



Lincoln Electric Holdings, Inc.

4Q 2012

Financial Results Conference Call

February 15, 2013

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.

2012 Highlights



- 2012 sales and EPS highest level in Lincoln's history
- Expanded margins; increased return on invested capital; and generated record cash flows
- Seamless and successful leadership transition

Income Statement – FY 2012



\$ in Millions	FY 2012	% of Sales	FY 2011	% of Sales	Change
Net Sales	\$2,853.4		\$2,694.6		5.9%
Operating Income	\$ 362.1	12.7%	\$ 296.7	11.0%	22.0%
Net Income	\$ 257.4	9.0%	\$ 217.2	8.1%	18.5%
Net Income, As Adjusted	\$ 265.8	9.3%	\$ 212.6	7.9%	25.0%
Diluted EPS	\$ 3.06		\$ 2.56		19.5%
Diluted EPS, As Adjusted	\$ 3.16		\$ 2.51		25.9%

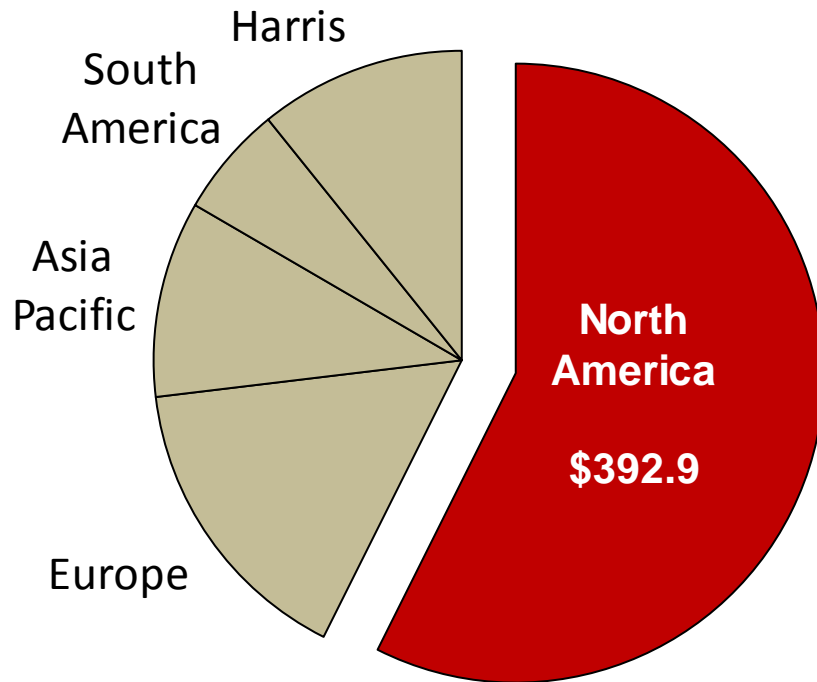
Segment Highlights



- 2020 Vision Program
- Successful execution of ongoing global growth and operational improvement strategies
- Initiatives to reduce costs, sharpen operations

