



Lincoln Electric Holdings, Inc.

2Q 2012

Financial Results Conference Call

July 30, 2012

Safe Harbor -- 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.

Q2 2012 Highlights



- **Second consecutive quarter of record sales**
- **Solid operating results**
- **Commitment to 2020 vision and long-term strategy driving results and positions Company for continued success**
- **Strong global team effort contributed to improved operating performance, increased sales, improved overall profitability and strong operating cash flows**
- **Improved quality of earnings and performance throughout operations**

Year-End Leadership Succession



Effective December 31, 2012:

- **Succession:**
 - **John Stropki, Executive Chairman**
 - **Chris Mapes, President and Chief Executive Officer**
- **Result of focus on developing deep, talented and experienced management team at Lincoln**
- **Lincoln committed to hiring and developing the best people in our industry**

Income Statement – Q2 2012



\$ in Millions	Q2 2012	% of Sales	Q2 2011	% of Sales	<u>Change</u>	
					\$	%
Net Sales	\$ 744.0		\$ 699.3		\$ 44.7	6.4%
Operating Income	\$ 96.0	12.9%	\$ 80.0	11.4%	\$ 16.0	20.0%
Net Income	\$ 66.3	8.9%	\$ 57.0	8.2%	\$ 9.3	16.3%
Diluted EPS	\$ 0.79		\$ 0.68		\$ 0.11	16.2%

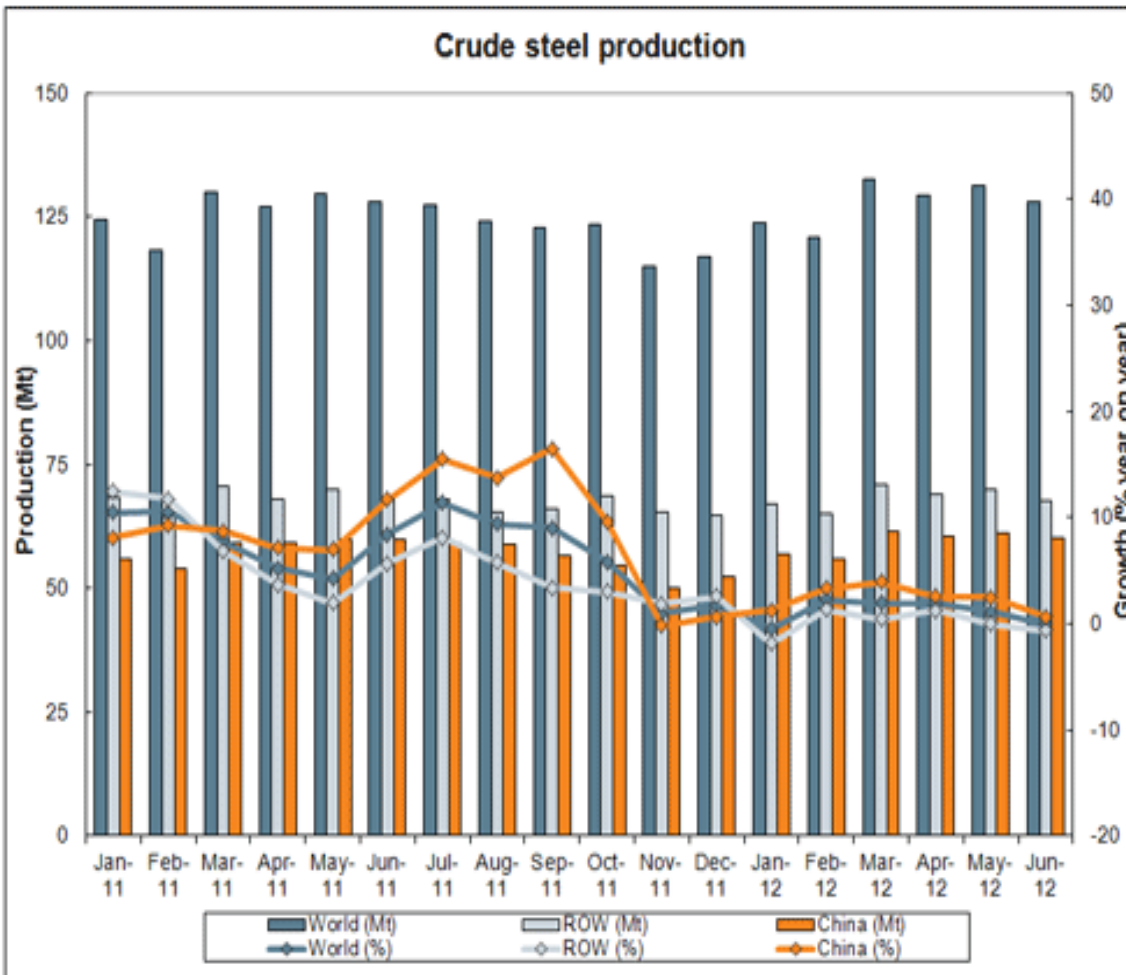
- Focus on maintaining strength and improving businesses and operations

