



Lincoln Electric Holdings, Inc.

Q3 2014 Earnings Conference Call • October 30, 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.

Q3 2014 Highlights

Strong, high-quality topline and earnings growth

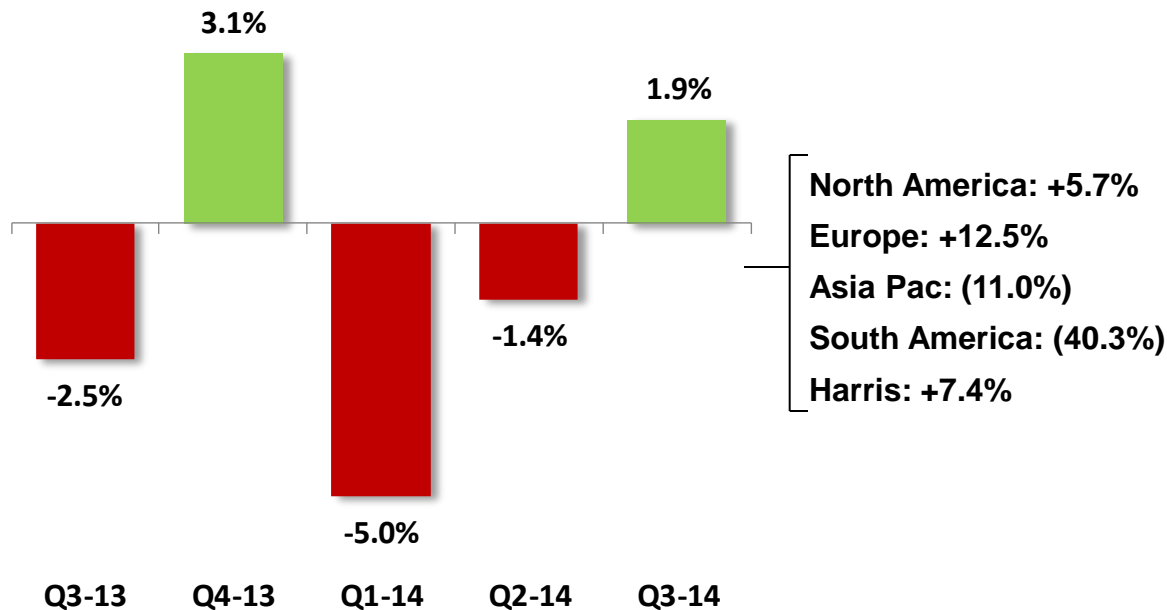


- **Reported sales +3.5%; +5.8% excluding foreign exchange**
- **Strengthening demand in key segments; export weakness narrowing**
- **Reported operating income margin 10.6%, impacted by rationalization & asset impairment charges; Q3 adjusted operating income margin 14.7%**
- **Reported EPS at \$0.57; adjusted EPS up 9% to \$0.94**
- **ROIC at 18.3%**
- **146% increase in cash returned to shareholders at \$148 million (shares & dividends)**
- **Accelerating returns**

End Markets Improving



Change in Net Sales From Volume
(Q3-2013 to Q3-2014)



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

Q3-14 volume trends improved through the quarter in key regions

Ongoing Initiatives Driving Profitable Growth



▶ Sales and Margin Growth from Targeted Applications:

Automation:

- Announced acquisition of Easom Automation and licensed Helical Robotics technology
- Continuing to integrate Robolution GmbH and Burlington Automation

Alloys: Announced licensing of NanoSteel Company IP for weld overlay and thermal spray

Mix: Continuing to enhance mix profile (products, geographies and customers)

▶ Operational Excellence:

- Aligning Asia Pacific capacity with new strategic repositioning
- Prior European restructuring yielding improved performance
- Working capital efficiency through roll out of various processes and tools
- Ongoing continuous improvement projects previously announced (lean, SAP roll out)