Sales by Segment – North America

\$ in Millions



▶ Q4 Sales up 8.6% Y-O-Y to \$392.9 million

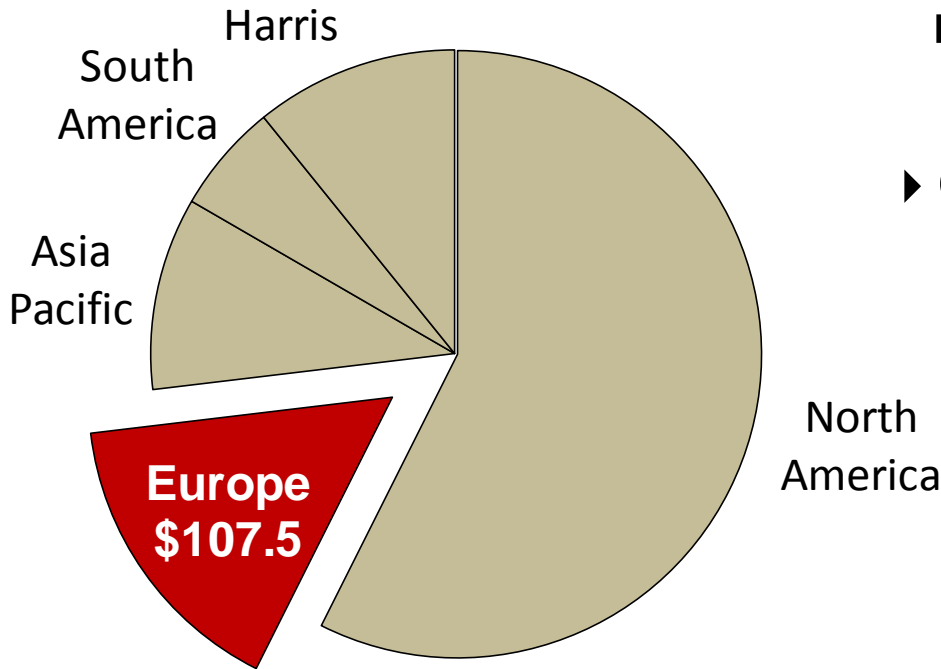
▶ Acquisitions

- Kaliburn, Wayne Trail, Weartech
- Tennessee Rand

▶ 2012 sales up 20.7% to \$1.58 billion

Sales by Segment – Europe

\$ in Millions



▶ Q4 sales down 15.3% to \$107.5 million; 2012 sales at \$452.2 million.

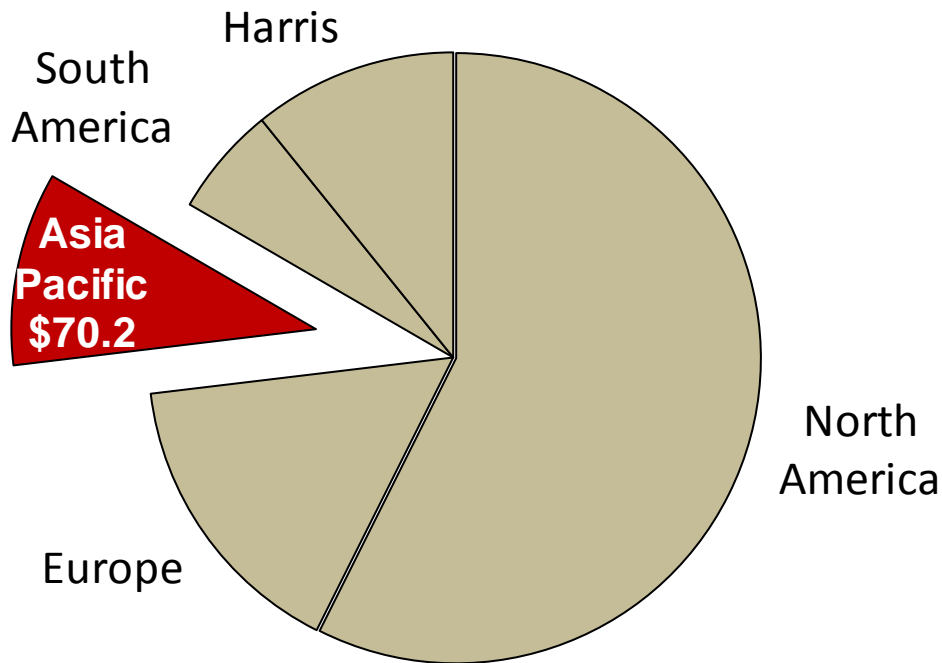
- ▶ Consolidation projects completed
- Machines from Italy to Poland
 - Consumables consolidation in Russian operations