Industrial Segment highlights



- **Global offshore:** Positive effects of ongoing funding for offshore projects. Growing backlogs. Gulf Coast business positive for Company.
- **Pipeline:** 1H 2012 flat but Global forecast for pipelines up in 2013-2014; Strong increase in shale oil and gas production, a positive for engine drives and stick electrode sales. Push for new LNG exporting terminals.
- **Pipe Mills:** Middle East demand strong
- **Process and Power Generation:** Major project sales across all sub segments, including LNG, Nuclear, Wind, Thermal Power and Process industries.
- **Automotive:** Overall 2012 global production of light vehicles forecast to increase 5%; Slowing 2H but long-term prospects still very positive; Lincoln with significant presence with many of the automotive global automotive companies and suppliers.
- **Heavy Fabrication:** Growth despite slowing pace in China. Long-term prospects still strong in all regions. Ag global machinery demand predicted to rise 6.7% annually through 2016.
- **Automation:** Sales up over 30% Y-O-Y; New acquisition Wayne Trail is important engine for growth in segment.

Global Steel Production

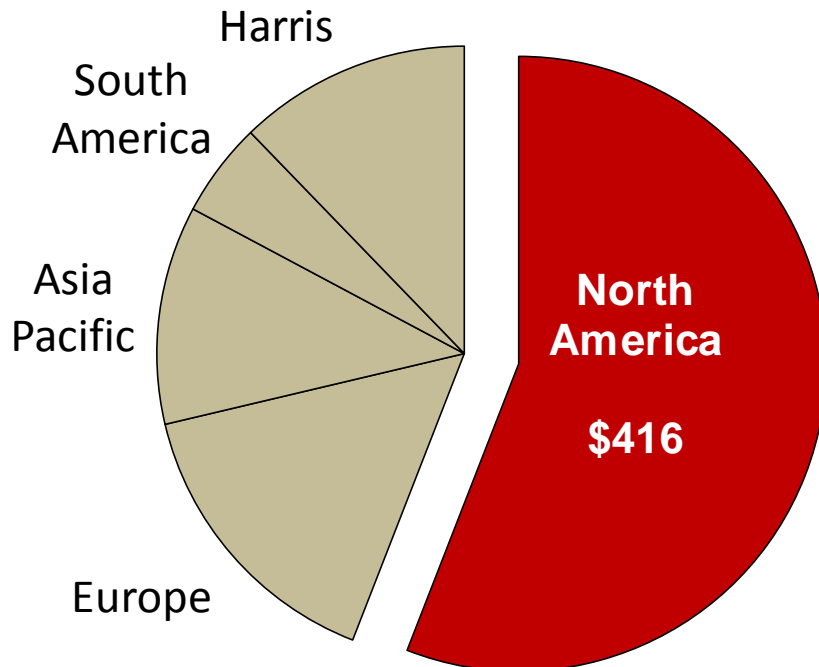


- ▶ **World crude steel production in June 2012 was 128 Mt, a 0.1% decrease vs. June 2011.**
- ▶ **China's crude steel production increased 0.6% to 60.2 Mt compared with 2011. U.S. produced 7.3Mt in June, up 0.8%**
- ▶ **World crude steel capacity utilization ratio rose 80.4% in June 2012 from 79.7% in May 2012 and 2.5% lower than June 2011.**

