LINCOLN ELECTRIC HOLDINGS INC
Form 10-K
February 21, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013	Commission file number 0-1402

LINCOLN ELECTRIC HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Ohio	34-1860551
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
22801 St. Clair Avenue, Cleveland, Ohio	44117
(Address of principal executive offices)	(Zip Code)

(216) 481-8100
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Common Shares, without par value	The NASDAQ Stock Market LLC
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

þ Large accelerated filer	¨ Accelerated filer	¨ Non-accelerated filer (Do not check if a smaller reporting company)	¨ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ
The aggregate market value of the common shares held by non-affiliates as of June 30, 2013 was $4,591,044,854 (affiliates, for this purpose, have been deemed to be Directors and Executive Officers of the Company and certain

significant shareholders).
The number of shares outstanding of the registrant's common shares as of December 31, 2013 was 81,010,084.
DOCUMENTS INCORPORATED BY REFERENCE
Part III of this Annual Report on Form 10-K incorporates by reference certain information from the registrant's definitive proxy statement to be filed on or about March 21, 2014 with respect to the registrant's 2014 Annual Meeting of Shareholders.

PART I
ITEM 1. BUSINESS
General
As used in this Annual Report on Form 10-K, the term "Company," except as otherwise indicated by the context, means Lincoln Electric Holdings, Inc. and its wholly-owned and majority-owned subsidiaries for which it has a controlling interest. The Lincoln Electric Company began operations in 1895 and was incorporated under the laws of the State of Ohio in 1906. During 1998, The Lincoln Electric Company reorganized into a holding company structure, and Lincoln Electric Holdings, Inc. became the publicly-held parent of Lincoln Electric subsidiaries worldwide, including The Lincoln Electric Company.

The Company is one of only a few worldwide broad-line manufacturers of welding, cutting and brazing products. Welding products include arc welding power sources, wire feeding systems, robotic welding packages, fume extraction equipment, consumable electrodes and fluxes. The Company's product offering also includes computer numeric controlled ("CNC") plasma and oxy-fuel cutting systems and regulators and torches used in oxy-fuel welding, cutting and brazing. In addition, the Company has a leading global position in the brazing and soldering alloys market.

The arc welding power sources and wire feeding systems manufactured by the Company range in technology from basic units used for light manufacturing and maintenance to highly sophisticated robotic applications for high volume production welding and fabrication. Three primary types of arc welding electrodes are produced: (1) coated manual or stick electrodes; (2) solid electrodes produced in coil, reel or drum forms for continuous feeding in mechanized welding; and (3) cored electrodes produced in coil form for continuous feeding in mechanized welding.

The Company has, through wholly-owned subsidiaries or joint ventures, manufacturing facilities located in the United States, Brazil, Canada, China, Colombia, France, Germany, India, Indonesia, Italy, Mexico, the Netherlands, Poland, Portugal, Russia, Turkey, the United Kingdom and Venezuela, of which 39 are ISO 9001 certified.

The Company has aligned its business units into five operating segments to enhance the utilization of the Company's worldwide resources and global end user and sourcing initiatives. The operating segments consist of North America Welding, Europe Welding, Asia Pacific Welding, South America Welding and The Harris Products Group. The North America Welding segment includes welding operations in the United States, Canada and Mexico. The Europe Welding segment includes welding operations in Europe, Russia, Africa and the Middle East. The other two welding segments include welding operations in Asia Pacific and South America, respectively. The fifth segment, The Harris Products Group, includes the Company's global cutting, soldering and brazing businesses as well as the retail business in the United States. See Note 5 to the Company's consolidated financial statements for segment and geographic area information, which is incorporated herein by reference.

Customers
The Company's products are sold in both domestic and international markets. In North America, products are sold principally through industrial distributors, retailers and also directly to users of welding products. Outside of North America, the Company has an international sales organization comprised of Company employees and agents who sell products from the Company's various manufacturing sites to distributors and product users.

The Company's major end-user markets include:

- general metal fabrication,
- power generation and process industry,
- structural steel construction (buildings and bridges),
- heavy equipment fabrication (farming, mining and rail),
- shipbuilding,
- automotive,
- pipe mills and pipelines, and
- offshore oil and gas exploration and extraction.

The Company is not dependent on a single customer or a few customers and no individual customer currently accounts for more than ten percent of total Net sales. However, the loss of a large customer could have an adverse effect on the Company's business. The Company's operating results are sensitive to changes in general economic conditions. The arc welding and cutting industry is generally a mature industry in developed markets such as North America and Western Europe, and is cyclical in nature. Overall demand for arc welding and cutting products is largely determined by economic cycles and the level of capital spending in manufacturing and other industrial sectors. The Company experiences some variability in reported period-to-period results as demand for the Company's products are mildly seasonal with generally higher demand in the second and third quarters. See "Item 1A. Risk Factors" for further discussion regarding risks associated with customers, general economic conditions and demand.

Competition

Conditions in the arc welding and cutting industry are highly competitive. The Company believes it is the world's largest manufacturer of consumables and equipment with relatively few major broad-line competitors worldwide, but numerous smaller competitors in specific geographic markets. The Company continues to pursue strategies to heighten its competitiveness in domestic and international markets, which includes positioning low cost manufacturing facilities in most geographical markets. Competition in the arc welding and cutting industry is based on brand preference, product quality, price, performance, warranty, delivery, service and technical support. The Company believes its performance against these factors has contributed to the Company's position as the leader in the industry.
Most of the Company's products may be classified as standard commercial articles and are manufactured for stock.
The Company believes it has a competitive advantage in the marketplace because of its highly trained technical sales force and the support of its welding research and development staff to assist customers in optimizing their welding applications. This allows the Company to introduce its products to new users and to establish and maintain close relationships with its customers. This close relationship between the technical sales force and the direct customers, together with its supportive relationship with its distributors, who are particularly interested in handling the broad range of the Company's products, is an important element of the Company's market success and a valuable asset of the Company.

Raw Materials

The principal raw materials essential to the Company's business are steel, electronic components, engines, brass, copper, silver, aluminum alloys and various chemicals, all of which are normally available for purchase in the open market.

Patents and Trademarks

The Company holds many valuable patents, primarily in arc welding, and has increased the application process as research and development has progressed in both the United States and major international jurisdictions. The Company believes its trademarks are an important asset and aggressively pursues brand management.

Environmental Regulations

The Company's facilities are subject to environmental regulations. To date, compliance with these environmental regulations has not had a material adverse effect on the Company's earnings. The Company is ISO 14001 certified at most significant manufacturing facilities in North America and Europe and is progressing towards certification at its remaining facilities worldwide. In addition, the Company is ISO 9001 certified at nearly all facilities worldwide.

International Operations

The Company conducts a significant amount of its business and has a number of operating facilities in countries outside the United States. As a result, the Company is subject to business risks inherent to non-U.S. activities, including political uncertainty, import and export limitations, exchange controls and currency fluctuations.

Research and Development

Research activities, which the Company believes provide a competitive advantage, relate to the development of new products and the improvement of existing products. Research activities are Company-sponsored. Refer to Note 1 to the Company's consolidated financial statements with respect to total costs of research and development, which is incorporated herein by reference.

Employees

The number of persons employed by the Company worldwide at December 31, 2013 was approximately 10,000. See "Part I, Item 1C" for information regarding the Company's executive officers, which is incorporated herein by reference.

Website Access
The Company's website, www.lincolnelectric.com, is used as a channel for routine distribution of important information, including news releases and financial information. The Company posts its filings as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC, including annual, quarterly, and current reports on Forms 10-K, 10-Q, and 8-K; proxy statements; and any amendments to those reports or statements. The Company also posts its Code of Corporate Conduct and Ethics on its website. All such postings and filings are available on the Company's website free of charge. In addition, this website allows investors and other interested persons to sign up to automatically receive e-mail alerts when news releases and financial information is posted on the website. The SEC also maintains a website, www.sec.gov, that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The content on any website referred to in this Annual Report on Form 10-K is not incorporated by reference into this Annual Report unless expressly noted.

