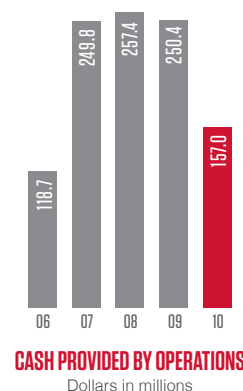
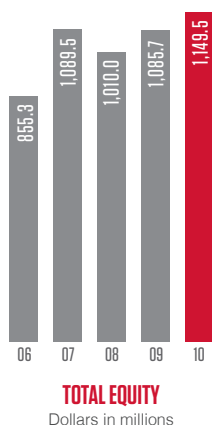
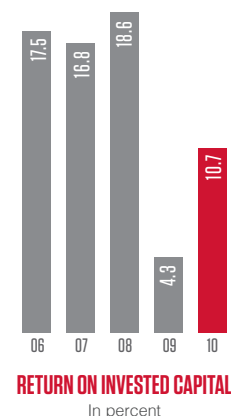
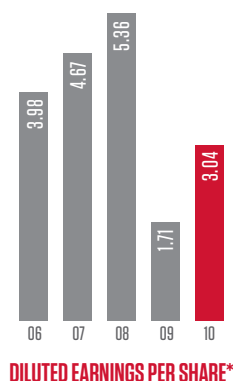
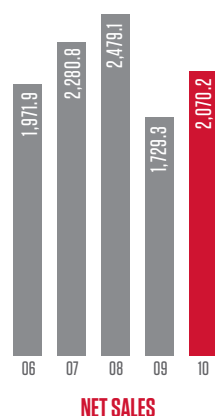


Financial Highlights



Year Ended December 31

(Dollars in millions, except per share data)

	2010	2009	2008
Net Sales	\$ 2,070	\$ 1,729	\$ 2,479
Net Income	130	49	212
Net Income excluding special items ⁽¹⁾	130 ⁽²⁾	73 ⁽³⁾	231 ⁽⁴⁾
Diluted Earnings per Share	3.06	1.14	4.93
Diluted Earnings per Share excluding special items ⁽¹⁾	3.04 ⁽²⁾	1.71 ⁽³⁾	5.36 ⁽⁴⁾
Cash Dividends Paid per Share of Common Stock	1.12	1.08	1.00
Working Capital	747	726	668
Current Ratio	3.2	3.4	2.9
Total Assets	\$ 1,784	\$ 1,705	\$ 1,719
Total Equity	1,150	1,086	1,010
Cash Provided by Operations	157	250	257
Return on Invested Capital ⁽⁵⁾	10.7%	4.3%	18.6%

(1) Net income excluding special items and diluted earnings per share excluding special items 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 financial measures are merely a supplement to, and not a replacement for, GAAP financial measures.

(2) In 2010, special items include net rationalization gains of \$1.3 (\$1.7 after-tax or \$0.04 per diluted share), asset impairment charges of \$0.9 (\$0.8 after-tax or \$0.02 per diluted share), a net charge of \$1.8 after-tax (\$0.04 per diluted share) in noncontrolling interests related to gains on the disposal of assets in a majority-owned consolidated subsidiary, a net charge due to a change in the functional currency for the Company's Venezuelan operation to the U.S. dollar and the devaluation of the Venezuelan currency of \$3.1 (\$3.6 after-tax or \$0.08 per diluted share) and income due to a change in applicable tax regulations in the Asia Pacific Welding segment of \$5.1 after-tax (\$0.12 per diluted share).

(3) In 2009, special items include rationalization charges of \$27.0 (\$21.5 after-tax or \$0.50 per diluted share), asset impairment charges of \$2.9 (\$2.3 after-tax or \$0.05 per diluted share), a loss of \$7.9 (\$7.9 after-tax or \$0.19 per diluted share) associated with the acquisition of a business in China and related disposal of an interest in Taiwan, a pension settlement gain of \$2.1 (\$2.1 after-tax or \$0.05 per diluted share), a charge of \$0.6 after-tax (\$0.01 per diluted share) in noncontrolling interests associated with the pension settlement gain for a majority-owned consolidated subsidiary and gain on the sale of a property of \$5.7 (\$5.7 after-tax or \$0.13 per diluted share).