Source: WSA

Sales by Segment – North America

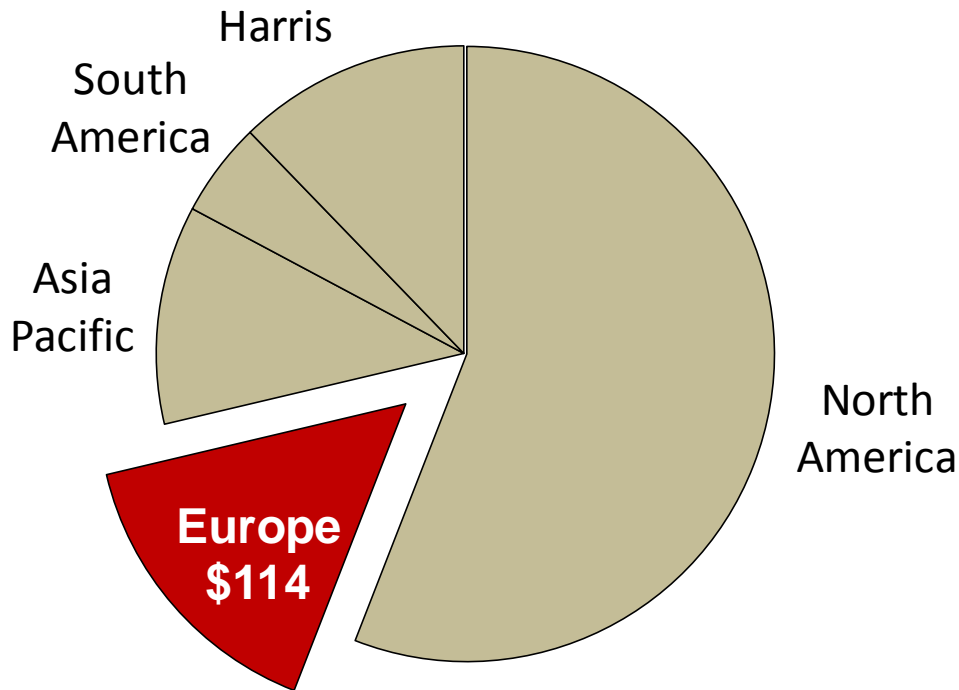
\$ in Millions



- ▶ Q2 Sales up 29% Y-O-Y to \$416 million
- ▶ U.S. exports up over 20%; increases to the Middle East, Africa and Asia.
- ▶ North American acquisitions had significant impact
- ▶ Wayne Trail acquisition; proprietary technology and expertise
- ▶ Key metrics
 - ▶ Industrial production
 - ▶ PMI and Export orders

