

WELDING THE FUTURE



Much of the world's future economic growth is linked to welding-intensive projects such as infrastructure upgrades, production and delivery of energy resources, heavy fabrication of construction equipment, and all forms of transportation, including shipbuilding. As the leading global manufacturer of arc welding and cutting solutions, with a major global position in brazing and soldering alloys, and with 38 factories in 18 countries on five continents, Lincoln Electric is strongly positioned to provide support for these projects and to generate long-term value for all of its stakeholders.

Celebrating our 115th anniversary in 2010, Lincoln provides welding solutions to a diverse range of markets. We continue to break new ground in the latest fields of advanced welding technology – including inverter power sources, high-strength welding consumables, automation solutions and state-of-the-art training – to better meet the future needs of welders, end-user customers and our distribution partners all over the world.

In 1895, John C. Lincoln founded the Company with a capital investment of \$200 and an idea that if he provided high-quality products and services to help his customers become more productive and successful, his business would thrive as well. It is a philosophy that has held true for Lincoln Electric and its employees throughout the years, and it has guided the Company's strategy during times of growth as well as recession. His younger brother, James F. Lincoln, developed the Company's innovative business philosophy that drives employees to focus on the customer and rewards both employees and shareholders for success.

MARKET LEADERSHIP

From pipelines to power plants, from shipbuilding to bridge building, success depends on the strength, reliability and quality of welding materials and the efficiency of the welding process. Lincoln provides the highest-quality equipment, consumables, technology and training resources for the full range of welding markets and applications. The Company's growth opportunities are extensive, especially in emerging regions that are aggressively building infrastructure and the energy-producing regions that need to transport their products over great distances to where the energy is required, distributed and used.

Following are the key industry segments for which welding is mission-critical, and which represent Lincoln Electric's core markets and global growth opportunities:

OFFSHORE Energy demand is expected to continue to expand with the development of emerging regions, and to remain high in more developed regions despite the growing movement toward sustainability. To meet the growing need for energy, many offshore drilling projects are under construction or in the planning stages.





These projects are highly challenging due to the demanding conditions of deep-water locations, as well as safety and environmental concerns, all of which intensify the need for new technology and high-quality welding solutions.

PIPELINES AND PIPE MILLS As a cleaner energy alternative, natural gas is rising fast in popularity. Cross-country pipelines are being constructed to transport oil and gas from remote regions of the globe to the more populated energy-consuming areas. In addition to gas and oil, the construction of water pipelines is growing at a steady pace as countries shore up their water management infrastructure. Lincoln's products are crucial in the construction of these pipelines and at the pipe mills where the pipe is produced.

POWER GENERATION From fossil fuels and nuclear power plants to wind towers, new projects to produce energy more efficiently are under way all across the globe. These projects often pose specific welding challenges that are solved by Lincoln's technologically advanced solutions, such as multiple wire systems, new submerged arc fluxes and Power Wave® power sources which provide productivity increases when applied to the most demanding power generation requirements.



SHIPBUILDING The world's shipbuilders continue to work diligently to meet the growing needs of the global market for transportation of energy and goods. Lincoln Electric's facilities are positioned well to serve areas such as China, Korea, Japan and Brazil that are major centers of shipbuilding.

HEAVY FABRICATION Global infrastructure and population growth requires heavy earth-moving, construction and agricultural equipment. Lincoln has a long history of developing robust power sources and welding consumables to meet customers' productivity, quality and reliability needs in this market, including both robotics and hard automation solutions.

STRUCTURAL As construction of buildings and bridges continues in emerging regions, economic stimulus programs are also expected to revitalize efforts to repair and upgrade infrastructure in developed regions. Structural steel requires welding, and Lincoln Electric's products and expertise are highly valued in this market.

AUTOMOTIVE/TRANSPORTATION Lincoln Electric offers high-quality steel and aluminum consumables and leading technology, especially robotic equipment systems, supported by welding applications centers in all the key global automotive geographies. This global market, though it has been challenged in recent years, is nonetheless critical to the world's economy and is seeing substantial growth in developing regions.

