



THE LINCOLN ELECTRIC COMPANY

115 Years of Innovation

Lincoln Electric, the world's leading manufacturer of welding solutions, is celebrating its 115th year anniversary in 2010. Throughout the welding industry, Lincoln is best known for its rugged and innovative machines and consumables, which, combined with application know-how, help customers excel at making globally competitive products. Outside welding circles, Lincoln has been the most studied Harvard Business School case due to its incentive management philosophy. Manufacturing, engineering and selling excellence in a focused industry, along with unique and forward-thinking employee practices, have created a winning formula for the Company, its employees and its shareholders.

In 1895, John C. Lincoln founded the Company with a capital investment of \$200. His younger brother, James F. Lincoln, joined the Company in 1907, and together the two brothers built a solid foundation of corporate values that still drive Lincoln Electric today. Throughout its 115 years, the Company has pioneered scores of technology innovations, starting with the world's first variable voltage welding machine in 1911. Today's revolutionary software-driven PowerWave® inverters, coupled with engineered consumables, have reinvented welding by providing every industrial segment with customized weld integrity to meet their most stringent requirements.

Who We Are and What We Do

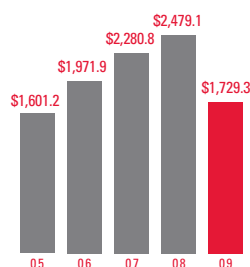
Lincoln Electric is the world leader in the design, development and manufacture of arc welding products, robotic arc welding systems, plasma and oxyfuel cutting equipment, and has a leading global position in the brazing and soldering alloys market. Headquartered in Cleveland, Ohio, U.S.A., Lincoln has 38 manufacturing locations, including operations and joint ventures in 18 countries, and a worldwide network of distributors and sales offices covering more than 160 countries.

Recognized as The Welding Experts®, Lincoln provides cutting-edge products and solutions, and has long been a pioneer in technology for arc welding consumables and equipment. Lincoln operates the industry's most extensive and comprehensive research and product development program, supported by its R&D centers around the world, including the David C. Lincoln Technology Center, the most advanced facility of its kind.

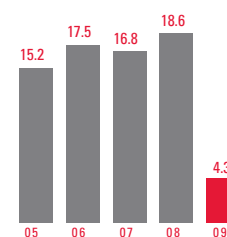
Lincoln Electric's products and solutions are playing an important role in the development of industries and infrastructures around the world. Arc welding is the dominant joining method for building and other industrial construction, including oil and gas pipeline fabrication, and oil refinery construction. Lincoln serves a wide variety of industries that rely on arc welding, such as transportation, construction, energy production and metal fabrication. In the manufacture of metal products, arc welding applications range from consumer products to heavy machinery and structural steel.

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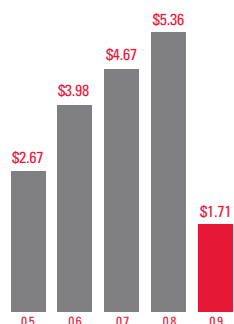
Financial Highlights



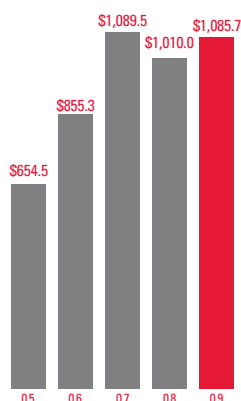
NET SALES
DOLLARS IN MILLIONS



RETURN ON INVESTED CAPITAL
IN PERCENT



DILUTED EARNINGS PER SHARE*



TOTAL EQUITY
DOLLARS IN MILLIONS



CASH FLOW FROM OPERATIONS
DOLLARS IN MILLIONS

* Diluted earning per share excludes the effects of special items. 2009 excludes rationalization and asset impairment charges, the gain on the sale of a property and the loss associated with the acquisition of a business in China and related disposal of an interest in Taiwan. 2008 excludes rationalization and asset impairment charges. 2007 excludes a gain on rationalization actions. 2006 excludes rationalization charges and a gain on the sale of a facility. 2005 excludes net favorable tax benefits and gains related to the settlement of legal disputes, partially offset by charges relating to the sale of a business and rationalization charges.

Year Ended December 31

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	2009	2008	2007
Net Sales	\$1,729	\$2,479	\$2,281
Net Income	49	212	203
Net Income excluding special items ^(A)	73 [^]	231 [^]	203 [■]
Basic Earnings per Share	1.15	4.98	4.73
Basic Earnings per Share excluding special items ^(A)	1.72 [^]	5.41 [^]	4.73 [■]
Diluted Earnings per Share	1.14	4.93	4.67
Diluted Earnings per Share excluding special items ^(A)	1.71 [^]	5.36 [^]	4.67 [■]
Cash Dividends Paid per Share of Common Stock	1.08	1.00	0.88
Working Capital	726	668	658
Current Ratio	3.4	2.9	3.1
Total Assets	\$1,705	\$1,719	\$1,645
Total Equity	1,086	1,010	1,090
Cash Provided by Operations	250	257	250
Return on Invested Capital	4.3%	18.6%	16.8%

(A) Adjusted net income excluding special items and adjusted basic 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.