Sales by Segment – Europe

\$ in Millions

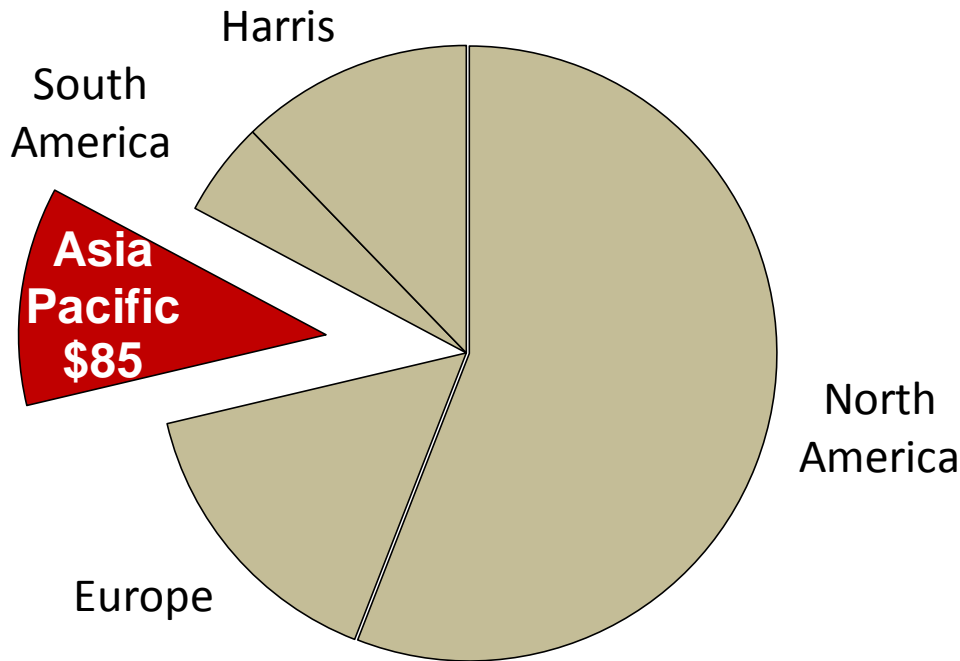


Segment: Europe, Russia, the Middle East, Africa

- ▶ Q2 sales down 18% to \$114 million
- ▶ Initiatives resulted in meaningful improvements in operating margins
- ▶ Russian production consolidation into one facility on track, completion into 2013.
- ▶ Middle East sales up approx. 40%; products exported into region from Lincoln plants in Europe, North America and Asia.
- ▶ Lincoln's South Africa commercial company produced strong results in quarter

Sales by Segment – Asia Pacific

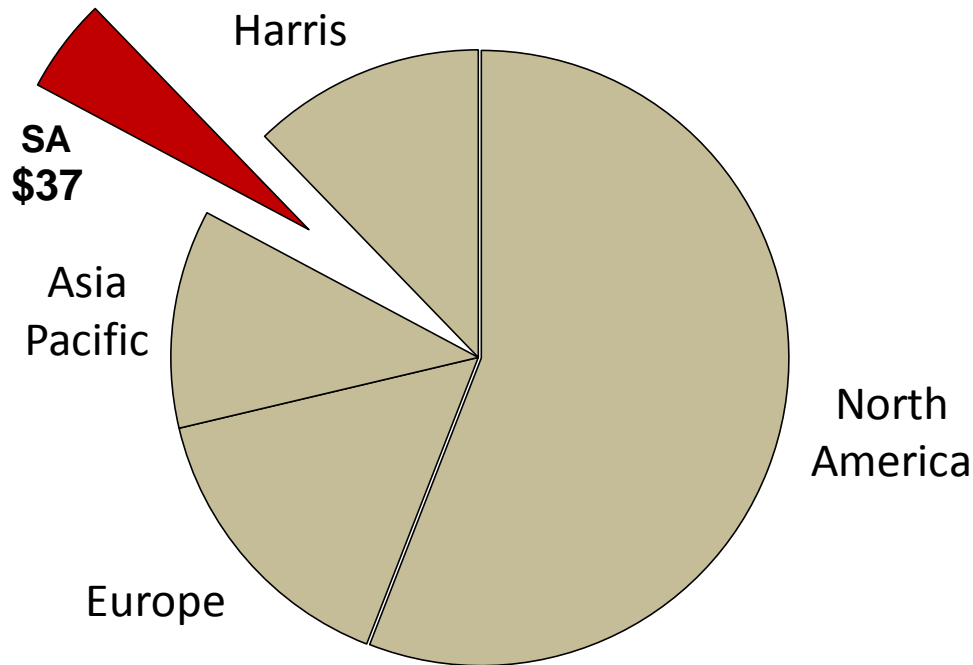
\$ in Millions



- ▶ Q2 sales down 16.8% to \$85 million
- ▶ Profitability improved
- ▶ Lincoln China's business model continues to improve
- ▶ Exports continue to expand
- ▶ Lincoln India progress continues; production record set in Q2
- ▶ Restructuring Australian plant