(4) In 2008, special items include rationalization charges of \$2.4 (\$1.7 after-tax or \$0.04 per diluted share) and asset impairment charges of \$16.9 (\$16.6 after-tax or \$0.39 per diluted share).

(5) Return on invested capital is defined as rolling 12 months of earnings excluding tax-effected interest divided by invested capital.

To Our Fellow Shareholders:

Thanks to the strength of our strong brand, extensive product scope, the broad reach of our global operations, the strategic leadership of our management team and the outstanding talents and dedication of our 9,500 global employees, Lincoln Electric achieved an exceptional rebound in 2010. We were strong during the most challenging period in recent history, and we continue to grow stronger in our pursuit of long-term value creation for shareholders.

Our rapid rebound is due to our successful long-term strategy to expand our international footprint, combined with the increasing worldwide demand for our market-leading technology and products, and our diligent efforts to control costs. We continue to strengthen our capabilities to serve the infrastructure needs of the growing global economy and industry segments that are highly dependent on welding, such as heavy fabrication, automotive, oil and gas exploration, energy production and transportation.

In previous recessions, Lincoln's recovery has been more closely aligned with how well the U.S. economy was performing, but today our diversified global footprint and broad customer base allow us to benefit from all the growing economies around the world. International customers now represent 60% of our sales, and the rapidly growing "BRIC" countries of Brazil, Russia, India and China account for approximately 20% of sales. As a result, exports continue to grow due to the rising global demand for the high-technology products we manufacture in the United States.

A Year of Financial Improvement

While many of our key end markets experienced only moderate growth, and economic uncertainty continued in many regions of the globe, Lincoln's revenues rose a healthy 20% to \$2.1 billion for the year, from

We continue to strengthen our capabilities to serve the infrastructure needs of the growing global economy and industry segments that are highly dependent on welding.

\$1.7 billion in 2009. As an indication of our disciplined strategic and operational focus during the recent global downturn, the fourth quarter of 2010 marked our seventh consecutive quarter of revenue growth.

The increase in revenues, coupled with improved operating results stemming from the success of our rationalization efforts, resulted in an increase of 168% in net income to \$130.2 million in 2010, or \$3.06 per diluted share, from \$48.6 million, or \$1.14 per diluted share, for the previous year.

In 2010, we generated \$157 million in cash flows from operations, resulting in a cash balance of approximately \$366 million at year's end. Our net cash position ended 2010 at \$268 million, and resulted in a net debt to total capital ratio of a positive 22%.

Global Acquisitions and Capacity Expansions

Acquisitions continue to be a key component of our global growth strategy. Lincoln is well-positioned, both financially and as a leading consolidator in the industry, to make acquisitions that will expand our product offerings and further our global growth opportunities. Our track record has repeatedly demonstrated that we are able to seamlessly integrate businesses and to successfully generate synergies and long-term value from our acquisitions.

We recently announced two acquisitions to accelerate our expansion in Russia. OAO Mezhgometiz-Mtsensk (MGM), acquired in October 2010, established our first manufacturing presence in Russia. The other, OOO Severstal-meitz, should close in the first quarter of 2011. Both companies manufacture welding consumables and are based in the Orel region, about 400 kilometers south of Moscow. They provide strong local manufacturing capabilities and distribution networks to complement our existing business profile of importing high-technology specialty consumables and welding machines into the region. These additions will greatly enhance our ability to serve customers and strengthen our brand recognition in this important and growing market. Our expansion in Russia is a perfect example of how we are accomplishing our goals through our acquisition strategy – by identifying growth regions where we can benefit from an expanded strategic presence, and by finding attractive opportunities that will enhance our capabilities and product offerings to serve a growing international customer base.