[^] In 2009, special items includes rationalization charges of \$29.0 (\$23.2 after-tax or \$0.54 per diluted share), asset impairment charges of \$0.9 (\$0.6 after-tax or \$0.01 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 \$1.5 (\$1.5 after-tax or \$0.04 per diluted share) and a gain on the sale of a property of \$5.7 (\$5.7 after-tax or \$0.13 per diluted share).

[^] In 2008, special items includes 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).

[■] In 2007, special items includes a gain related to rationalization actions of \$0.2 (\$0.1 after-tax, no impact per diluted share).



JOHN M. STROPKI

Chairman, President and Chief Executive Officer

To Our Fellow Shareholders:

During one of the most severe and longest economic downturns in our Company's 115-year history, our experienced management team and 8,950 dedicated global employees rose to the challenge. Their hard work, tough and decisive actions, along with aggressive restructuring, significantly lowered our overall global cost basis. Because of these actions, along with our continuous focus on customer service and dynamic actions to bring new welding solutions to the market, we ended the year on a positive note. A fragile but slowly improving economic environment in selected segments and key markets, coupled with the cost-reduction initiatives and other operational efficiencies we announced over the past 15 months, resulted in another sequential improvement in operating performance in the fourth quarter. Consequently, the financial results for the 2009 fourth quarter give us reason for optimism as we begin 2010. During 2009, as always, we stayed true to Lincoln's core principles, culture and distinguished history with our unrelenting focus on providing the highest-quality products, services and welding solutions to our customers. At the same time, we worked diligently to reduce costs and realign our operations in conjunction with the slowdown in the world markets.

We took advantage of the slowdown to strengthen our Company for the future. By reassigning qualified personnel from manufacturing to product development, we were able to accelerate the introduction of key new products. It is a tribute to the expertise and flexibility of our people that we were able to introduce 108 new products over a nine-month period, all designed to meet specific needs of our customers in the global marketplace. These products will play a key role in Lincoln's ongoing growth, and both Lincoln and our customers will be enjoying the benefits of our development team's work for many years to come.

We further solidified our leading position in the global welding industry through market share gains and global market penetration that will provide long-term benefits. With our emphasis on new products, innovative technology and global industry segment focus, we were able to increase our share opportunistically in growing global markets, such as infrastructure construction, power generation, pipelines and shipbuilding.

Solid Operating Results in a Challenging Year

Due to the global economic uncertainty at the beginning of the year, we took aggressive actions early in 2009 to reduce our cost structure and improve our capacity utilization by rationalizing our European, Asia Pacific and Harris Products operations. We eliminated significant fixed overhead, including the closure of two plants in Europe, and realigned our workforce to match global industry demand.

Our flexibility to respond rapidly to market changes is largely a result of our variable compensation and guaranteed employment program at our major U.S. operations. This enabled us to reduce work hours, reassign personnel and seamlessly adjust our manufacturing cost structure to market conditions without incremental cost to our business or negative impact to our loyal customers.

These actions allowed us to manage through the lowest points of the global recession, and to deliver steady improvements in sales and operating profit quarter by quarter as the year progressed. Net cash from operations was \$250.4 million for the full year, and our cash balance at the end of the year was \$388.1 million.

Indicative of our financial strength, the Board of Directors in December 2009 declared a 3.7% increase in the cash dividend to \$1.12 per share on an annualized basis, up from \$1.08 per share.

It also was gratifying to see our stock price recover during the year, signaling the support of investors for the strength of our business and our strategy. The year-end close of \$53.46 per share was more than twice what it was at its low point in March, and approximately 5% above the 2008 year-end closing price of \$50.93.

Global Expansion Continues

Despite the global recession, the world's long-term infrastructure and energy needs have not waned. Because of this, we expect the worldwide demand for welding to grow steadily, and we are continuing our expansion to serve that growing demand in key global markets.

In 2009, we acquired full ownership of Jinzhou Jin Tai Welding and Metal Co. (Jin Tai), a welding wire business in Jinzhou, China, in which we previously held a 48% stake. This acquisition will allow us to shape our destiny and expand our customer base in China, the largest welding market in the world. As a result, we have added significant cost-competitive MIG wire manufacturing capacity to serve this important market. We intend to further expand our presence in China in the production of stick electrodes, machine manufacturing and submerged arc products. Key to this growth is a major expansion of our Heli joint venture submerged arc production facility. The Heli expansion is critical to serving the growing infrastructure need in China and Southeast Asia.