Sales by Segment – South America

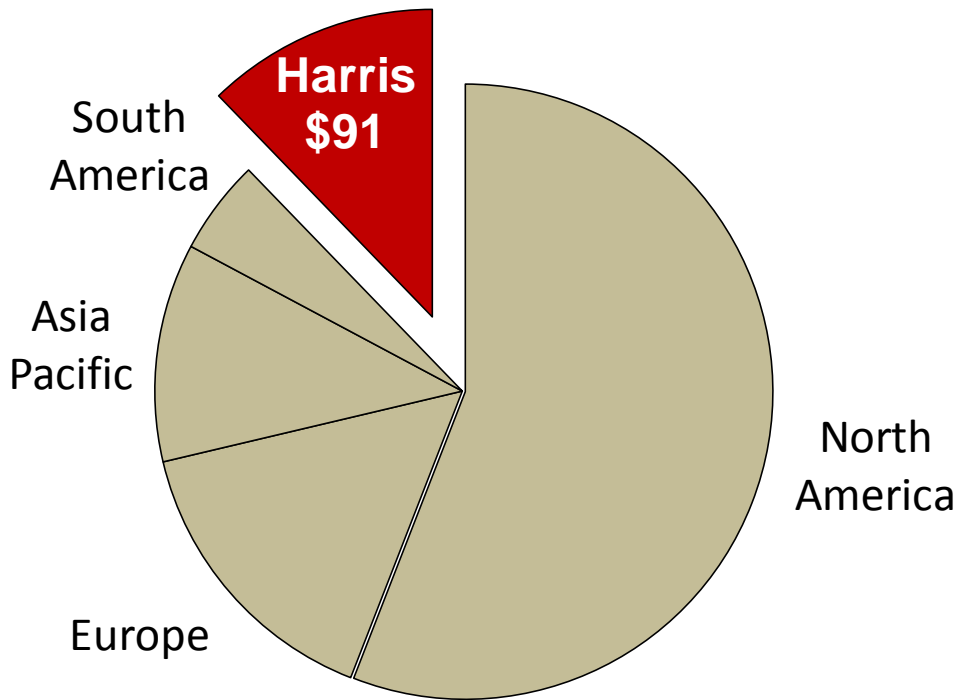
\$ in Millions



- ▶ Q2 sales down 1.7% to \$37 million
- ▶ Impact mostly in Brazil and Argentina, partially offset by better sales in Venezuela
- ▶ Region's GDP growth revised downward, industrial production contraction
- ▶ Several industrial segments continue to grow
 - Energy
 - Offshore and shipbuilding in Brazil; oil & gas
 - *VRTEX*® 360 virtual welding system sales to trade schools growing

Sales by Segment – Harris Products Group

\$ in Millions



- ▶ Q2 sales down 7.3% to \$91 million
- ▶ Commodity market changes impact revenue comparisons
- ▶ International sales outpaced domestic
- ▶ Equipment sales up 4.6% on strong global sales and new product introductions
- ▶ WCTA Harris retail product business up 8.6% Y-O-Y

Harris products include soldering and brazing alloys; welding torches and cutting tools.



Initiated cost reduction actions

- **Consolidating Vernon Tool into Torchmate**
- **Russian welding consumables business consolidation**
- **Rationalizing Australian operations**



Financials

Income Statement – Q2 2012

\$ in Millions	Q2 2012	% of Sales	Q2 2011	% of Sales	Change
Net Sales	\$ 744.0		\$ 699.3		6.4%
Gross Profit	\$ 225.0	30.2%	\$ 195.5	28.0%	15.1%
SG&A	\$ 127.7	17.2%	\$ 115.5	16.5%	10.5%
Special Items	\$ 1.3	0.2%	\$ (0.1)	-	1400.0%
Operating Income	\$ 96.0	12.9%	\$ 80.0	11.4%	20.0%
Operating Income, as Adjusted	\$ 98.7	13.3%	\$ 80.0	11.4%	23.4%
Net Income	\$ 66.3	8.9%	\$ 57.0	8.2%	16.3%
Net Income, As Adjusted	\$ 68.1	9.2%	\$ 57.0	8.2%	19.5%
Diluted EPS	\$ 0.79		\$ 0.68		16.2%
Diluted EPS, As Adjusted	\$ 0.81		\$ 0.68		19.1%

Sales Mix	
Volume	2.1%
Price	1.6%
Acquisitions	6.3%
Forex	(3.6%)
Total	6.4%

Welding Segment - North America

\$ in Millions	Q2 2012	Q2 2011	Change
Net Sales	\$ 416.2	\$ 321.7	29.4% ↑
Adjusted EBIT *	\$ 76.6	\$ 58.1	31.8% ↑
Adjusted EBIT margin*	16.8%	16.2%	60 bps ↑

Sales Mix

Volume	13.3%
Price	3.4%
Acquisitions	13.8%
Forex	(1.1%)
Total	29.4%

* Non-GAAP measure, excluding special items

Welding Segment – Europe

\$ in Millions

	Q2 2012	Q2 2011	Change
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Net Sales	\$ 114.4	\$ 139.2	(17.8%) ↓
Adjusted EBIT *	\$ 11.0	\$ 11.1	(0.9%) ↓
Adjusted EBIT margin*	9.2%	7.6%	160 bps ↑

