	<u>\$ 61,289</u>	<u>\$ 32,760</u>	<u>\$ 67,778</u>	<u>\$ (36,831)</u>	<u>\$ 683,954</u>
EBIT (1)	\$ 88,456	\$ 9,429	\$ 1,715	\$ (217)	\$ 6,380	\$ 1,049	\$ 106,812
As a percent of total sales	19.3%	9.3%	2.8%	(0.7%)	9.4%		15.6%
Special items (gain) charge (2)	\$ —	\$ (19)	\$ 185	\$ —	\$ —	\$ —	\$ 166
EBIT, as adjusted (4)	\$ 88,456	\$ 9,410	\$ 1,900	\$ (217)	\$ 6,380	\$ 1,049	\$ 106,978
As a percent of total sales	19.3%	9.3%	3.1%	(0.7%)	9.4%		15.6%
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 (gain) charge (3)	\$ (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%

(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, 2014 include non-cash asset impairment charges. The twelve months ended December 31, 2014 also includes net rationalization credits including gains on the sale of assets. Special items in the twelve months ended December 31, 2014 also include the impact of the Venezuelan remeasurement losses related to the adoption of a new foreign exchange mechanism in the first quarter.

(3) Special items in the three and twelve months ended December 31, 2013 include net rationalization and asset impairment charges 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.