ITEM 1A. RISK FACTORS
From time to time, information we provide, statements by our employees or information included in our filings with the SEC may contain forward-looking statements that are not historical facts. Those statements are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995. 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. Actual results may differ materially from such statements due to a variety of factors that could adversely affect the Company's operating results. Forward-looking statements, and our future performance, operating results, financial position and liquidity, are subject to a variety of factors that could materially affect results, including those risks described below. Any forward-looking statements made in this report or otherwise speak only as of the date of the statement, and, except as required by law, we undertake no obligation to update those statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.
In the ordinary course of our business, we face various strategic, operating, compliance and financial risks. These risks could have a material impact on our business, financial condition, operating results and cash flows.
Our Enterprise Risk Management ("ERM") process seeks to identify and address significant risks. Our ERM process is a company-wide initiative that is designed with the intent of prioritizing risks and assigning appropriate consideration for such risks. We use the integrated risk framework of the Committee of Sponsoring Organizations to assess, manage and monitor risks.
Management has identified and prioritized critical risks based on the severity and likelihood of each risk and assigned an executive to address each major identified risk area and lead action plans to monitor and mitigate risks, where possible. Our Board of Directors provides oversight of the ERM process and systematically reviews identified critical risks. The Audit Committee also reviews major financial risk exposures and the steps management has taken to monitor and control them.
Our goal is to pro-actively manage risks in a structured approach and in conjunction with the strategic planning process, with the intent to preserve and enhance shareholder value. However, these and other risks and uncertainties could cause our results to vary materially from recent results or from our anticipated future results. The risk factors and uncertainties described below, together with information incorporated by reference or otherwise included elsewhere in this Annual Report on Form 10-K, should be carefully considered. Additional risks and uncertainties of which we are currently unaware or that we currently believe to be immaterial may also adversely affect our business.
General economic and market conditions may adversely affect the Company's financial condition, results of operations and access to capital markets.
The Company's operating results are sensitive to changes in general economic conditions. Further recessionary economic cycles, higher interest rates, inflation, higher labor costs, trade barriers in the world markets, financial turmoil related to sovereign debt and changes in tax laws or other economic factors affecting the countries and industries in which we do business could adversely affect demand for the Company's products, thereby impacting our results of operations, collection of accounts receivable and our expected cash flow generation from current and

acquired businesses, which may adversely impact our financial condition and access to capital markets.

Economic and supply disruptions associated with events beyond our control, such as war, acts of terror, political unrest, public health concerns, labor disputes or natural disasters could adversely affect our supply chain and distribution channels or result in loss of sales and customers.
Our facilities and operations, and the facilities and operations of our suppliers and customers, could be disrupted by events beyond our control, such as war, political unrest, public health concerns, labor disputes or natural disasters. Any such disruption could cause delays in the production and distribution of our products and the loss of sales and customers. Insurance proceeds may not adequately compensate the Company for the losses.
Availability of and volatility in energy costs or raw material prices may adversely affect our performance.
In the normal course of business, we are exposed to market risks related to the availability of and price fluctuations in the purchase of energy and commodities used in the manufacture of our products (primarily steel, brass, copper, silver, aluminum alloys, electronic components, electricity and natural gas). The availability and prices for energy costs and raw materials, including steel, nonferrous metals and chemicals, are subject to volatility and are influenced by worldwide economic conditions, speculative action, world supply and demand balances, inventory levels, availability of substitute materials, currency exchange rates, our competitors' production costs, anticipated or perceived shortages and other factors.
Increases in the cost of raw materials and components may adversely affect our profitability if we are unable to pass along to our customers these cost increases in the form of price increases or otherwise reduce our cost of goods sold. Although most of the raw materials and components used in our products are commercially available from a number of sources and in adequate supply, any disruption in the availability of such raw materials and components, our inability to timely or otherwise obtain substitutes for such items, or any deterioration in our relationships with or the financial viability of our suppliers could adversely affect our business.
We are a co-defendant in litigation alleging asbestos induced illness. Liabilities relating to such litigation could reduce our profitability and impair our financial condition.
At December 31, 2013, we were a co-defendant in cases alleging asbestos induced illness involving claims by approximately 14,601 plaintiffs. In each instance, we are one of a large number of defendants. The asbestos claimants allege that exposure to asbestos contained in welding consumables caused the plaintiffs to develop adverse pulmonary diseases, including mesothelioma and other lung cancers.
Since January 1, 1995, we have been a co-defendant in asbestos cases that have been resolved as follows: 41,832 of those claims were dismissed, 22 were tried to defense verdicts, seven were tried to plaintiff verdicts (one of which is being appealed), one was resolved by agreement for an immaterial amount and 633 were decided in favor of the Company following summary judgment motions.
The long-term impact of the asbestos loss contingency, in the aggregate, on operating results, operating cash flows and access to capital markets is difficult to assess, particularly since claims are in many different stages of development and we benefit significantly from cost-sharing with co-defendants and insurance carriers. While we intend to contest these lawsuits vigorously, and believe we have applicable insurance relating to these claims, there are several risks and uncertainties that may affect our liability for personal injury claims relating to exposure to asbestos, including the future impact of changing cost sharing arrangements or a change in our overall trial experience. Asbestos use in welding consumables in the U.S. ceased in 1981.
We may incur material losses and costs as a result of product liability claims that may be brought against us.
Our business exposes us to potential product liability risks that are inherent in the design, manufacture, sale and application of our products and the products of third-party suppliers that we utilize or resell. Our products are used in a variety of applications, including infrastructure projects such as oil and gas pipelines and platforms, buildings, bridges and power generation facilities, the manufacture of transportation and heavy equipment and machinery and various other construction projects. We face risk of exposure to product liability claims in the event that accidents or failures on these projects result, or are alleged to result, in bodily injury or property damage. Further, our products are designed for use in specific applications, and if a product is used inappropriately, personal injury or property damage may result.

The occurrence of defects in or failures of our products, or the misuse of our products in specific applications, could cause termination of customer contracts, increased costs and losses to us, our customers and other end users. We cannot be assured that we will not experience any material product liability losses in the future or that we will not incur significant costs to defend those claims. Further, we cannot be assured that our product liability insurance coverage will be adequate for any liabilities that we may ultimately incur or that product liability insurance will continue to be available on terms acceptable to us.

The cyclical nature and maturity of the arc welding and cutting industry in developed markets may adversely affect our performance.

The arc welding and cutting industry is generally a mature industry in developed markets such as North America and Western Europe and is cyclical in nature. Overall demand for arc welding and cutting products is largely determined by the level of capital spending in manufacturing and other industrial sectors, and the welding industry has historically experienced contraction during periods of slowing industrial activity. If economic, business and industry conditions deteriorate, capital spending in those sectors may be substantially decreased, which could reduce demand for our products, our revenues and our results of operations.

We may not be able to complete our acquisition strategy or successfully integrate acquired businesses.

Part of our business strategy is to pursue targeted business acquisition opportunities, including foreign investment opportunities. For example, we have completed and continue to pursue acquisitions in emerging markets including, but not limited to, Brazil, Russia, India and China in order to strategically position resources to increase our presence in growing markets. We cannot be certain that we will be successful in pursuing potential acquisition candidates or that the consequences of any acquisition would be beneficial to us. Future acquisitions may expose us to unexpected liabilities and involve the expenditure of significant funds and management time. Further, we may not be able to successfully integrate any acquired business with our existing businesses or recognize the expected benefits from any completed acquisition.

Depending on the nature, size and timing of future acquisitions, we may be required to raise additional financing, which may not be available to us on acceptable terms. Our current operational cash flow is sufficient to fund our current acquisition plans, but a significant acquisition could require access to the capital markets.

If we cannot continue to develop, manufacture and market products that meet customer demands, our revenues and gross margins may suffer.

Our continued success depends, in part, on our ability to continue to meet our customers' needs for welding and cutting products through the introduction of innovative new products and the enhancement of existing product design and performance characteristics. We must remain committed to product research and development and customer service in order to remain competitive. We cannot be assured that new products or product improvements, once developed, will meet with customer acceptance and contribute positively to our operating results, or that we will be able to continue our product development efforts at a pace to sustain future growth. Further, we may lose customers to our competitors if they demonstrate product design, development or manufacturing capabilities superior to ours.

The competitive pressures we face could harm our revenue, gross margins and prospects.