Sales Mix

Volume	(9.1%)
Price	1.7%
Acquisitions	-
Forex	(10.4%)
Total	(17.8%)

* Non-GAAP measure, excluding special items

Welding Segment – Asia Pacific

\$ in Millions	Q2 2012	Q2 2011	Change	Sales Mix
Net Sales	\$ 85.4	\$ 102.7	(16.8%) ↓	Volume (17.1%)
Adjusted EBIT *	\$ 4.0	\$ 1.3	207.7% ↑	Price 1.2%
Adjusted EBIT margin*	4.4%	1.2%	320 bps ↑	Acquisitions -
				Forex (0.9%)
				Total (16.8%)

* Non-GAAP measure, excluding special items

Welding Segment – South America

\$ in Millions	Q2 2012	Q2 2011	Change	Sales Mix
Net Sales	\$ 37.2	37.8	(1.7%) ↓	Volume (5.1%)
Adjusted EBIT *	\$ 3.0	\$ 3.5	(14.3%) ↓	Price 12.0%
Adjusted EBIT margin*	8.0%	9.3%	130 bps ↓	Acquisitions -
				Forex (8.4%)
				Total (1.6%)

* Non-GAAP measure, excluding special items

The Harris Products Group

\$ in Millions	Q2 2012	Q2 2011	Change
Net Sales	\$ 90.8	\$ 97.9	(7.3%) ↓
Adjusted EBIT *	\$ 9.0	\$ 9.2	(2.2%) ↓
Adjusted EBIT margin*	9.7%	9.2%	50 bps ↑

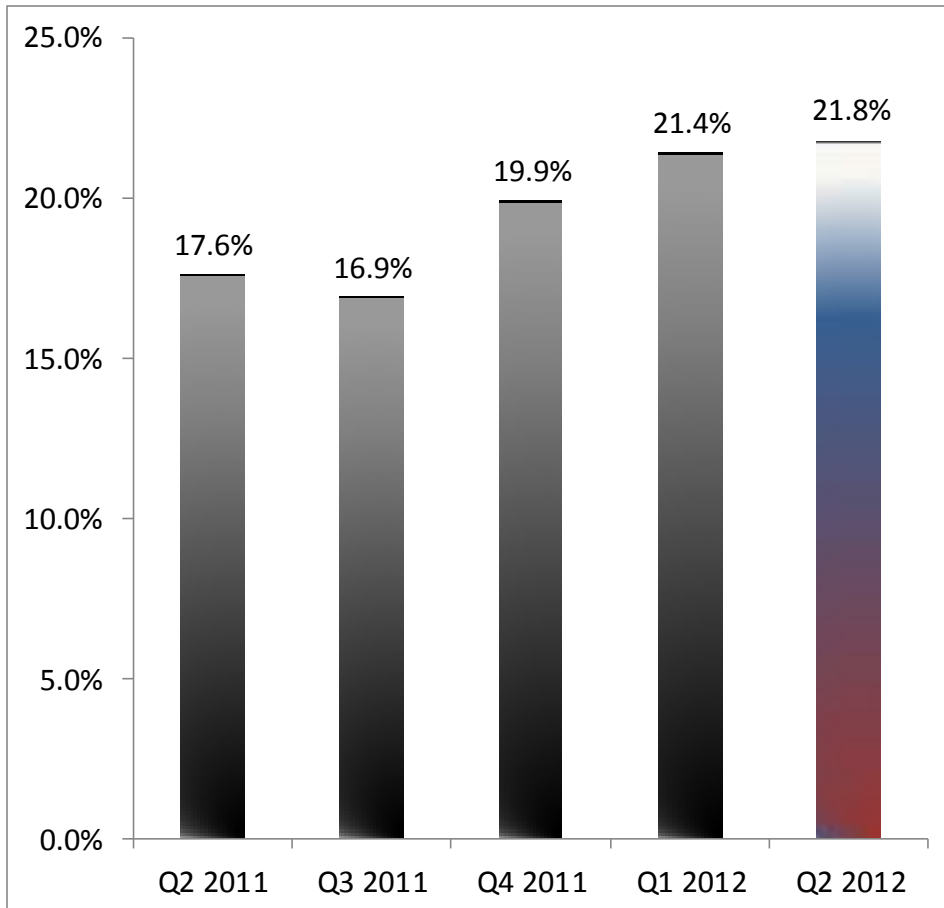
Sales Mix

Volume	4.0%
Price	(7.8%)
Acquisitions	-
Forex	(3.4%)
Total	(7.3%)