INNOVATIVE PRODUCTS

In serving these markets, Lincoln Electric has built a strong reputation for innovation, and its people possess a level of knowledge and training expertise that is unsurpassed in the industry. Customers count on Lincoln to provide the latest and best in welding technology.

Lincoln offers the most complete line of welding solutions in the industry – from equipment, consumables and automation systems to cutting solutions and brazing and soldering products. The Company draws from its more than a century of industry experience to provide leading-edge welding solutions that improve productivity, enhance safety and reduce costs for customers. Its products are a significant advantage for its distributor partners, who can provide a more robust line of offerings to their customers all over the world.

Lincoln also is a leader in automated welding systems, which address customers' needs to improve the efficiency, reduce the labor requirements and improve the quality of their projects. The new Power Wave® family of machines with high-speed output response integrates well with FANUC Robotics, our worldwide automation partner, to help customers achieve success in mission-critical welding.

The Company's focus on innovation has led to the development of an unprecedented number of new products. Even during the recent global economic downturn, Lincoln Electric has continued to strategically invest in updating and expanding its product lines. Its introduction of 108 new products over a nine-month period in 2009 was the most aggressive launch of new products in the Company's and the industry's history. New products were produced in every market region where the Company has manufacturing facilities. For example, Lincoln operations in China introduced new POWERPLUS® welding machines, while Lincoln Europe rolled out new application-specific welding machines and consumables that were premiered at the Essen Welding Show held in September 2009. Our Metrode unit, located in the United Kingdom, also introduced new specialty electrodes for the power generation sector.

As the Company develops new products in the regions, it ensures that its intellectual property is protected. In the last three years, Lincoln has been granted more than 300 patents.

Lincoln's launch of its new products has been well-coordinated and well-received around the world, as they are uniquely designed to serve the specific needs of local markets, including growth areas such as China, India, Russia and Brazil. The momentum gained from these new products is expected to help Lincoln continue growing its global market share.

Some of the innovations introduced in 2009 included new inverter systems that offer much faster response and are more agile than previous systems; a severe-duty version of Lincoln's top-selling Power Wave® AC/DC 1000® submerged arc system; a new line of stainless flux-cored wire; and embedded quality monitoring in Lincoln's high-end Power Wave® systems, which can automatically detect critical weld variables to determine whether a weld is a pass or a fail.





FOCUS ON TRAINING

One of Lincoln's most exciting new products introduced in 2009 is the VRTEX™ 360 – a welding training system that incorporates virtual reality tools to teach new welders everything from how to hold a welding gun to the proper way to complete a variety of welds. The system accelerates welder training, reduces costs and saves substantial energy in the process of training new welders.

In the training of future welders, Lincoln Electric sees its leadership role both as a responsibility and an opportunity. By ensuring that trainees learn on high-quality equipment, Lincoln not only is helping develop the next generation of welders, it is also showcasing its revolutionary new products so that the welders of the future become familiar with them. Sales to educational markets such as skilled trades, community colleges and technical vocational schools were a growing source of revenue for Lincoln in 2009.

To fill our future needs, Lincoln continues to hire graduates from some of the nation's top engineering schools for its intensive engineering and technical sales training program. These talented individuals will be highly trained in product knowledge, welding process applications and customer service to further Lincoln's reputation for having the largest and most technically capable sales organization in the industry.

During the economic downturn, Lincoln repositioned key employees to new areas, such as product development. In keeping with the Lincoln culture, the employees were not laid off due to lack of production work. Instead, they were aligned with areas that matched their skill sets, and they were given development project assignments. By applying this time-tested paradigm, Lincoln retained high-quality employees who already possessed advanced skill sets in such areas as product development, manufacturing engineering, and sales and marketing, and was able to redirect their abilities toward its intensified effort to create new product lines.

SUSTAINABILITY, HEALTH AND SAFETY

As the world turns to non-traditional and more environmentally sustainable sources to satisfy its demand for energy, Lincoln Electric is playing a key role. Lincoln's products are pivotal in the construction of alternative energy projects such as nuclear power and wind towers. It is the leading supplier of welding solutions for both wind tower fabricators and nuclear energy.