Income Statement – Q3 2014

\$ in Millions	Q3	% of	Q3	% of	YoY %
	2014	Sales	2013	Sales	Change
					<i>Fav/(Unfav)</i>
Net Sales	\$ 715.8		\$ 691.9		3.5%
Gross Profit	241.6	33.8%	232.7	33.6%	3.8%
SG&A	136.4	19.1%	131.2	19.0%	(4.0%)
Rationalization & Asset Imp. (gains)	29.1	4.1%	6.3	0.9%	(361.3%)
Operating Income ²	76.1	10.6%	95.2	13.8%	(20.0%)
Operating Income, as Adjusted ^{1,2}	105.2	14.7%	101.5	14.7%	3.7%
Income Taxes	33.0	4.6%	33.6	4.9%	1.9%
Effective Tax Rate	42.4%		34.3%		(810) bps
Net Income	<u>\$ 45.7</u>	6.4%	<u>\$ 66.0</u>	9.5%	(30.8%)
Net Income, as Adjusted ¹	<u>\$ 74.9</u>	10.5%	<u>\$ 71.1</u>	10.3%	5.4%
Diluted EPS	\$ 0.57		\$ 0.80		(28.8%)
Diluted EPS, as Adjusted ^{1,3}	\$ 0.94		\$ 0.86		9.3%

Sales Mix	
Volume	1.9%
Price	2.5%
Acquisitions	1.4%
F/X	(2.3%)
Total	3.5%

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

² Q3 2014 operating profit includes a \$29.1 million rationalization and asset impairment charge of which \$32.4 million is a non-cash asset impairment charge related to a planned divestiture of manufacturing capacity in the Asia Pacific Welding segment.

³ Q3 results include \$(0.01) loss in adjusted EPS from our Venezuelan operation, which operates in a highly inflationary environment.

⁶ This compares with \$0.11 in adjusted EPS from Venezuela in Q3/2013.

Welding Segment – North America



(\$ in Millions)	Q3 2014	Q3 2013	% YoY Change		Sales Mix ²	
Net Sales	\$ 439.6	\$ 404.1	8.8%	↑	Volume	5.7%
Adjusted EBIT¹	\$ 84.5	\$ 75.2	12.3%	↑	Price	1.2%
Adj EBIT Margin¹	18.0%	17.1%	90 bps	↑	Acq/Div	2.5%
					Forex	(0.6%)
					Total	8.8%

**Strong domestic demand through Q3 and export weakness narrowing.
Margins higher on mix and operational improvements**

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)	Q3 2014	Q3 2013	% YoY Change		Sales Mix ²	
Net Sales	\$ 107.5	\$ 98.5	9.1%	↑	Volume	12.5%
Adjusted EBIT¹	\$ 15.2	\$ 7.9	93.1%	↑	Price	(1.1%)
Adj EBIT Margin¹	13.6%	7.6%	600 bps	↑	Acq/Div	-
					Forex	(2.3%)
					Total	9.1%

**Solid volume growth across Europe on strong equipment sales.
Margins expand on operating leverage and mix.**

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)	Q3 2014	Q3 2013	% YoY Change	Sales Mix ²	
Net Sales	\$ 57.4	\$ 63.8	(10.1%) ↓	Volume	(11.0%)
Adjusted EBIT¹	\$ (0.3)	\$ (0.9)	NM ³ ↓	Price	1.5%
Adj EBIT Margin¹	(0.5%)	(1.4%)	90 Bps	Acq/Div	-
				Forex	(0.6%)
				Total	(10.1%)

Volumes weak on soft market conditions, while margins at near break even on operational initiatives

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)	Q3 2014	Q3 2013	% YoY Change		Sales Mix ³	
Net Sales²	\$ 32.9	\$ 51.7	(36.5)%	↓	Volume	(40.3%)
Adjusted EBIT^{1,2}	\$ (0.6)	\$ 15.9	NM ⁴	↓	Price	25.4%
Adj EBIT Margin¹	(1.8%)	30.7%	(3,250) bps	↓	Acq/Div	-
					Forex	(21.6%)
					Total	(36.5%)

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

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

² Q3-2014 results include \$12.8 million in Net Sales and \$(1.7) million loss in Adjusted EBIT from our Venezuelan operation. This compares with \$30.9 million in Net Sales and \$14.8 million in Adjusted EBIT in Q3-2013.