Segment: Europe, Russia, the Middle East, Africa

Sales by Segment – Asia Pacific



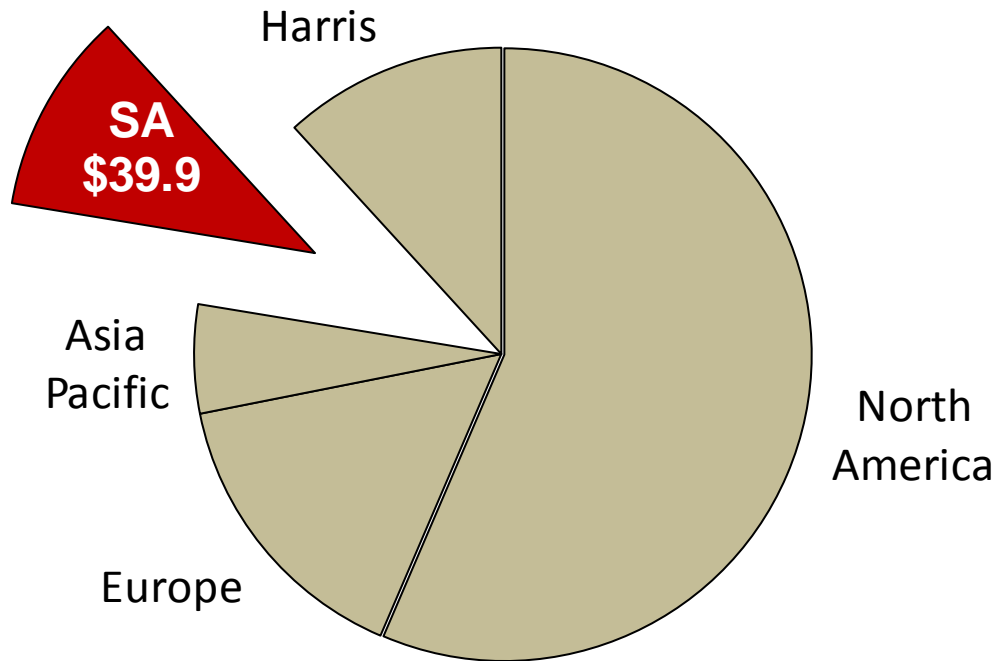
\$ in Millions



- ▶ Q4 sales at \$70.2 million; \$324.5 million for 2012
- ▶ Progress in reshaping business
- ▶ Positive growth: commercial programs and expanded infrastructure gain traction

Sales by Segment – South America

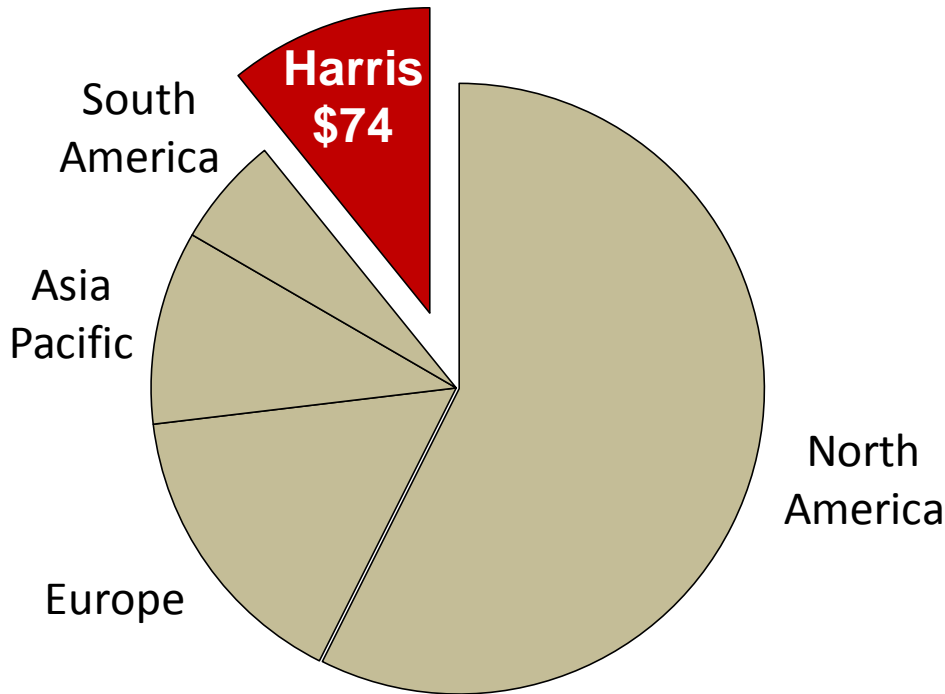
\$ in Millions



- ▶ Q4 sales at \$39.9 million; for 2012 year up 3.1% to \$161.5 million
- ▶ Q4 operating profit improved over 50%
- ▶ Activity in offshore platform and shipyard industries