We operate in a highly competitive global environment and compete in each of our businesses with other broad-line manufacturers and numerous smaller competitors specializing in particular products. We compete primarily on the basis of brand, product quality, price, performance, warranty, delivery, service and technical support. We have previously initiated, and may in the future initiate significant rationalization activities to align our business to market conditions. Such rationalization activities could fail to deliver the desired competitive cost structure and could result in disruptions in customer service. If our products, services, support and cost structure do not enable us to compete successfully based on any of the criteria listed above, our operations, results and prospects could suffer.

Further, in the past decade, the arc welding industry in the United States and other developed countries has been subject to increased levels of foreign competition as low cost imports have become more readily available. Our competitive position could also be harmed if new or emerging competitors become more active in the arc welding business. For example, while steel manufacturers traditionally have not been significant competitors in the domestic arc welding industry, some foreign integrated steel producers manufacture selected consumable arc welding products. Our sales and results of operations, as well as our plans to expand in some foreign countries, could be adversely affected by this practice.

The loss of any of our largest customers could adversely affect our revenue, gross margins and profit.
We have a large and varied customer base due, in part, to our extensive distribution channels in the industries and regions that we serve. Although no individual customer currently accounts for more than ten percent of total net sales, there are customers to which we sell a large amount of product. The loss of any of these customers could have an adverse effect on our revenue, gross margins and profit.
We conduct our sales and distribution operations on a worldwide basis and maintain manufacturing facilities in a number of foreign countries, which subjects us to risks associated with doing business outside the United States.
Our long-term strategy is to continue to increase our market share in growing international markets, particularly Asia (with emphasis in China and India), Latin America, Eastern Europe, Russia and other developing markets.
The share of sales and profits we derive from our international operations and exports from the United States is significant and growing. This trend increases our exposure to the performance of many developing economies in addition to the developed economies outside of the United States. For example, during 2013, approximately 8% of our net sales were generated from China and approximately 17% of our property, plant and equipment were located there. If the Chinese economy were to experience a significant slowdown, it could adversely affect our financial condition, results of operations and cash flows.
There are a number of risks in doing business internationally, which may impede our ability to achieve our strategic objectives relating to our foreign operations. Many developing countries have a significant degree of political and economic uncertainty and social turmoil that may impede our ability to implement and achieve our international growth objectives. Conducting business internationally subjects us to corporate governance and management challenges in consideration of the numerous U.S. and foreign laws and regulations, including regulations relating to import-export control, technology transfer restrictions, repatriation of earnings and funds, exchange controls, labor regulations, nationalization, anti-boycott provisions and anti-bribery laws (such as the Foreign Corrupt Practices Act and the Organization for Economic Cooperation and Development Convention). Failure by the Company or its sales representatives, agents or distributors to comply with these laws and regulations could result in administrative, civil or criminal liabilities, all or any of which could negatively impact our business and reputation. Our foreign operations also subject us to the risks of international terrorism and hostilities.
In particular, the economic and political environment in Venezuela exposes us to various risks. Currency exchange restrictions limit our ability to convert bolivars to U.S. dollars, which impacts our ability to repatriate earnings and to purchase goods and services necessary to operate our Venezuelan business. The restrictions could cause a slowdown, temporary shutdown or complete shutdown of operations at our Venezuelan subsidiary, which could negatively affect our earnings and cash flows.
Our operations depend on maintaining a skilled workforce, and any interruption in our workforce could negatively impact our results of operations and financial condition.
Our success depends in part on the efforts and abilities of our management team and key employees. Their skills, experience and industry knowledge significantly benefit our operations and performance. Our future success will also depend on our ability to identify, attract, and retain highly qualified managerial, technical (including research and development), sales and marketing, and customer service personnel. Competition for these individuals is intense, and we may not succeed in identifying, attracting, or retaining qualified personnel. With our strategy to expand internationally into developing markets, we may incur additional risks as some developing economies lack a sufficiently trained labor pool.
Any interruption of our workforce, including interruptions due to unionization efforts, changes in labor relations or shortages of appropriately skilled individuals could impact our results of operations and financial condition.
Our revenues and results of operations may suffer if we cannot continue to enforce the intellectual property rights on which our business depends or if third parties assert that we violate their intellectual property rights.
We rely upon patent, trademark, copyright and trade secret laws in the United States and similar laws in foreign countries, as well as agreements with our employees, customers, suppliers and other third parties, to establish and maintain our intellectual property rights. However, any of our intellectual property rights could be challenged, invalidated or circumvented, or our intellectual property rights may not be sufficient to provide a competitive advantage. Further, the laws and their application in certain foreign countries do not protect our proprietary rights to

the same extent as U.S. laws. Accordingly, in certain countries, we may be unable to protect our proprietary rights against unauthorized third-party copying or use, which could impact our competitive position.

Further, third parties may claim that we or our customers are infringing upon their intellectual property rights. Even if we believe that those claims are without merit, defending those claims and contesting the validity of patents can be time-consuming and costly. Claims of intellectual property infringement also might require us to redesign affected products, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us from manufacturing, marketing or selling certain of our products.

Our defined benefit pension plans are subject to financial market trends, such as changes in discount rates and actual investment return on pension assets, which could adversely affect our results of operations and cash flows.

The performance of the financial markets and interest rates impact our funding obligations under our defined benefit pension plans. Significant changes in discount rates, decreases in the fair value of plan assets and investment losses on plan assets may increase our benefit obligations and adversely impact our results of operations, shareholders' equity and cash flows through our annual measurement of plan assets and liabilities. For a discussion regarding how the financial statements have been affected by significant changes in 2013, refer to the pension related disclosure under "Part II, Item 7 – Critical Accounting Policies" and Note 11 to the Company's consolidated financial statements.

We are subject to changes in the U.S. regulatory environment, which could adversely affect our results of operations, cash flows and financial condition.

Our businesses, results of operations or financial condition could be adversely affected if laws, regulations or standards relating to us, our products or the markets in which we operate are newly implemented or changed. New or revised laws, regulations or standards could increase our cost of doing business or restrict our ability to operate our business or execute our strategies.

A significant fluctuation between the U.S. dollar and other currencies could adversely impact our operating income.

Although our financial results are reported in U.S. dollars, a significant portion of our sales and operating costs are realized in other currencies. Our profitability is affected by movements of the U.S. dollar against other foreign currencies in which we generate revenues and incur expenses. Significant long-term fluctuations in relative currency values, in particular an increase in the value of the U.S. dollar against foreign currencies, could have an adverse effect on our profitability and financial condition.

Changes in tax rates or exposure to additional income tax liabilities could affect profitability.

Our business is subject to income taxes in the United States and various foreign jurisdictions. Domestic and international tax liabilities are subject to the allocation of income among various tax jurisdictions. Our effective tax rate could be adversely affected by changes in the mix among earnings in countries with differing statutory tax rates, changes in the valuation allowances of deferred tax assets or changes in tax laws.

The amount of income taxes paid is subject to ongoing audits by United States federal, state and local tax authorities and by foreign tax authorities. If these audits result in assessments different from amounts reserved, future financial results may include unfavorable adjustments which could have a material adverse effect on our results of operations.

We are subject to risks relating to our information technology systems.

The conduct and management of our business relies extensively on information technology systems. If these systems are damaged, cease to function properly or are subject to a significant cyber security breach, we may suffer an interruption in our ability to manage and operate the business and our results of operations and financial condition could be adversely affected.

Our global operations are subject to increasingly complex environmental regulatory requirements.

We are subject to increasingly complex environmental regulations affecting international manufacturers, including those related to air and water emissions, waste management and climate change.

There is a growing political and scientific belief that emissions of greenhouse gases ("GHG") alter the composition of the global atmosphere in ways that are affecting the global climate. Various stakeholders, including legislators and regulators, shareholders and non-governmental organizations, as well as companies in many business sectors, are considering ways to reduce GHG emissions. These concerns may lead to international, national, regional or local legislative or regulatory responses in the future. Such regulation could result in new or additional regulatory or product standard requirements for the Company's global businesses. We are unable, at this time, to predict the significance of these requirements as the impact of any future GHG legislative, regulatory or product standards is dependent on the timing and design of the mandates or standards. Furthermore, the potential physical impacts of theorized climate change on the Company's customers, and therefore on the Company's operations, are speculative and highly uncertain, and would be particular to the circumstances developing in various geographical regions. These may include changes in weather patterns (including drought and rainfall levels), water availability, storm patterns and intensities, and temperature levels. These potential physical effects may adversely impact the cost, production, sales and financial performance of the Company's operations which we are unable, at this time, to predict.

