

**Lincoln Electric is widely recognized for its strong leadership position** within the global welding industry. Its products and leading-edge technology play a vital role in serving a broad range of markets and sectors, from the worldwide build-up of infrastructure, to the manufacture of heavy equipment, commercial and consumer transportation, to the production and delivery of energy including alternative energy sources.

Lincoln's competitive advantage consists of its ability to thoroughly understand customer needs in a wide and growing variety of markets, whether that customer is a large global manufacturer or a smaller local or regional operation. The Company offers a full line of welding equipment and consumables for complete solutions – developed from market-leading technology – and a broad-based channel strategy to serve customers, including a strong global distribution network.

The extent of Lincoln's geographic footprint allows it to penetrate critical markets with a continuously expanding product portfolio stemming from its comprehensive research and development activities and a continuous stream of strategic acquisitions. In recent years, the Company has grown stronger through its acquisitions and manufacturing capacity expansions in high-growth emerging and developing market regions.

## Growing Stronger in Growing Regions

Over the long term, the “BRIC” countries of Brazil, Russia, India and China are projected to generate the most rapid growth and demand for welding products. Lincoln continues to strengthen its capabilities to serve each of these growing markets, as well as continuing to take advantage of opportunities in the more developed regions of the world.

Growth of the welding market in China is being driven by the need for infrastructure and increased production of products for the growing consumer market, such as automobiles. In addition, there has been a general welding industry shift to continuous wires and automated processes to increase productivity. Sales of automated welding products in China have been growing by more than 30% annually as rising labor costs and quality requirements in the Chinese manufacturing industry

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have increased demand. The power generation segment – including wind and nuclear – is growing rapidly in China, fueling the demand for welding products like Orbital TIG equipment.

Lincoln Electric now has five plants in China to serve the growing demand from local, regional and global customers operating in that region of the world. In 2010, the Company completed construction of the first phase of its new MIG wire

production facility at Tangshan Yi Tai. Production at the new plant began in early August. Further capacity expansion is under way, including construction of an additional new plant on the existing site during 2011.

The Company recently completed construction of a new flux manufacturing plant at Lincoln Electric Heli Zhengzhou. The new state-of-the-art production lines at the facility started regular production in December 2010. The facility incorporates several energy conservation and production efficiency enhancements representing major advances in flux manufacturing technology.

As part of its strategy to diversify its offerings, Shanghai Lincoln Electric introduced several new flux cored wire designs during the year and expanded the range of welding machines it manufactures to include units targeted at the international light industrial and retail markets.

In India, the Chennai facility, which was opened in 2009, is experiencing strong and growing demand for its wire products. The Company is expanding capacity at the plant during the first half of 2011.

Lincoln recently announced two acquisitions that will significantly enhance its ability to serve the rapidly growing welding market in Russia. With the MGM and Severstal acquisitions, the Company will be able to manufacture a broad line of high-quality welding consumables in Russia that will complement its already strong import business in the region.

In South America, growth continues to be driven by the build-up of infrastructure and the increased demand for energy. Brazil leads the region in growth and demand of welding products, and Lincoln has experienced strong sales growth of consumables and equipment into the heavy industry, automotive and energy markets. The Company also is doubling the capacity of its manufacturing facility in Bogota, Colombia, while large mining and energy projects in Chile and Peru have driven sales increases in both of these emerging market countries.