Sales by Segment – Harris Products Group

\$ in Millions



- ▶ Q4 sales down 3.6% to \$74 million; 2012 year sales at \$334 million
- ▶ Operating profit improved 20.4% for year, helped by cost reductions, global expansion and new products
- ▶ Volume and sales increases primarily from international business, including consumables exports from U.S.

Income Statement – Q4 2012

\$ in Millions	Q4 2012	% of Sales	Q4 2011	% of Sales	Change
Net Sales	\$ 684.6		\$ 694.5		(1.4%)
Gross Profit	213.0	31.1%	194.3	28.0%	9.6%
SG&A	122.3	17.9%	112.0	16.1%	9.2%
Special Items	5.0	0.7%	0.0	-	100.0%
Operating Income	85.7	12.5%	82.4	11.9%	4.1%
Operating Income, as Adjusted	90.7	13.3%	82.4	11.9%	10.2%
Net Income	<u>\$ 62.1</u>	9.1%	<u>\$ 57.7</u>	8.3%	7.5%
Net Income, As Adjusted	<u>\$ 65.9</u>	9.6%	<u>\$ 57.7</u>	8.3%	14.2%
Diluted EPS	\$ 0.74		\$ 0.68		8.8%
Diluted EPS, As Adjusted	\$ 0.79		\$ 0.68		16.2%

Sales Mix	
Volume	(5.8%)
Price	1.0%
Acquisitions	3.8%
Forex	(0.4%)
Total	(1.4%)

Welding Segment - North America

\$ in Millions

	Q4 2012	Q4 2011	Change
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Net Sales	\$ 392.9	\$ 361.9	8.6% ↑
Adjusted EBIT *	\$ 76.2	\$ 69.7	9.3% ↑
Adjusted EBIT margin*	18.0%	17.8%	20 bps ↑

Sales Mix

Volume	(0.8%)
Price	1.7%
Acquisitions	7.3%
Forex	0.3%
Total	8.6%

* Non-GAAP measure, excluding special items

Welding Segment – Europe

\$ in Millions

	Q4 2012	Q4 2011	Change
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Net Sales	\$ 107.5	\$ 126.9	(15.3%) ↓
Adjusted EBIT *	\$ 5.0	\$ 8.9	(43.8%) ↓
Adjusted EBIT margin*	4.5%	6.8%	(230 bps) ↓

Sales Mix

Volume	(12.6%)
Price	(1.8%)
Acquisitions	-
Forex	(1.0%)
Total	(15.3%)

* Non-GAAP measure, excluding special items

Welding Segment – Asia Pacific

\$ in Millions	Q4 2012	Q4 2011	Change
Net Sales	\$ 70.2	\$ 88.2	(20.4%) ↓
Adjusted EBIT *	\$ (1.4)	\$ (0.7)	(100.0%) ↓
Adjusted EBIT margin*	(1.9%)	(0.7%)	(120 bps) ↓

Sales Mix	
Volume	(20.6%)
Price	(0.5%)
Acquisitions	-
Forex	0.7%
Total	(20.4%)

* Non-GAAP measure, excluding special items

Welding Segment – South America

\$ in Millions

	Q4 2012	Q4 2011	Change
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Net Sales	\$ 39.9	\$ 40.7	(1.8%) ↓
Adjusted EBIT *	\$ 4.8	\$ 3.3	45.5% ↑
Adjusted EBIT margin*	12.1%	8.1%	400 bps ↑