It is our policy to apply strict standards for environmental protection to all of our operations inside and outside the United States, even when we are not subject to local government regulations. We may incur substantial costs, including cleanup costs, fines and civil or criminal sanctions, liabilities resulting from third-party property damage or personal injury claims, or our products could be enjoined from entering certain jurisdictions, if we were to violate or become liable under environmental laws or if our products become non-compliant with environmental laws.

We also face increasing complexity in our products design and procurement operations as we adjust to new and future requirements relating to the design, production and labeling of our products that are sold worldwide in multiple jurisdictions. The ultimate costs under environmental laws and the timing of these costs are difficult to predict, and liability under some environmental laws relating to contaminated locations can be imposed retroactively and on a joint and several basis.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. EXECUTIVE OFFICERS OF THE REGISTRANT

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Position
Christopher L. Mapes	52	Chairman of the Board effective December 21, 2013. President and Chief Executive Officer effective December 31, 2012; Chief Operating Officer from September 1, 2011 to December 31, 2012; Director since February 2010. Prior to his service with the Company, Mr. Mapes was an Executive Vice President of A.O. Smith Corporation (a global manufacturer with a water heating and water treatment technologies business) a position he held from 2004 through August 2011, and the President of its former Electrical Products unit, a position he held from September 2004 through August 2011.
Vincent K. Petrella	53	Senior Vice President, Chief Financial Officer and Treasurer since October 7, 2005.
Frederick G. Stueber	60	Senior Vice President, General Counsel and Secretary since 1996.
George D. Blankenship	51	Senior Vice President; President, Lincoln Electric North America since July 30, 2009; Senior Vice President, Global Engineering from October 7, 2005 to July 30, 2009; Senior Vice President; President, Lincoln Cleveland of The Lincoln Electric Company from January 8, 2008 to July 30, 2009; Senior Vice President, U.S. Operations of The Lincoln Electric Company from October 7, 2005 to January 8, 2008.
Gabriel Bruno	46	Vice President, Chief Information Officer since May 1, 2012; Vice President, Corporate Controller from 2005 to May 1, 2012.
Gretchen A. Farrell	51	Senior Vice President, Human Resources and Compliance since July 30, 2009; Vice President, Human Resources from May 5, 2005 to July 30, 2009.
Thomas A. Flohn	53	Vice President, Regional President, Lincoln Electric Asia Pacific Region since November 4, 2013. Vice President; President, Lincoln Electric Europe, Middle East & Africa (EMEA) from July 1, 2010 to November 4, 2013; Vice President; President, Lincoln Asia Pacific from January 1, 2005 to June 30, 2010.
Mathias Hallmann	51	Vice President; President, Lincoln Electric Europe since November 4, 2013. Prior to his service with the Company, Mr. Hallmann was Chief Executive Officer of Bohler Welding Holding GmbH (a leading manufacturer and provider of auxiliary materials and consumables for industrial welding and soldering applications) from December 2008 to March 2012, and its Chief Operating Officer from April 2008 to November 2008.
Steven B. Hedlund	47	Vice President, Strategy and Business Development since September 15, 2008. Prior to his service with the Company, Mr. Hedlund was the Vice President, Growth and Innovations with Master Lock, LLC (a security products company) from June 1, 2005 to July 1, 2008.
David J. Nangle	57	Vice President, Group President of Brazing, Cutting and Retail Subsidiaries since January 12, 2006.

The Company has been advised that there is no arrangement or understanding among any one of the officers listed and any other persons pursuant to which he or she was elected as an officer. The executive officers are elected by the Board of Directors normally for a term of one year and/or until the election of their successors.

ITEM 2. PROPERTIES

The Company's corporate headquarters and principal United States manufacturing facilities are located in the Cleveland, Ohio area. Total Cleveland area property consists of 233 acres, of which present manufacturing facilities comprise an area of approximately 2,940,000 square feet.

The Company has 48 manufacturing facilities, including operations and joint ventures in 19 countries, the significant locations (grouped by operating segment) of which are as follows:

North America Welding:	
United States	Cleveland and Fort Loramie, Ohio; San Diego and Anaheim, California; Reno, Nevada; Baltimore, Maryland; Ladson, South Carolina; Chattanooga, Tennessee.
Canada	Toronto; Mississauga; Hamilton.
Mexico	Mexico City; Torreon.
Europe Welding:	
France	Grand-Quevilly.
Germany	Essen.
Italy	Genoa; Corsalone.
Netherlands	Nijmegen.
Poland	Bielawa; Dzierzoniow.
Portugal	Lisbon.
Russia	Mtsensk.
Turkey	Istanbul.
United Kingdom	Sheffield and Chertsey, England.
Asia Pacific Welding:	
China	Shanghai; Jinzhou; Nanjing; Zhengzhou; Luan County.
India	Chennai.
Indonesia	Cikarang.
South America Welding:	
Brazil	Sao Paulo.
Colombia	Bogota.
Venezuela	Maracay.
The Harris Products Group:	
United States	Mason, Ohio; Gainesville, Georgia; Santa Fe Springs, California.
Brazil	Guarulhos.
Mexico	Tijuana.
Poland	Dzierzoniow.

All properties relating to the Company's Cleveland, Ohio headquarters and manufacturing facilities are owned by the Company. Most of the Company's foreign subsidiaries own manufacturing facilities in the country where they are located. The Company believes that its existing properties are in good condition and are suitable for the conduct of its business.

In addition, the Company maintains operating leases for many of its distribution centers and sales offices throughout the world. See Note 16 to the Company's consolidated financial statements for information regarding the Company's lease commitments.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject, from time to time, to a variety of civil and administrative proceedings arising out of its normal operations, including, without limitation, product liability claims, regulatory claims and health, safety and environmental claims. Among such proceedings are the cases described below.

At December 31, 2013, the Company was a co-defendant in cases alleging asbestos induced illness involving claims by approximately 14,601 plaintiffs, which is a net decrease of 455 claims from those previously reported. In each instance, the Company is one of a large number of defendants. The asbestos claimants seek compensatory and punitive damages, in most cases for unspecified sums. Since January 1, 1995, the Company has been a co-defendant in other similar cases that have been resolved as follows: 41,832 of those claims were dismissed, 22 were tried to defense verdicts, seven were tried to plaintiff verdicts (one of which is being appealed), one was resolved by agreement for an immaterial amount and 633 were decided in favor of the Company following summary judgment motions.

In July 2012, the Company received a Notice of Reassessment from the Canada Revenue Agency (the “CRA”) for 2004 to 2011, which would disallow the deductibility of inter-company dividends. These adjustments would increase Canadian federal and provincial tax due. The Company disagrees with the position taken by the CRA and believes it is without merit. The Company will vigorously contest the assessment through the Tax Court of Canada. A trial date has not yet been scheduled.

In connection with the litigation process, the Company is required to deposit no less than one-half of the tax and interest assessed by the CRA. The Company has elected to deposit the entire amount of the dispute in order to suspend the continuing accrual of a 5% interest charge. Any Canadian tax ultimately due will be creditable in the parent company's U.S. federal tax return. The Company expects to be able to utilize the full amount of foreign tax credits generated in the statutorily allowed carry-back and carry-forward periods. Accordingly, should the Company not prevail in this dispute, the income statement charge will approximate the deficiency interest, net of tax.

The Company believes it will prevail on the merits of the tax position. In accordance with prescribed recognition and measurement thresholds, no income tax accrual has been made for any uncertain tax positions related to the CRA reassessment. An unfavorable resolution of this matter could have a material effect on the Company's financial statements in the period in which a judgment is reached.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common shares are traded on The NASDAQ Global Select Market under the symbol "LECO." The number of record holders of common shares at December 31, 2013 was 1,719.

The total amount of dividends paid in 2013 was $49.3 million. During 2013, dividends were paid on April 15, July 15 and October 15. The dividend that the Company would normally have paid in January 2013 was paid on December 28, 2012.