³ Amounts may not sum due to rounding

⁴ NM=not meaningful

The Harris Products Group



(\$ in Millions)	Q3 2014	Q3 2013	% YoY Change		Sales Mix ²	
Net Sales	\$ 78.4	\$ 73.7	6.4%	↑	Volume	7.4%
Adjusted EBIT¹	\$ 8.9	\$ 6.9	29.3%	↑	Price	(1.0%)
Adj EBIT Margin¹	11.1%	9.1%	200 bps	↑	Acq/Div	-
					Forex	-
					Total	6.4%

**Volume strength reflects strong equipment sales and improving end market trends.
Margin expanding on mix and cost management.**

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

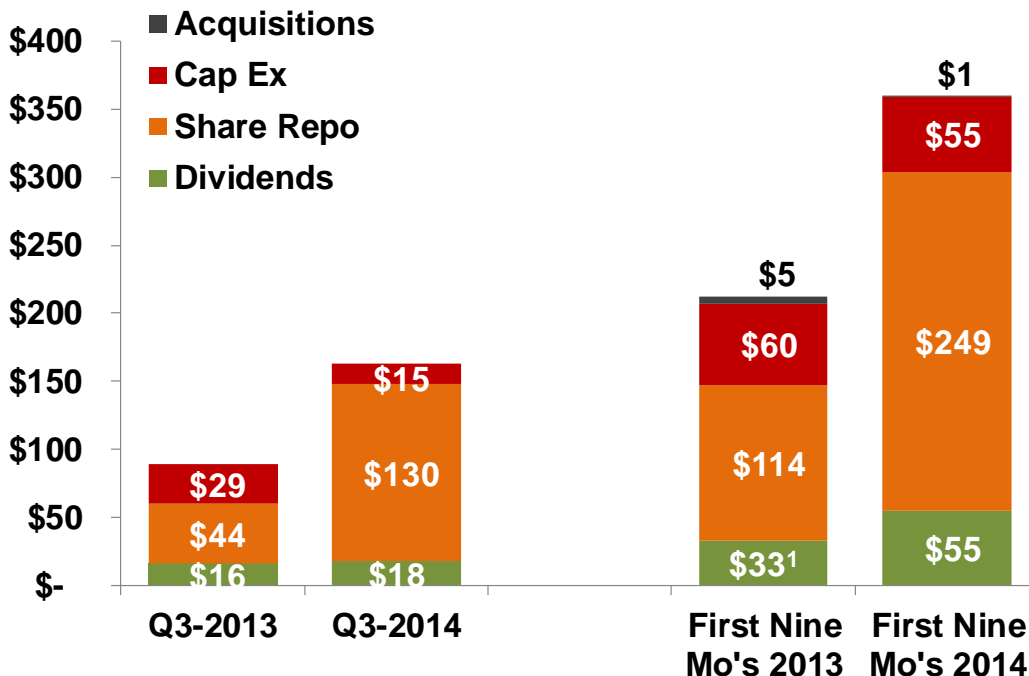
² Figures may not sum due to rounding

Capital Allocation



Capital Allocation

Q3-2014 Results



- ▶ **Dividends:** +11% to \$18M
- ▶ **Share Repurchases:** +196% to \$130M
- ▶ **Capital Expenditures:** (46%) to \$15M
- ▶ **Net Cash Balance:** \$191M at 9/30/14
- ▶ **Return on Invested Capital:** 18.3%

Cash returned to shareholders +146% in Q3 vs. PY on higher share repurchases and dividend rate