Sales Mix

Volume	(4.2%)
Price	7.1%
Acquisitions	-
Forex	<u>(4.8%)</u>
Total	<u>(1.8%)</u>

* Non-GAAP measure, excluding special items

The Harris Products Group

\$ in **Q4** **Q4**
Millions **2012** **2011** **Change**

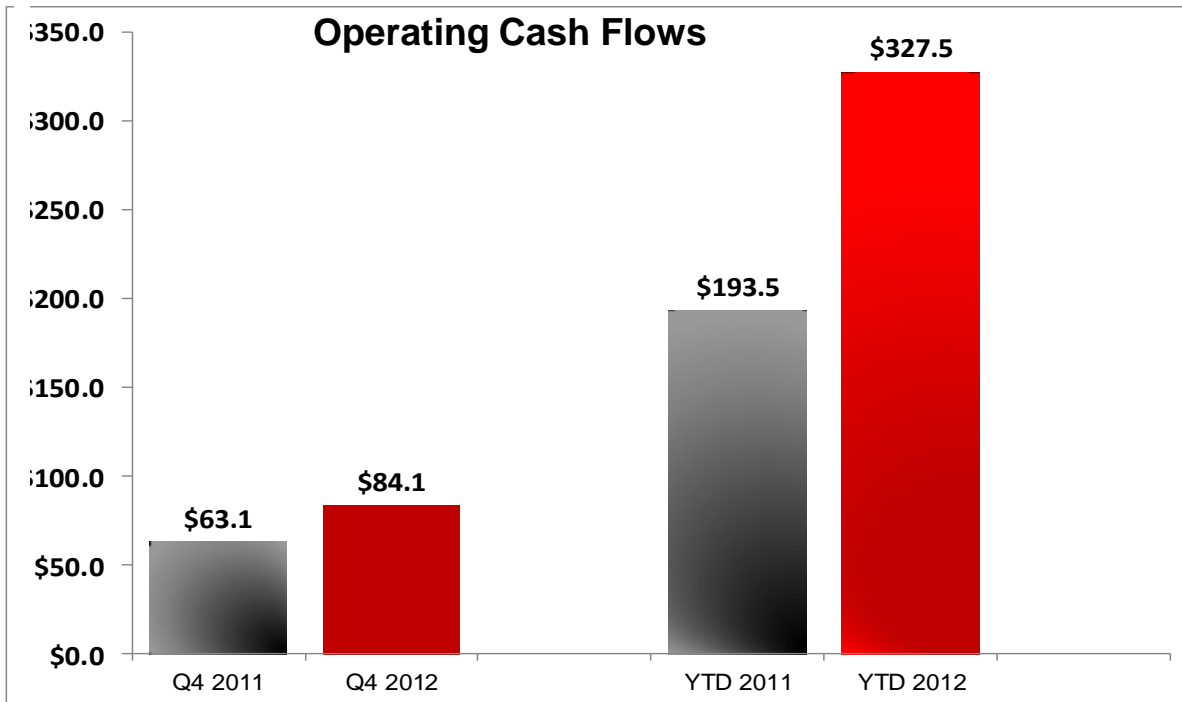
Net Sales	\$ 74.0	\$ 76.8	(3.6%) ↓
Adjusted EBIT *	\$ 5.5	\$ 4.4	25.0% ↑
Adjusted EBIT margin*	7.3%	5.6%	170 bps ↑

Sales Mix

Volume	(2.7%)
Price	0.9%
Acquisitions	-
Forex	<u>(1.8%)</u>
Total	<u><u>(3.6%)</u></u>

* Non-GAAP measure, excluding special items

Cash Flow/Net Cash



► Cash Flow

- Strong operating cash flows
- Improvement in working capital management
- Net cash balance \$266.2 million