Lincoln is also addressing the need for fume removal and clean environments through its portable and static environmental systems products. Increasing particulate regulations and demands from responsible customers are making environmental systems an integral part of the welding process. Lincoln's global partnership with The Clean Air Group has provided the latest technology in air filtration and recirculation for energy-conscious customers.

Through its Green Initiative program, Lincoln focuses on reducing the environmental impact of its manufacturing processes and products worldwide. Internally, the Company has reduced its carbon footprint through energy conservation, scrap recycling programs, alternative energy sources and many other initiatives. Lincoln Electric is committed to reducing the amount of waste generated and reusing raw materials through innovation in manufacturing and processes.

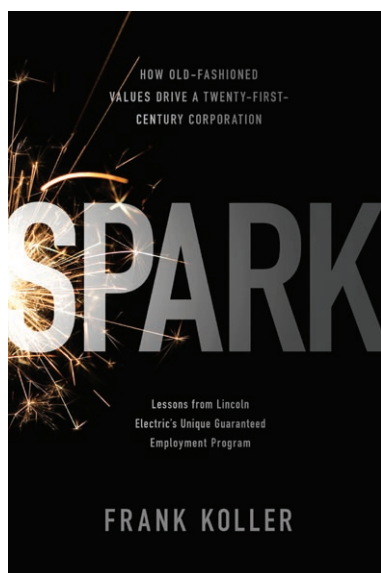
As part of Lincoln Electric's continual improvement initiative, supported by third-party ISO 14001 certifications, the Company is putting in place aggressive goals to reduce waste generation and increase its recycling efforts. Examples of these efforts for 2009 include: a reduction of 1,071 tons, or 32%, of foundry sand in Cleveland; 100% conservation of water at the Chennai, India plant through water purification and recycling; a 25% reduction in copper released per million pounds of production at the Mentor, Ohio plant; a 31% recycling rate in South America for all non-manufacturing materials; reduction of 24% in global energy usage through efficiency and process improvements; and partnerships with key customers at our Sheffield, U.K. plant to have them return and reuse welding wire packaging materials. Additionally, 100% of drawing soaps and wastewater filtercake are recycled at Sheffield.



Lincoln employees are encouraged to focus on safe behaviors at work and at home through the Company's successful WELD initiative. This has resulted in a steady decline in the injury rate to less than one injury per 200,000 work hours at Lincoln's Cleveland operations in 2009. The corporation also conducted health and wellness programs throughout the year that drew a total of more than 1,000 participants to events such as walking and cycling challenges, a know your numbers campaign, and health fairs.

A GLOBAL SPARK

As a fitting tribute to the Company in its 115th anniversary year, Canadian journalist Frank Koller has authored a book called *Spark*, an independently researched and written study of Lincoln Electric, its founding philosophy and its guaranteed employment program. The book, which came out in February 2010, recognizes Lincoln not only for its unique position as the global leader in the welding industry, but also for its rich history, strong culture and fundamental principles that have enabled it to continue providing excellent value to customers, shareholders and employees throughout the years.



Mr. Koller writes, "Lincoln Electric ... has always operated under the assumption that an energetic pursuit of corporate profits is not inhibited by an equally determined commitment to raise the fortunes of its employees; in fact, the two are interdependent. As proof that Lincoln Electric's business model can survive the rough-and-tumble of Wall Street, consider the company's financial track record: an average growth rate of 19 percent per year from 2005 through 2009, an average annual return on investment of 16 percent during those years, a long-term debt-to-equity ratio of only 9 percent, a bank balance of \$406 million in cash, and a larger global market share than any of its competitors."

Throughout its 115 years, the Company has contributed to many educational, civic and charitable efforts that improve the quality of life in the communities where its employees live and work. For example, the Lincoln Electric Foundation and the Company's corporate philanthropy program have provided support for numerous organizations such as the Juvenile Diabetes Research Foundation and Harvest for Hunger, as well as a variety of arts education programs and the promotion of engineering and technical careers for high school students. Lincoln's efforts earned it a Pillar Award for Community Service in 2009, its second such award.