Quarterly high and low stock prices and dividends declared per share for the last two years were:

	2013			2012		
	Stock Price		Dividends	Stock Price		Dividends
	High	Low	Declared	High	Low	Declared
First quarter	$57.63	$49.06	$0.20	$47.87	$38.96	$0.17
Second quarter	60.58	49.94	0.20	50.36	41.42	0.17
Third quarter	69.35	56.75	0.20	46.11	37.83	0.17
Fourth quarter	74.57	65.45	0.23	49.00	37.63	0.20

Issuer purchases of equity securities for the fourth quarter 2013 were:

Period	Total Number of Shares Repurchased		Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (2)
October 1-31, 2013	162,100		$67.84	162,100	16,257,131
November 1-30, 2013	270,847		71.26	270,847	15,986,284
December 1-31, 2013	334,584	(1)	71.56	315,525	15,670,759
Total	767,531		70.67	748,472	

(1) The above share repurchases include the surrender of 19,059 shares of the Company's common shares in connection with the vesting of restricted shares granted pursuant to the Company's 2006 Equity and Performance Incentive Plan.

(2) On July 26, 2013, the Company announced a new share repurchase program, which increased the total number the Company’s common shares authorized to be repurchased to 45 million shares of the Company's common stock. Total shares purchased through the share repurchase program were 29,329,241 shares at a cost of $594.9 million for a weighted average cost of $20.28 per share through December 31, 2013.

The following line graph compares the yearly percentage change in the cumulative total shareholder return on the Company's common stock against the cumulative total return of the S&P Composite 500 Stock Index ("S&P 500") and the S&P 400 MidCap Index ("S&P 400") for the five-year calendar period commencing January 1, 2009 and ending December 31, 2013. This graph assumes that $100 was invested on December 31, 2008 in each of the Company's common shares, the S&P 500 and the S&P 400. A peer-group index for the welding industry, in general, was not readily available because the industry is comprised of a large number of privately held competitors and competitors that are smaller parts of large publicly traded companies.

ITEM 6. SELECTED FINANCIAL DATA

(Dollars in thousands, except per share amounts)

	Year Ended December 31,				
	2013 (1)	2012 (2)	2011 (3)	2010 (4)	2009 (5)
Net sales	$2,852,671	$2,853,367	$2,694,609	$2,070,172	$1,729,285
Net income	293,780	257,411	217,186	130,244	48,576
Basic earnings per share	3.58	3.10	2.60	1.54	0.57
Diluted earnings per share	3.54	3.06	2.56	1.53	0.57
Cash dividends declared per share	0.830	0.710	0.635	0.575	0.545
Total assets	2,151,867	2,089,863	1,976,776	1,783,788	1,705,292
Long-term debt	3,791	1,599	1,960	84,627	87,850

(1) Results for 2013 include rationalization and asset impairment net charges of $8,463 ($7,573 after-tax) which include $3,658 ($2,965 after-tax) in rationalization charges and impairment charges net of gains on disposals of $4,805 ($4,608 after-tax). Results also include a charge of $12,198 ($12,198 after-tax) related to the devaluation of the Venezuelan currency and a loss of $705 ($705 after-tax) related to a loss on the sale of land. Associated with the impairment of long-lived assets and loss on the sale of land is an offsetting special item of $1,068 representing portions attributable to non-controlling interests.

(2) Results for 2012 include rationalization and asset impairment net charges of $9,354 ($7,442 after-tax) which include $7,512 ($6,153 after-tax) in rationalization charges and asset disposal and impairment charges of $1,842 ($1,289 after-tax). Results also include a charge of $1,381 ($906 after-tax) related to the change in Venezuelan labor law, which provides for increased employee severance obligations.

(3) Results for 2011 include rationalization and asset impairment net charges of $282 ($237 after-tax) resulting from rationalization activities primarily initiated in 2009 and a gain of $4,844 related to a favorable adjustment for tax audit settlements.

(4) Results for 2010 include rationalization and asset impairment net gains of $384 ($894 after-tax) which include net gains of $3,684 ($3,725 after-tax) related to the sale of property and asset disposals, impairment charges of $883 ($801 after-tax) and $2,417 ($2,030 after-tax) in rationalization charges. Results also include a net charge of $3,123 ($3,560 after-tax) related to the change in functional currency and devaluation of the Venezuelan currency, income of $5,092 was recognized due to an adjustment in tax liabilities for a change in applicable tax regulations, a gain of $108 after-tax in non-controlling interests related to the impairment of assets for a majority-owned consolidated subsidiary and a charge of $1,890 after-tax in non-controlling interests related to gains on the disposal of assets in a majority-owned consolidated subsidiary.

(5) Results for 2009 include rationalization and asset impairment net charges of $29,897 ($23,789 after-tax). The net charges include rationalization charges of $26,957 ($21,529 after-tax) and impairment charges of $2,940 ($2,260 after-tax) for certain indefinite-lived intangible assets. Results also include a loss of $7,943 ($7,943 after-tax) associated with the acquisition of a business in China and the related disposal of an interest in Taiwan, a pension settlement gain of $2,144 ($2,144 after-tax), a charge of $601 after-tax in non-controlling interests associated with the pension settlement gain for a majority-owned consolidated subsidiary and a gain on the sale of a property by the Company's joint venture in Turkey of $5,667 ($5,667 after-tax).

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with "Selected Financial Data," the Company's consolidated financial statements and other financial information included elsewhere in this Annual Report on Form 10-K. This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in the forward-looking statements. See "Item 1A. Risk Factors" for more information regarding forward-looking statements.

General

The Company is the world's largest designer and manufacturer of arc welding and cutting products, manufacturing a broad line of arc welding equipment, consumable welding products and other welding and cutting products.

The Company is one of only a few worldwide broad-line manufacturers of welding, cutting and brazing products. Welding products include arc welding power sources, wire feeding systems, robotic welding packages, fume extraction equipment, consumable electrodes and fluxes. The Company's product offering also includes CNC plasma and oxy-fuel cutting systems, regulators and torches used in oxy-fuel welding, cutting and brazing. In addition, the Company has a leading global position in the brazing and soldering alloys market.

The Company invests in the research and development of arc welding products in order to continue its market leading product offering. The Company continues to invest in technologies that improve the quality and productivity of welding products. In addition, the Company continues to actively increase its patent application process in order to secure its technology advantage in the United States and other major international jurisdictions. The Company believes its significant investment in research and development and its highly trained technical sales force coupled with its extensive distributor network provide a competitive advantage in the marketplace.

The Company's products are sold in both domestic and international markets. In North America, products are sold principally through industrial distributors, retailers and also directly to users of welding products. Outside of North America, the Company has an international sales organization comprised of Company employees and agents who sell products from the Company's various manufacturing sites to distributors and product users.

The Company's major end-user markets include:

- general metal fabrication,
- power generation and process industry,
- structural steel construction (buildings and bridges),
- heavy equipment fabrication (farming, mining and rail),
- shipbuilding,
- automotive,
- pipe mills and pipelines, and
- offshore oil and gas exploration and extraction.

The Company has, through wholly-owned subsidiaries or joint ventures, manufacturing facilities located in the United States, Brazil, Canada, China, Colombia, France, Germany, India, Indonesia, Italy, Mexico, the Netherlands, Poland, Portugal, Russia, Turkey, the United Kingdom and Venezuela.

The Company has aligned its business units into five operating segments to enhance the utilization of the Company's worldwide resources and global end user and sourcing initiatives. The operating segments consist of North America Welding, Europe Welding, Asia Pacific Welding, South America Welding and The Harris Products Group. The North America Welding segment includes welding operations in the United States, Canada and Mexico. The Europe Welding segment includes welding operations in Europe, Russia, Africa and the Middle East. The other two welding segments include welding operations in Asia Pacific and South America, respectively. The fifth segment, The Harris Products Group, includes the Company's global cutting, soldering and brazing businesses as well as the retail business in the United States. See Note 5 to the Company's consolidated financial statements for segment and geographic area information, which is incorporated herein by reference.

The principal raw materials essential to the Company's business are steel, electronic components, engines, brass, copper, silver, aluminum alloys and various chemicals, all of which are normally available for purchase in the open market.

The Company's facilities are subject to environmental regulations. To date, compliance with these environmental regulations has not had a material adverse effect on the Company's earnings. The Company is ISO 9001 certified at nearly all facilities worldwide. In addition, the Company is ISO 14001 certified at most significant manufacturing facilities in North America and Europe and is progressing towards certification at its remaining facilities worldwide.