* Non-GAAP measure, excluding special items

Cash Flow/Working Capital Management

Net Cash to Total Capitalization



► Cash

- Operating cash flow: \$81.7 million Q2
- Cash balance \$308.0 million
- Net cash balance \$284.8 million

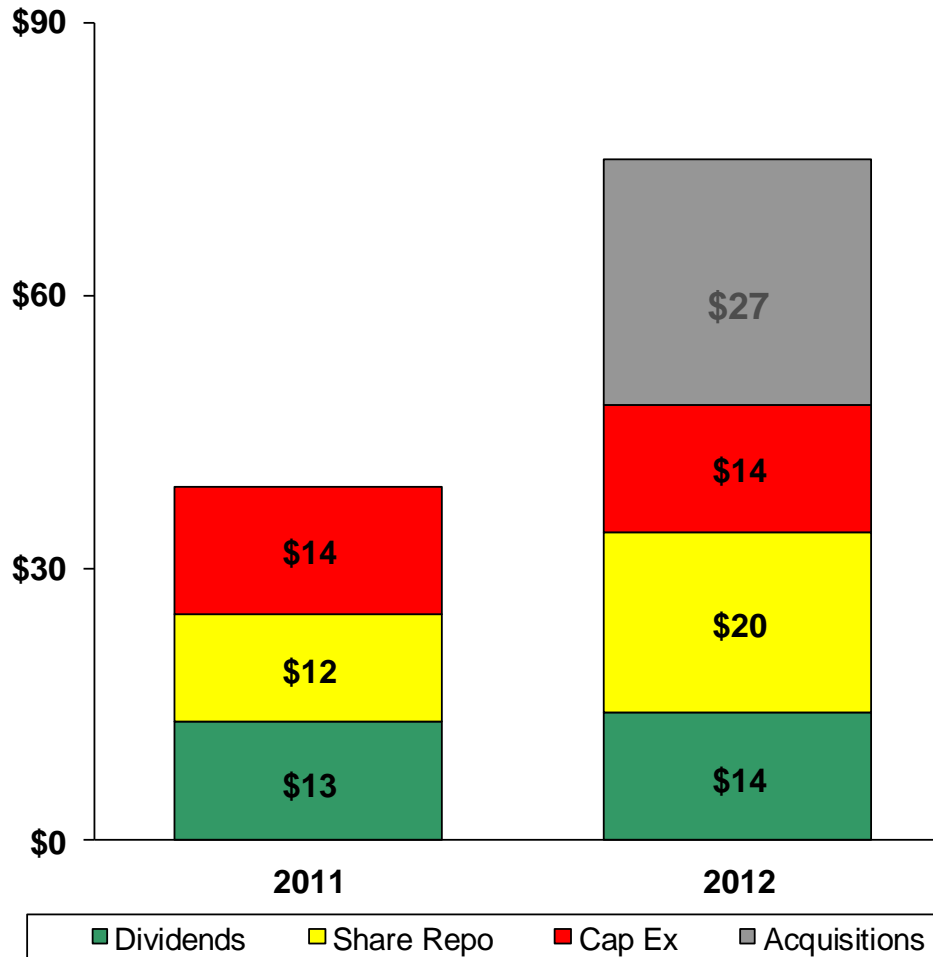
► Debt

- Debt/invested capital ratio 1.8%
- Net cash to total capital 21.8%

► Net Operating Working Capital

- 20.9% of sales Q2 2012 vs. 21.0% of sales Q4 2011

Capital Allocation



▶ Dividends

-- 9.7% increase from prior year

▶ Capital Expenditures

-- Focused on cost improvements

▶ Acquisitions

-- Wayne Trail Technologies

▶ Return on Invested Capital

-- 18.8% at June 30, 2012

▶ Share Repurchases

-- \$20 million for the quarter,
\$40 million for YTD

▶ Pension contributions

-- \$18 million for the quarter and
\$36 million YTD



Q & A



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