In addition to Russia, we are continuing to broaden our footprint in other rapidly growing global markets with the construction of two new welding consumables plants in China, and the expansion of manufacturing capacity at our recently completed facility in Chennai, India.

Developing Innovative, Value-Added Products

Throughout the global economic downturn, we maintained our focus on delivering value-added welding products and services to our expanding list of global customers, and we have remained aggressive with our product development strategy. During the recession, we shifted talented employees with appropriate skills and experience into specific R&D and market development projects with strong future growth potential.

As a result, we were able to hit the ground running in 2010 with a strong portfolio of new products to better meet our customers' needs as the markets started to rebound. Overall, we introduced 108 new products in 2009 and many more in 2010, many of which are uniquely designed for targeted markets such as nuclear energy, offshore drilling, automated welding and welding safety and training programs. We anticipate these products will contribute a growing share of revenues in 2011 and beyond.

Pioneering New Technology Solutions

Lincoln Electric continues to lead the way in providing innovative welding solutions. Our most recent acquisition, Arc Products, is a California-based manufacturer of orbital welding systems and welding automation components. This acquisition complements our ability to serve global customers in the nuclear, power generation and process industries worldwide and enhances our capabilities in the fast-growing orbital welding segment of our industry. Orbital welding systems are designed to automatically weld pipes and tubing in difficult-to-access locations and for mission-critical applications requiring high weld integrity and sophisticated quality monitoring capabilities.

Also in North America, we further expanded our capabilities to offer state-of-the-art technology solutions through the signing of a strategic partnership agreement with IPG Photonics, the world leader in high-power fiber lasers and amplifiers. This leading-edge partnership will explore opportunities to provide innovative laser welding and cutting solutions to the global marketplace.

Automation remains a key area of growth in the global welding industry, and Lincoln continues to pioneer innovation in this area. Lincoln's automated systems address customers' needs to improve the efficiency, reduce the labor requirements



JOHN M. STROPKI
Chairman, President and Chief Executive Officer

A Revolution in Welding Training

Lincoln Electric's VRTEX® 360 virtual welding system is leading the way in training a new generation of welders. Used at a growing number of training centers, community colleges and vocational schools around the world, the VRTEX® 360 is a computer-based training system that allows students to practice welding in a simulated environment. WorldSkills International, an organization that promotes vocational programs for youth in more than 50 countries, has selected the VRTEX® 360 as its exclusive welding training system.



and improve the quality of their projects. Our unique VRTEX® 360 virtual reality training system is being used in a growing number of schools, colleges and training centers, and is proving to be the global industry standard for educating the next generation of welders.

Continued Focus on Operational Excellence

Our diligent efforts to reduce costs and restructure our manufacturing platform positioned the Company well for the upturn that began in late 2009 and early 2010. As a result, we are optimistic that our earnings leverage will improve as our sales volumes grow through the current economic cycle.

We have a deeply embedded culture of continuous improvement and operational excellence, along with well-developed Six Sigma and ISO certification programs throughout our worldwide operations. Once again, Lincoln Electric is setting the standard of excellence for the global arc welding industry.

Financial Strength Generates Shareholder Value

The ability of our operations to provide strong cash generation provides the financial flexibility to generate shareholder value in a number of ways – including growth through acquisitions and capacity expansions as well as increased dividends and share buybacks. In December 2010, the Board of Directors raised the Company's quarterly dividend by 10.7% to \$0.31 per share, or \$1.24 per share on an annual basis, marking the 10th consecutive year that the dividend has increased. The Company also repurchased 703,000 shares in 2010 at a total cost of \$39.7 million.

Our independent Board of Directors remains committed to the highest standards of corporate governance in its relentless pursuit of creating long-term value for all shareholders.

Awards and Recognitions

Lincoln Electric continues to gain recognition for outstanding value, quality, service and technology. In 2010, we received two awards – the Customer Value Enhancement Award and the Market Share Leadership Award – from Frost & Sullivan, a global research and growth consulting firm. The awards honor best practices related to customer service and market leadership, respectively, in the world pipeline industry.