Key Indicators

Key economic measures relevant to the Company include industrial production trends, steel consumption, purchasing manager indices, capacity utilization within durable goods manufacturers and consumer confidence indicators. Key industries which provide a relative indication of demand drivers to the Company include steel, farm machinery and equipment, construction and transportation, fabricated metals, electrical equipment, ship and boat building, defense, truck manufacturing, energy and railroad equipment. Although these measures provide key information on trends relevant to the Company, the Company does not have available a more direct correlation of leading indicators which can provide a forward-looking view of demand levels in the markets which ultimately use the Company's welding products.

Key operating measures utilized by the operating units to manage the Company include orders, sales, inventory and fill-rates, all of which provide key indicators of business trends. These measures are reported on various cycles including daily, weekly and monthly depending on the needs established by operating management.

Key financial measures utilized by the Company's executive management and operating units in order to evaluate the results of its business and in understanding key variables impacting the current and future results of the Company include: sales; gross profit; selling, general and administrative expenses; operating income; earnings before interest and taxes; earnings before interest, taxes and bonus; net income; adjusted operating income; adjusted net income; adjusted diluted earnings per share; operating cash flows; and capital expenditures, including applicable ratios such as return on invested capital and average operating working capital to sales. These measures are reviewed at monthly, quarterly and annual intervals and compared with historical periods, as well as objectives established by the Board of Directors of the Company.

Results of Operations

The following table shows the Company's results of operations:

	Year Ended December 31,					
	2013		2012		2011	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
Net sales	$2,852,671	100.0 %	$2,853,367	100.0 %	$2,694,609	100.0 %
Cost of goods sold	1,910,017	67.0 %	1,986,711	69.6 %	1,957,872	72.7 %
Gross profit	942,654	33.0 %	866,656	30.4 %	736,737	27.3 %
Selling, general & administrative expenses	527,206	18.5 %	495,221	17.4 %	439,775	16.3 %
Rationalization and asset impairment charges	8,463	0.3 %	9,354	0.3 %	282	—
Operating income	406,985	14.3 %	362,081	12.7 %	296,680	11.0 %
Interest income	3,320	0.1 %	3,988	0.1 %	3,121	0.1 %
Equity earnings in affiliates	4,806	0.2 %	5,007	0.2 %	5,385	0.2 %
Other income	4,194	0.1 %	2,685	0.1 %	2,849	0.1 %
Interest expense	(2,864)	(0.1 %)	(4,191)	(0.1 %)	(6,704)	(0.2 %)
Income before income taxes	416,441	14.6 %	369,570	13.0 %	301,331	11.2 %
Income taxes	124,754	4.4 %	112,354	3.9 %	84,318	3.1 %
Net income including non-controlling interests	291,687	10.2 %	257,216	9.0 %	217,013	8.1 %
Non-controlling interests in subsidiaries' loss	(2,093)	(0.1 %)	(195)	—	(173)	—

Net income	$293,780	10.3 %	$257,411	9.0 %	$217,186	8.1 %

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2013 Compared with 2012

Net Sales: Net sales for 2013 remained flat with 2012. The sales change reflects volume decreases of 2.7%, price increases of 0.1%, increases from acquisitions of 3.2% and unfavorable impacts from foreign exchange of 0.6%. Sales volumes decreased as a result of soft demand in both domestic and international markets. Product pricing increased from prior year levels reflecting the highly inflationary environment in Venezuela offset by pricing declines in The Harris Products Group segment due to significant decreases in the costs of silver and copper. Net sales for 2013 include $109,139 in sales from the Company's Venezuelan operations.

Gross Profit: Gross profit increased 8.8% to $942,654 during 2013 compared with $866,656 in 2012. As a percentage of Net sales, Gross profit increased to 33.0% in 2013 compared with 30.4% in 2012. The increase was the result of geographic mix and pricing stability in the wake of lower year over year input costs. The current period includes incremental costs of $4,117 due to the devaluation of the Venezuelan currency and charges of $2,521 for inventory write-downs, partially offset by a gain of $1,672 from insurance proceeds associated with a fire at a manufacturing operation. In the prior year period, the Company recorded charges of $2,334 related to the initial accounting for recent acquisitions and charges of $1,039 due to a change in Venezuelan labor law, which provides for increased employee severance obligations. Foreign currency exchange rates had a $5,622 unfavorable translation impact in 2013.

Selling, General & Administrative ("SG&A") Expenses: SG&A expenses increased 6.5% to $527,206 during 2013 compared with $495,221 in 2012. The increase was primarily due to incremental SG&A expenses from acquisitions of $18,620, general and administrative spending primarily related to additional employee compensation costs of $17,160 and higher foreign exchange transaction losses of $3,280, which include a charge of $8,081 due to the devaluation of the Venezuelan currency, partially offset by foreign currency translation of $3,264, lower bonus expense of $3,112 and lower U.S. retirement costs of $1,415.

Rationalization and Asset Impairment Charges: In 2013, the Company recorded $8,463 in charges primarily related to asset impairments and rationalization actions. See "Rationalization and Asset Impairments" for additional information.

Equity Earnings in Affiliates: Equity earnings in affiliates were $4,806 in 2013 compared with earnings of $5,007 in 2012. The decrease was due to decreased earnings in Chile of $161 and Turkey of $40.

Interest Expense: Interest expense decreased to $2,864 in 2013 from $4,191 in 2012, primarily as a result of lower levels of debt in the current period.

Income Taxes: The Company recorded $124,754 of tax expense on pre-tax income of $416,441, resulting in an effective tax rate of 30.0% for 2013. The effective income tax rate is lower than the Company's statutory rate primarily due to income earned in lower tax rate jurisdictions and the utilization of foreign tax loss carry-forwards for which valuation allowances had been previously provided.

The effective income tax rate of 30.4% for 2012 was lower than the Company's statutory rate primarily due to income earned in lower tax rate jurisdictions and the utilization of foreign tax loss carry-forwards for which valuation allowances had been previously provided.

Net Income: Net income for 2013 was $293,780 compared with $257,411 in the prior year. Diluted earnings per share for 2013 were $3.54 compared with diluted earnings of $3.06 per share in 2012. Net income for 2013 included $25,614, or $0.31 per diluted share, from the Company's Venezuelan operations. Foreign currency exchange rate movements had an unfavorable translation effect of $1,572 and $2,879 on Net income for 2013 and 2012, respectively.

Segment Results

Net Sales: The table below summarizes the impacts of volume, acquisitions, price and foreign currency exchange rates on Net sales for the twelve months ended December 31, 2013:

		Change in Net Sales due to:				
	Net Sales 2012	Volume	Acquisitions	Price	Foreign Exchange	Net Sales 2013
Operating Segments						
North America Welding	$1,580,818	$(22,962)	$91,442	$7,785	$(4,314)	$1,652,769
Europe Welding	452,227	(18,518)	—	(5,696)	1,535	429,548
Asia Pacific Welding	324,482	(48,964)	—	(4,947)	(4,289)	266,282
South America Welding	161,483	13,269	—	29,730	(8,587)	195,895
The Harris Products Group	334,357	1,276	—	(24,748)	(2,708)	308,177
Consolidated	$2,853,367	$(75,899)	$91,442	$2,124	$(18,363)	$2,852,671
% Change						
North America Welding		(1.5%)	5.8%	0.5%	(0.3%)	4.6%
Europe Welding		(4.1%)	—	(1.3%)	0.3%	(5.0%)
Asia Pacific Welding		(15.1%)	—	(1.5%)	(1.3%)	(17.9%)
South America Welding		8.2%	—	18.4%	(5.3%)	21.3%
The Harris Products Group		0.4%	—	(7.4%)	(0.8%)	(7.8%)
Consolidated		(2.7%)	3.2%	0.1%	(0.6%)	—

Net sales volumes for 2013 decreased for all operating segments except for the South America Welding and The Harris Products Group segments, as a result of soft demand in both domestic and international markets. Net sales volumes in the South America Welding segment increased as a result of improved demand in the South American markets. Net sales volumes in The Harris Products Group segment increased as a result of improved sales volumes on equipment. Product pricing in the North America Welding segment increased slightly due to the realization of price increases and improved pricing management. Product pricing in the Europe Welding segment decreased due to declining raw material costs. Product pricing decreased for the Asia Pacific Welding segment due to lower raw material costs and competitive pricing conditions. Product pricing in the South America Welding segment reflects a highly inflationary environment, particularly in Venezuela. Product pricing decreased for The Harris Products Group segment because of significant decreases in the costs of silver and copper as compared to the prior year period. The increase in Net sales from acquisitions was due to the acquisitions of Robolution GmbH ("Robolution") in November 2013, Burlington Automation Corporation ("Burlington") in November 2013, Tennessee Rand, Inc. ("Tenn Rand") in December 2012, Kaliburn, Burny and Cleveland Motion Control businesses (collectively, "Kaliburn") in November 2012, Wayne Trail Technologies, Inc. ("Wayne Trail") in May 2012 and Weartech International, Inc. ("Weartech") in March 2012 (see the "Acquisitions" section below for additional information regarding the acquisitions). With respect to changes in Net sales due to foreign exchange, all segments, except for the Europe Welding segment, decreased due to a stronger U.S. dollar.