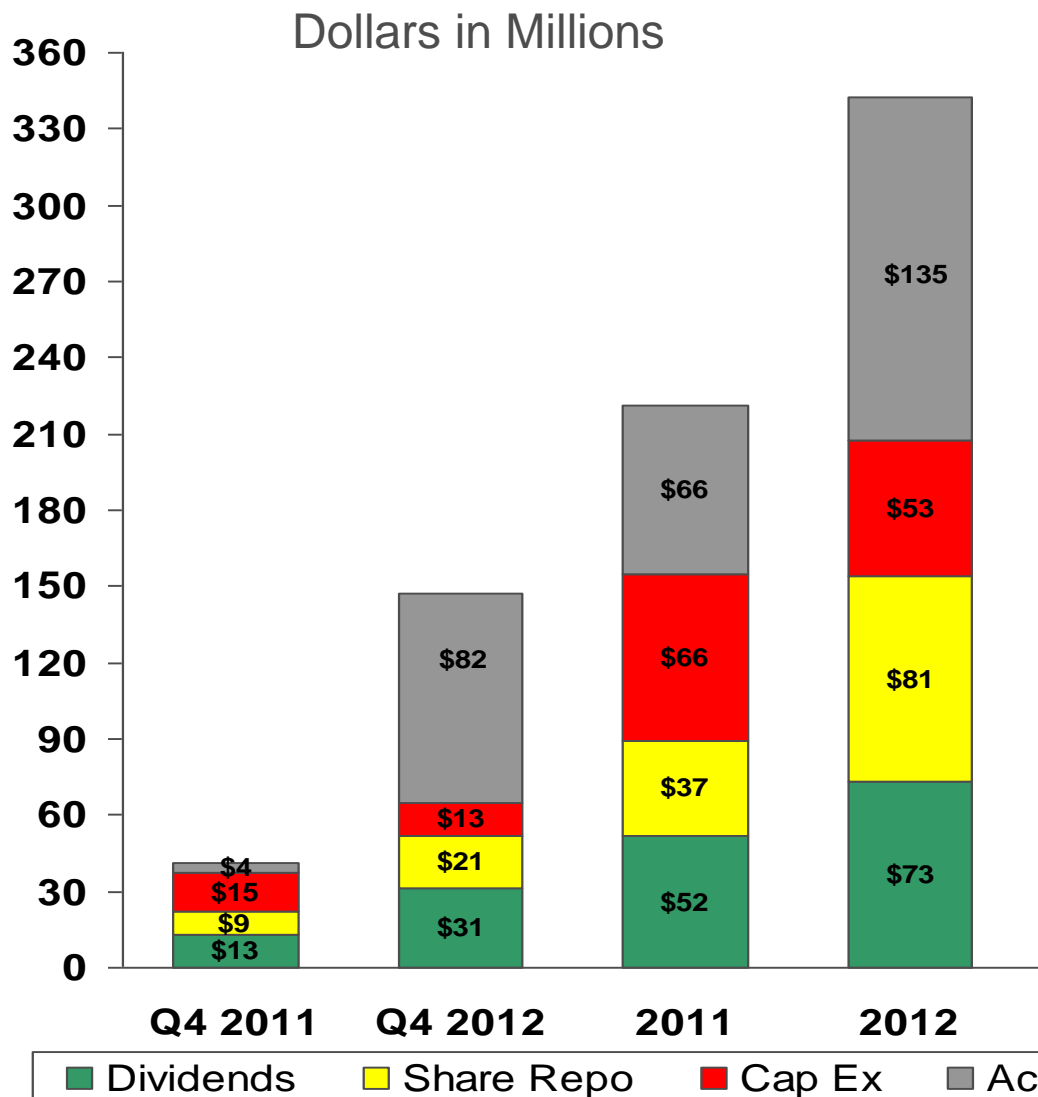
► Debt

- Debt/invested capital ratio 1.5%
- Net cash to total capital 19.3%

► Pension Contributions

- \$10.1 million for the quarter and \$63.4 million YTD

Capital Allocation



- ▶ **Dividends**
 - 17.6% dividend rate increase in 2012
- ▶ **Capital Expenditures**
 - Focused on cost improvements
- ▶ **Acquisitions**
 - Kaliburn
 - Tennessee Rand
 - Wayne Trail
 - Weartech
- ▶ **Return on Invested Capital**
 - 18.7% at Dec. 31, 2012
- ▶ **Share Repurchases**
 - \$20.9 million for the quarter, \$81.0 million for Full Year



Q & A



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