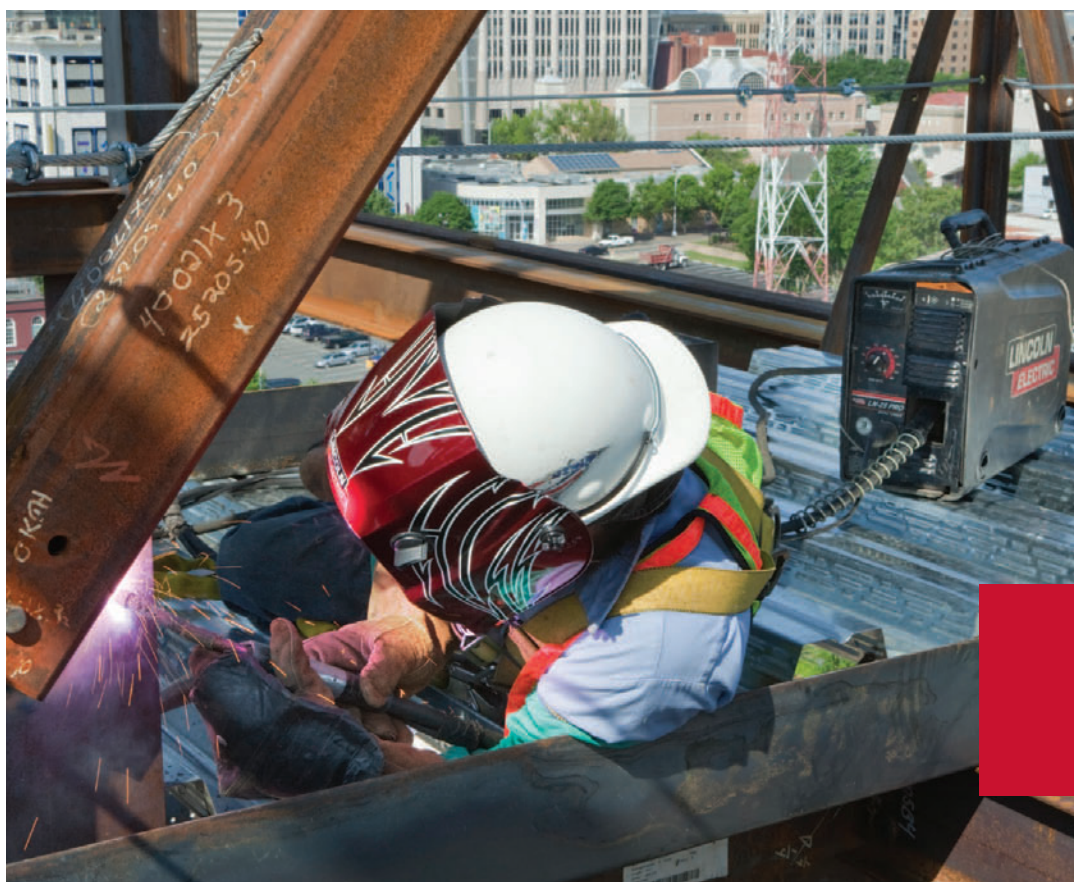
In Europe, Lincoln has successfully realigned its operations over the past several years to focus on serving core markets from an improved cost base and to better serve the expanding Eastern Europe demands from factories located in the region. Lincoln is also expanding its facility in Poland for consumables production.

Lincoln's expanding product line and focus on customer support continues to allow the Company to serve the North American market well. In an environment of moderate growth rates, Lincoln's focus is on increasing market share that will yield good growth potential in this relatively mature market.

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# Growing Stronger in Growing Markets

The \$17 billion global welding industry is divided into several major market segments, including power generation, pipelines and pipe mills, offshore, heavy fabrication, and automotive. The quality of welding materials and the efficiency of welding processes are vital factors in the overall performance of customers in these segments. Lincoln provides the highest-quality equipment, consumables, technology and services for the full range of welding markets and applications.

## Power Generation

As the global economy continues to recover, energy demands have been forecast to double over the next 20 years. Lincoln Electric has significantly strengthened its position as the global leader in the delivery of welding products, solutions and technical support for energy generation such as nuclear, wind, solar and thermal.

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During 2010, Lincoln provided equipment and consumables that were used in the construction of thermal plants and nuclear power plants being built in Argentina, Brazil, France, Russia, China, India, Korea, Taiwan and the United States. The Company has introduced new consumables product lines to meet the stringent and diverse global requirements of these markets, along with leading-edge

equipment such as the Power Wave® S350 and Flextec™ 450, as well as new automated welding and cutting equipment for both pipe and vessel fabrication.

For the third year in a row, a majority of new global wind tower factories either selected or converted to the Lincoln Electric Power Wave® AC/DC submerged arc welding power sources. More than 500 Power Wave® systems have been installed globally for use in the construction of wind towers. Lincoln also has introduced a new welding consumable for the wind power industry – WTX™ flux – with excellent sales growth over the past year.

Fuqing nuclear power station under construction in China.





## Pipelines/Pipe Mills

With demand for oil and natural gas continuing to rise, exploration and production is expected to grow substantially in 2011 and 2012. As a result, the pipeline and pipe mill sectors continue to be key end markets for Lincoln.