Earnings Before Interest and Income Taxes (“EBIT”), as Adjusted: Segment performance is measured and resources are allocated based on a number of factors, the primary profit measure being EBIT, as adjusted. The following table presents EBIT, as adjusted for 2013 by segment compared with 2012:

	Twelve Months Ended December 31,			
	2013	2012	$ Change	% Change
North America Welding:				
Net sales	$1,652,769	$1,580,818	71,951	4.6 %
Inter-segment sales	127,254	131,062	(3,808)	(2.9 %)
Total Sales	$1,780,023	$1,711,880	68,143	4.0 %
EBIT, as adjusted	$318,507	$293,070	25,437	8.7 %
As a percent of total sales	17.9 %	17.1 %		0.8 %
Europe Welding:				
Net sales	$429,548	$452,227	(22,679)	(5.0 %)
Inter-segment sales	19,911	16,048	3,863	24.1 %
Total Sales	$449,459	$468,275	(18,816)	(4.0 %)
EBIT, as adjusted	$36,247	$37,299	(1,052)	(2.8 %)
As a percent of total sales	8.1 %	8.0 %		0.1 %
Asia Pacific Welding:				
Net sales	$266,282	$324,482	(58,200)	(17.9 %)
Inter-segment sales	14,906	14,829	77	0.5 %
Total Sales	$281,188	$339,311	(58,123)	(17.1 %)
EBIT, as adjusted	$1,815	$7,247	(5,432)	(75.0 %)
As a percent of total sales	0.6 %	2.1 %		(1.5 %)
South America Welding:				
Net sales	$195,895	$161,483	34,412	21.3 %
Inter-segment sales	233	38	195	513.2 %
Total Sales	$196,128	$161,521	34,607	21.4 %
EBIT, as adjusted	$57,306	$18,301	39,005	213.1 %
As a percent of total sales	29.2 %	11.3 %		17.9 %
The Harris Products Group:				
Net sales	$308,177	$334,357	(26,180)	(7.8 %)
Inter-segment sales	9,605	8,549	1,056	12.4 %
Total Sales	$317,782	$342,906	(25,124)	(7.3 %)
EBIT, as adjusted	$27,826	$29,477	(1,651)	(5.6 %)
As a percent of total sales	8.8 %	8.6 %		0.2 %

EBIT, as adjusted as a percent of total sales increased for all segments, except for the Asia Pacific Welding segment, in 2013 as compared with 2012. The North America Welding segment increase is primarily due to improved pricing management and lower material costs. The increase at the Europe Welding segment is primarily due to cost control on volume decreases of 4.1%. The Asia Pacific Welding segment decrease is due to lower profitability in China and

Australia due to weaker demand. The South America Welding segment increase is a result of improved pricing management and manufacturing costs in Brazil and Colombia, and pricing increases as a result of the highly inflationary economy in Venezuela. The Harris Products Group segment growth is primarily a result of improved product mix on equipment sales volume.

In 2013, EBIT, as adjusted, for the North America Welding, Europe Welding and Asia Pacific Welding segments excluded special item charges of $1,052, $2,045 and $922, respectively, primarily related to employee severance and other costs associated with the consolidation of manufacturing operations. The Asia Pacific Welding segment EBIT, as adjusted, also excluded charges of $4,444 related to impairment of long-lived assets and a charge of $705 related to a loss on the sale of land. The South America Welding segment EBIT, as adjusted, excluded special item charges of $12,198, related to the devaluation of the Venezuelan currency.

In 2012, EBIT, as adjusted, for the North America Welding, Europe Welding and Asia Pacific Welding segments excluded special item charges of $827, $3,534 and $4,993, respectively, primarily related to employee severance and other costs associated with the consolidation of manufacturing operations. The South America Welding segment EBIT, as adjusted, excluded a special item charge of $1,381, related to a change in Venezuelan labor law, which provides for increased employee severance obligations.

2012 Compared with 2011

Net Sales: Net sales for 2012 increased 5.9% from 2011. The sales increase reflects volume increases of 1.3%, price increases of 1.7%, increases from acquisitions of 4.9% and unfavorable impacts from foreign exchange of 2.0%. Sales volumes increased because of growth in the domestic markets offset by lower demand in the international markets. Product pricing increased from prior year levels due to the realization of price increases implemented in response to increases in raw material costs.

Gross Profit: Gross profit increased 17.6% to $866,656 during 2012 compared with $736,737 in 2011. As a percentage of Net sales, Gross profit increased to 30.4% in 2012 compared with 27.3% in 2011. The increase was the result of pricing increases and operating leverage partially offset by lower margins from the acquisitions of Kaliburn, Wayne Trail, Weartech, Techalloy Company, Inc. and certain assets of its parent company, Central Wire Industries Ltd. (collectively, "Techalloy") and OOO Severstal-metiz: welding consumables ("Severstal"). In 2012, the Company recorded charges of $2,334 related to the initial accounting for recent acquisitions and charges of $1,039 due to a change in Venezuelan labor law, which provides for increased employee severance obligations. Foreign currency exchange rates had a $13,166 unfavorable translation impact in 2012.

Selling, General & Administrative ("SG&A") Expenses: SG&A expenses increased 12.6% to $495,221 during 2012 compared with $439,775 in 2011. The increase was primarily due to higher bonus expense of $20,439, incremental SG&A expenses from acquisitions of $15,403, higher general and administrative spending primarily related to additional employee compensation costs of $12,692, higher U.S. retirement costs of $3,986 and higher legal expenses of $2,142 partially offset by foreign currency translation of $8,821.

Rationalization and Asset Impairment Charges: In 2012, the Company recorded $9,354 in charges primarily related to rationalization actions initiated in 2012. See "Rationalization and Asset Impairments" for additional information.

Equity Earnings in Affiliates: Equity earnings in affiliates were $5,007 in 2012 compared with earnings of $5,385 in 2011. The decrease was due to a decrease in earnings of $542 in Chile being partially offset by an increase in earnings of $164 in Turkey.

Interest Expense: Interest expense decreased to $4,191 in 2012 from $6,704 in 2011, primarily as a result of lower levels of debt in the current period.

Income Taxes: The Company recorded $112,354 of tax expense on pre-tax income of $369,570, resulting in an effective tax rate of 30.4% for 2012. The effective income tax rate is lower than the Company's statutory rate primarily due to income earned in lower tax rate jurisdictions and the utilization of foreign tax loss carry-forwards for which valuation allowances had been previously provided.

The effective income tax rate of 28.0% for 2011 was lower than the Company's statutory rate primarily due to income earned in lower tax rate jurisdictions, the utilization of foreign tax loss carry-forwards for which valuation allowances had been previously provided and a tax benefit of $4,844 for tax audit settlements.

Net Income: Net income for 2012 was $257,411 compared with $217,186 in the prior year. Diluted earnings per share for 2012 were $3.06 compared with diluted earnings of $2.56 per share in 2011. Foreign currency exchange rate movements had an unfavorable translation effect of $2,879 and a favorable translation effect of $2,948 on Net income for 2012 and 2011, respectively.