In addition, WorldSkills International, a nonprofit organization that develops critical skills protocols around the world, has selected VRTEX® 360 as the exclusive training system for the organization's educational initiative of significantly increasing the number of trained welders on a worldwide basis. We also have been notified that Lincoln will receive the Heinz Sossenheimer Award from the International Institute of Welding in June 2011. This award, which is presented every two years, recognizes VRTEX® 360 as an innovative solution that improves the long-term quality and/or safety of applications in the fields of joining, cutting or coating.

The Company also gained numerous media recognitions in 2010. *Forbes* named Lincoln Electric to its "Most Trustworthy Companies" list, based on an assessment of the Company's accounting and management practices. On April 19, 2010, more than 120 manufacturing professionals from around the country toured our world headquarters in Cleveland and consumables manufacturing plant in Mentor, Ohio, as part of *IndustryWeek's* Best Plants Conference. Throughout the year, Lincoln's culture and business model gained national attention on TV networks such as PBS, MSNBC, ABC and Fox Business.

Management Team and Succession

Three of our valued Company officers retired this past year. Through his many assignments, Richard J. Seif, who just recently completed 40 years with Lincoln, established our marketing and global product development as the leader in the arc welding industry. Ron Nelson, who spent more than three decades at Lincoln, expertly managed our machine division and contributed his vast expertise to help establish our manufacturing operations as the standard for the industry. Vinod Kapoor, who joined us in 1999, was the catalyst for increasing the efficiency of our operations by instituting lean manufacturing. All three will be missed, and we wish them the best in the years ahead. We are fortunate that those who are carrying on after the departure of our three colleagues are extremely capable and talented and are indicative of the strong succession planning system we have in place at Lincoln.

Personal Note

We were saddened that Frank L. Steingass, a former member of our Board of Directors and a grandson of James F. Lincoln, died December 11, 2010, at age 71. Mr. Steingass contributed greatly through his lifelong service to the Company and helped advance the Lincoln legacy of commitment to customers, employees and shareholders, while delivering the highest standards of quality and value.

We will also miss Kenneth L. Brown, who passed away September 20, 2010. Mr. Brown, a project research engineer, attained the unique status of being one of the few Lincoln employees with 50-plus years with the Company. Mr. Brown will be remembered for his many contributions to Lincoln and the arc welding industry. He was widely known and respected throughout the welding industry for his welding safety and health expertise, so much so that the American Welding Society has renamed its Safety and Health Award the Kenneth L. Brown Memorial Safety and Health Award in his memory.

Outlook

Based on the growth trends forecast for our key markets and our improved results in 2010, we are optimistic about continued growth in 2011 and beyond. Major worldwide markets such as infrastructure, energy production and pipelines are expected to continue to grow steadily for the coming years. On a regional basis, the BRIC countries also are expected to experience double-digit industrial production growth rates in 2011 and beyond.

Research and development will continue to be one of the primary areas of investment for Lincoln Electric, and we will be targeting our efforts on the infrastructure, energy and pipeline markets.

For the longer term, we continue to invest in strengthening the core capabilities that differentiate us in the market. These include: unparalleled welding process expertise, a highly trained sales force, the ability to develop innovative products, a global footprint, operational excellence and financial discipline. We have just completed the development of our 2011-13 Strategic Plan for driving continued growth in market share and improved financial performance over the next three years.

At Lincoln, our long-standing and widely acknowledged position as **The Welding Experts®** and the world leader in our industry has never been stronger. We continue to leverage our leadership and our performance legacy to provide ever greater value to our customers and our shareholders. I thank our Board, our management team and our employees around the world for their ongoing commitment and dedicated efforts to ensure that Lincoln continues to grow stronger every day, and I look forward to reporting our ongoing progress to you.

Sincerely,



John M. Stropki
Chairman, President and Chief Executive Officer