Globally, the pipeline industry is now expected to increase the number of subsea pipelines based on the increasing number of exploration and production activities in deeper and more remote frontiers. Lincoln's new high-technology equipment and consistently high-quality consumable products are the perfect solutions for these mission-critical welding environments, including new Pipeliner® 80Ni solid wire for pipelines and new SPX™ 80 flux, specially formulated for spiral pipe mills.

The Company's strong position in this sector was recently recognized by industry consultant Frost & Sullivan when it honored Lincoln with two important awards for best practices in the pipeline industry. The awards reflect the strong relationships Lincoln has developed with construction companies around the world through its value-added technical support, industry-leading R&D efforts and global distribution network.

## Offshore

Rising oil prices and increasing demand have generated great momentum in global offshore activity. Latin America, the Middle East, North Africa and Southeast Asia are expected to see large increases in offshore exploration and production development. In China, rising energy consumption coupled with limited domestic supply has forced the world's most populous nation to seek out new sources of oil and gas.

Lincoln Electric is well positioned locally in all of these locations. Lincoln's strong knowledge of the industry, high-quality and improved productivity solutions and local technical support capabilities are enabling customers to improve their competitiveness in this challenging market. New consumable products such as Innershield® NR® 440Ni2 and Lincolnweld® LAC-690 are scheduled to be launched in the first quarter of 2011 to address new, more stringent offshore requirements.





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if you chose a quality welder.

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**ELECTRIC**

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The Quality You Expect.



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Global Industry Segment ad

## Heavy Fabrication

In heavy fabrication markets such as earthmoving and construction cranes, 2010 was a strong year of global recovery. At the same time, the agricultural market also experienced significant recovery due to population growth and favorable market conditions. The growth in these markets is expected to continue beyond 2011, driven by rising commodity prices and continuing infrastructure development in emerging nations such as China, India, and regions such as Eastern Europe and Latin America.

Customers look to Lincoln as a supplier of choice, one that understands current manufacturing challenges and can develop new and effective welding solutions that help them gain a competitive edge. Lincoln's advanced and innovative welding technologies – such as the high deposition Tandem MIG® process using SuperArc L-59® MIG wires – provide productivity gains that in some cases exceed 100% over traditional methods. The high-performance Power Wave® provides powerful networking, production monitoring and welding tools that allow better quality, increased productivity and a safer environment for the worker.

## Automotive

After sharp declines in many regions following a 2007 peak in demand, global automotive and light vehicle production rebounded strongly in 2010, with China, Brazil and India all experiencing high growth in output.

Lincoln Electric's manufacturing and technical support centers in the United States, Europe, Brazil, India, China and Japan provide global and local automakers with world-class manufacturing solutions for automated and robotic arc-welding processes.

In 2010, Lincoln increased its sales of top-line MIG consumables and supported the expansion of key global customers into the developing automotive markets of Asia, South America, and Europe. The Company has become the supplier of choice for automakers and Tier I suppliers in the United States, Europe and Asia with its Power Wave® line of advanced welders, Premium SuperArc® and Supra MIG® solid wires.

## Growing Stronger in Automation

Lincoln Electric's global leadership in automated welding technology is providing customers with solutions for a wide range of needs – such as dealing with labor shortages, enhancing productivity, and improving quality and safety – across all markets and geographic regions. Working with its worldwide automation partner, FANUC Robotics, Lincoln continues to introduce leading-edge robotic solutions as well as fume extraction systems to meet customers' needs in this challenging field.

As part of its role as the industry leader, Lincoln also focuses on the training and development of the world's next generation of welders. To that end, Lincoln's VRTEX® 360 virtual welding system is being used at training centers, community colleges and vocational schools all around the world. In recognition of the value and uniqueness of this system for training new welders, Lincoln has been named a global industry partner by WorldSkills International, a worldwide organization that develops various skills based on vocational programs for youth in more than 50 countries. WorldSkills has selected the VRTEX® 360 as its exclusive welding training system. The Company has also partnered with the American Welding Society to develop a Virtual Reality equipped show trailer that will travel throughout the United States promoting the welding industry and careers in welding at state educators conferences, large industrial trade shows and skills competitions.

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