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 September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Operating income as reported	\$ 76,117	\$ 95,178	\$ 268,830	\$ 288,080
Special items (pre-tax):				
Rationalization and asset impairment charges (1)	29,068	6,302	29,887	8,204
Venezuela foreign exchange losses (2)	—	—	21,133	12,198
Adjusted operating income (4)	\$ 105,185	\$ 101,480	\$ 319,850	\$ 308,482
Net income as reported	\$ 45,689	\$ 66,044	\$ 179,474	\$ 205,456
Special items (after-tax):				
Rationalization and asset impairment charges (1)	30,056	6,098	30,747	7,350
Venezuela foreign exchange losses (2)	—	—	21,133	12,198
Special items attributable to non-controlling interests (3)	(805)	(1,021)	(805)	(1,021)
Adjusted net income (4)	\$ 74,940	\$ 71,121	\$ 230,549	\$ 223,983
Diluted earnings per share as reported	\$ 0.57	\$ 0.80	\$ 2.22	\$ 2.47
Special items	0.37	0.06	0.64	0.22
Adjusted diluted earnings per share (4)	\$ 0.94	\$ 0.86	\$ 2.86	\$ 2.69
Weighted average shares (diluted)	79,725	82,707	80,702	83,314

(1) The three and nine months ended September 30, 2014 include a non-cash asset impairment charge of \$32.4 million partially offset by net rationalization gains including a gain on the sale of real estate. The three and nine months ended September 30, 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) The nine months ended September 30, 2014 represents the impact of the Venezuelan remeasurement loss related to the adoption of a new foreign exchange mechanism in the first quarter. The nine months ended September 30, 2013 represents the impact of the devaluation of the Venezuelan currency.

(3) Represents the portion of the long-lived asset attributable to non-controlling interests.

(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 September 30, 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 September 30, 2014							
Net sales	\$ 439,621	\$ 107,507	\$ 57,404	\$ 32,862	\$ 78,383	\$ —	\$ 715,777
Inter-segment sales	30,365	4,533	3,595	9	2,009	(40,511)	—
Total	<u>\$ 469,986</u>	<u>\$ 112,040</u>	<u>\$ 60,999</u>	<u>\$ 32,871</u>	<u>\$ 80,392</u>	<u>\$ (40,511)</u>	<u>\$ 715,777</u>
EBIT ⁽¹⁾	\$ 84,450	\$ 15,302	\$ (28,871)	\$ (1,172)	\$ 8,947	\$ (324)	\$ 78,332
As a percent of total sales	18.0%	13.7%	(47.3%)	(3.6%)	11.1%		10.9%
Special items (gain) charge ⁽²⁾	\$ —	\$ (81)	\$ 28,567	\$ 582	\$ —	\$ —	\$ 29,068
EBIT, as adjusted ⁽⁴⁾	\$ 84,450	\$ 15,221	\$ (304)	\$ (590)	\$ 8,947	\$ (324)	\$ 107,400
As a percent of total sales	18.0%	13.6%	(0.5%)	(1.8%)	11.1%		15.0%
Three months ended September 30, 2013							
Net sales	\$ 404,113	\$ 98,522	\$ 63,834	\$ 51,715	\$ 73,691	\$ —	\$ 691,875
Inter-segment sales	35,355	5,256	3,821	151	2,311	(46,894)	—
Total	<u>\$ 439,468</u>	<u>\$ 103,778</u>	<u>\$ 67,655</u>	<u>\$ 51,866</u>	<u>\$ 76,002</u>	<u>\$ (46,894)</u>	<u>\$ 691,875</u>
EBIT ⁽¹⁾	\$ 75,242	\$ 6,286	\$ (5,703)	\$ 15,942	\$ 6,917	\$ (822)	\$ 97,862
As a percent of total sales	17.1%	6.1%	(8.4%)	30.7%	9.1%		14.1%
Special items (gain) charge ⁽³⁾	\$ (17)	\$ 1,595	\$ 4,724	\$ —	\$ —	\$ —	\$ 6,302
EBIT, as adjusted ⁽⁴⁾	\$ 75,225	\$ 7,881	\$ (979)	\$ 15,942	\$ 6,917	\$ (822)	\$ 104,164

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

(2) Special items in the three and nine months ended September 30, 2014 include non-cash asset impairment charges partially offset by net rationalization gains including a gain on the sale of real estate. Special items in the nine months ended September 30, 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 nine months ended September 30, 2013 include net rationalization and asset impairment charges and the impact of the devaluation of the Venezuelan currency.

15 (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