New Heli Plant Rendering – China



Chennai Plant – India

In Chennai, India, we opened a 100,000-square-foot welding consumables facility to serve growing demand from industry and infrastructure projects in that country and throughout the Asia Pacific region. The Chennai plant manufactures solid welding wire used for a variety of welding applications in industry segments such as heavy equipment, metal buildings, pipelines

and pipe mills, and power generation. The facility incorporates state-of-the-art manufacturing and environmental systems and reaffirms our commitment to operational excellence and environmental preservation.

We also completed the integration of Brastak, a leading Brazilian manufacturer of brazing products, which we acquired in October 2008 to further our expansion in South America and broaden our offering of brazing products.

Acquisitions will continue to be an important part of our global growth strategy, and our financial strength positions us well to pursue that strategy. Our track record proves that we are able to integrate acquisitions seamlessly and successfully, followed by accretion to earnings. We will seek future acquisitions in complementary businesses where we have expertise, and which provide the right products and geographic capabilities to generate additional shareholder value.

An important part of our global expansion involves the implementation of SAP worldwide as we make further acquisitions or build new sites. Introducing SAP promotes consistent and efficient sharing of information throughout our entire global organization. In 2009, we expanded our SAP program to include our new India operation and implementation of our China acquisition, Jin Tai.

Strong Management and Governance

As we announced in December, we have realigned into five operating segments – North America Welding, Europe Welding, Asia Pacific Welding, South America Welding and The Harris Products Group – to more efficiently manage our resources. Our objective is to take advantage of opportunities and bolster our leadership position in each market. The welding segments represent our four key geographic markets, while The Harris Products Group includes our global cutting, soldering and brazing businesses, as well as our U.S. retail business.



We also announced several management promotions as we continue to develop the talent that will lead the Company into the future. David LeBlanc was named to the newly created position of Senior Vice President, President of Lincoln Electric International, with responsibility for all of our welding businesses outside North America. George Blankenship was promoted to Senior Vice President and President, Lincoln Electric North America, with responsibility for our welding businesses in the United States, Canada and Mexico. Gretchen Farrell was named Senior Vice President, Human Resources and Compliance and will lead the human resources function as well as Lincoln's global compliance program.

In January 2010, Richard Seif was appointed Senior Vice President, Global Marketing and Product Development, adding responsibility for directing the Company's international product strategy and development programs in its market regions around the world, along with his previous global marketing and automation strategy duties. In addition, Anthony Battle was named a Company Officer and Vice President, Internal Audit, with responsibility for Lincoln's worldwide audit process. These promotions are further evidence of the effectiveness of our culture and succession planning process as we have been able to develop such strong leadership talent from within.

In February of this year, Christopher Mapes was elected to the Company's Board of Directors. Mr. Mapes is Executive Vice President of A.O. Smith Corporation and President of A.O. Smith Electrical Products Company. He brings years of manufacturing, sales and marketing experience to our solid and well-rounded Board at a very exciting and interesting time for our Company, and we look forward to his insights and contributions.

Our independent Board of Directors has risen to the challenge in its pursuit of the best interests of shareholders. Currently the Board, in partnership with our executive management team, is involved in a comprehensive three-year enterprise risk management process to identify critical business risks and their integration with our overall global strategy.

Entering 2010 with Confidence

While we are cautiously optimistic about 2010, we know that the new year will bring additional challenges, as well as opportunities. We are fully confident that we will again meet those challenges and gain from the opportunities. For the long term, the global infrastructure needs, especially in emerging and developing markets, and the increasing demand for new sources of energy will continue to be beneficial to Lincoln Electric.

No one expects a rapid recovery back to the record levels of 2008. But on the basis of Lincoln's strong balance sheet, ample cash reserve, product quality, market leadership, flexibility and continued successful execution of our global strategy, we expect to achieve steady, profitable growth and generate long-term value for our shareholders.


Driven by our high-technology products, our order levels on equipment and consumables have improved during the latter half of 2009 and the beginning of 2010. New product introductions will remain a priority as we focus on capturing market share, and our strong financial position will enable us to invest in important new growth opportunities.

Our objective is to achieve organic growth that is at least double the rate of GDP growth over the long term. Historically, we also have added 2% to 3% to the top line through acquisitions, and our goal is to exceed that level of growth with future acquisitions. We have demonstrated that we can successfully expand our operations in key growth markets such as China, India and Brazil.

We manage the Company for the long term, but we are also flexible enough to respond to short-term challenges. Our culture allows our people to focus on doing whatever it takes to build our Company's future and to generate long-term shareholder value, under the supervision of our strong, independent Board of Directors.

My thanks and appreciation go out to our 8,950 employees, who showed their resolve during the difficult economic conditions of 2009 to help make Lincoln Electric stronger than ever. It is the collective goal of our employees, Board and management team that the ongoing support we have received from our shareholders will be well rewarded.

Sincerely,



John M. Stropki
Chairman, President and Chief Executive Officer