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Segment Results

Net Sales: The table below summarizes the impacts of volume, acquisitions, price and foreign currency exchange rates on Net sales for the twelve months ended December 31, 2012:

		Change in Net Sales due to:				
	Net Sales 2011	Volume	Acquisitions	Price	Foreign Exchange	Net Sales 2012
Operating Segments						
North America Welding	$1,309,499	$112,898	$124,830	$37,124	$(3,533)	$1,580,818
Europe Welding	508,692	(36,199)	8,322	4,874	(33,462)	452,227
Asia Pacific Welding	376,276	(54,289)	—	1,646	849	324,482
South America Welding	156,684	(1,284)	—	15,584	(9,501)	161,483
The Harris Products Group	343,458	13,683	—	(13,427)	(9,357)	334,357
Consolidated	$2,694,609	$34,809	$133,152	$45,801	$(55,004)	$2,853,367
% Change						
North America Welding		8.6 %	9.5 %	2.8 %	(0.3 %)	20.7 %
Europe Welding		(7.1 %)	1.6 %	1.0 %	(6.6 %)	(11.1 %)
Asia Pacific Welding		(14.4 %)	—	0.4 %	0.2 %	(13.8 %)
South America Welding		(0.8 %)	—	9.9 %	(6.1 %)	3.1 %
The Harris Products Group		4.0 %	—	(3.9 %)	(2.7 %)	(2.6 %)
Consolidated		1.3 %	4.9 %	1.7 %	(2.0 %)	5.9 %

Net sales volumes for 2012 increased for the North America Welding and The Harris Products Group segments because of growth within the domestic markets. Volume decreases for the Europe Welding, Asia Pacific Welding and South America Welding segments are the result of softening demand in these international markets. Product pricing increased for all operating segments from prior year levels, except for The Harris Products Group segment, due to the realization of price increases implemented in response to increases in raw material costs. Product pricing in the South America Welding segment reflects a higher inflationary environment, particularly in Venezuela. Product pricing decreased for The Harris Products Group segment because of significant decreases in the costs of silver and copper as compared to the prior year period. The increase in Net sales from acquisitions was due to the acquisitions of Kaliburn in November 2012, Wayne Trail in May 2012, Weartech in March 2012, Techalloy in July 2011, Applied Robotics, Inc. (d/b/a Torchmate) ("Torchmate") in July 2011 and SSCO Manufacturing, Inc. (d/b/a Arc Products) ("Arc Products") in January 2011 in the North America Welding segment and the acquisition of Severstal in March 2011 in the Europe Welding segment (see the "Acquisitions" section below for additional information regarding the acquisitions). With respect to changes in Net sales due to foreign exchange, all segments, except for the Asia Pacific Welding segment, decreased due to a stronger U.S. dollar.

Earnings Before Interest and Income Taxes ("EBIT"), as Adjusted: Segment performance is measured and resources are allocated based on a number of factors, the primary profit measure being EBIT, as adjusted. The following table presents EBIT, as adjusted for 2012 by segment compared with 2011:

	Twelve Months Ended December 31, 2012	2011	$ Change	% Change
North America Welding:				
Net sales	$1,580,818	$1,309,499	271,319	20.7 %
Inter-segment sales	131,062	136,314	(5,252)	(3.9 %)
Total Sales	$1,711,880	$1,445,813	266,067	18.4 %
EBIT, as adjusted	$293,070	$227,924	65,146	28.6 %
As a percent of total sales	17.1 %	15.8 %		1.3 %
Europe Welding:				
Net sales	$452,227	$508,692	(56,465)	(11.1 %)
Inter-segment sales	16,048	17,422	(1,374)	(7.9 %)
Total Sales	$468,275	$526,114	(57,839)	(11.0 %)
EBIT, as adjusted	$37,299	$36,171	1,128	3.1 %
As a percent of total sales	8.0 %	6.9 %		1.1 %
Asia Pacific Welding:				
Net sales	$324,482	$376,276	(51,794)	(13.8 %)
Inter-segment sales	14,829	15,614	(785)	(5.0 %)
Total Sales	$339,311	$391,890	(52,579)	(13.4 %)
EBIT, as adjusted	$7,247	$2,629	4,618	175.7 %
As a percent of total sales	2.1 %	0.7 %		1.4 %
South America Welding:				
Net sales	$161,483	$156,684	4,799	3.1 %
Inter-segment sales	38	494	(456)	(92.3 %)
Total Sales	$161,521	$157,178	4,343	2.8 %
EBIT, as adjusted	$18,301	$12,895	5,406	41.9 %
As a percent of total sales	11.3 %	8.2 %		3.1 %
The Harris Products Group:				
Net sales	$334,357	$343,458	(9,101)	(2.6 %)
Inter-segment sales	8,549	8,496	53	0.6 %
Total Sales	$342,906	$351,954	(9,048)	(2.6 %)
EBIT, as adjusted	$29,477	$25,151	4,326	17.2 %
As a percent of total sales	8.6 %	7.1 %		1.5 %

EBIT, as adjusted as a percent of total sales increased for all segments in 2012 as compared with 2011. The North America Welding segment growth was primarily due to improved leverage on an 8.6% increase in volumes and price increases of 2.8%. The increase at the Europe Welding segment was primarily due to improved product mix. The Asia Pacific Welding segment increase was due to improved profitability resulting from prior rationalization actions in

Australia and improved product mix. The South America Welding segment increase was a result of product pricing increases of 9.9% exceeding inflationary cost. The Harris Products Group segment growth was primarily a result of improved product mix on equipment sales volume.

In 2012, EBIT, as adjusted, for the North America Welding, Europe Welding and Asia Pacific Welding segments excluded special item charges of $827, $3,534 and $4,993, respectively, primarily related to employee severance and other costs associated with the consolidation of manufacturing operations. The South America Welding segment EBIT, as adjusted, excluded a special item charge of $1,381, related to a change in Venezuelan labor law, which provides for increased employee severance obligations.

In 2011, EBIT, as adjusted, for the Europe Welding and Asia Pacific Welding segments excluded special item net charges of $188 and $93, respectively, primarily related to employee severance and other cost associated with the consolidation of manufacturing operations. The Europe Welding segment special items also include a loss of $204 on the sale of assets at a rationalized operation. The Asia Pacific Welding segment special items also include a gain of $203 on the sale of assets at a rationalized operation.

Non-GAAP Financial Measures

The Company reviews Adjusted operating income, Adjusted net income and Adjusted diluted earnings per share, all non-GAAP financial measures, in assessing and evaluating the Company's underlying operating performance. These non-GAAP financial measures exclude the impact of special items on the Company's reported financial results. Non-GAAP financial measures should be read in conjunction with the generally accepted accounting principles ("GAAP") financial measures, as non-GAAP measures are a supplement to, and not a replacement for, GAAP financial measures.

The following table presents a reconciliation of Operating income as reported to Adjusted operating income:

	Year Ended December 31,		
	2013	2012	2011
Operating income as reported	$406,985	$362,081	$296,680
Special items (pre-tax):			
Rationalization and asset impairment charges	8,463	9,354	282
Loss on the sale of land	705	—	—
Venezuela currency devaluation	12,198	—	—
Venezuela statutory severance obligation	—	1,381	—
Adjusted operating income	$428,351	$372,816	$296,962

Special items included in Operating income during 2013 include net rationalization and asset impairment charges of $8,463 primarily related to employee severance and other costs associated with the consolidation of manufacturing operations and impairment of long-lived assets and a loss on the sale of land of $705. Special items for 2013 also include charges of $12,198 related to the devaluation of the Venezuelan currency.

Special items included in Operating income during 2012 include net rationalization and asset impairment charges of $9,354 primarily related to employee severance and other costs associated with the consolidation of manufacturing operations initiated in 2012, partially offset by gains on the disposal of assets at rationalized operations and a charge of $1,381 related to the change in Venezuelan labor law, which provides for increased employee severance obligations.

Special items included in Operating income during 2011 include net rationalization and asset impairment charges of $282 primarily related to employee severance and other costs associated with the consolidation of manufacturing operations resulting from actions initiated in 2009.

The following table presents reconciliations of Net income and Diluted earnings per share as reported to Adjusted net income and Adjusted diluted earnings per share:

	Year Ended December 31,		
	2013	2012	2011
Net income as reported	$293,780	$257,411	$217,186
Special items (after-tax):			
Rationalization and asset impairment charges	7,573	7,442	237
Loss on the sale of land	705	—	—
Venezuela currency devaluation	12,198	—	—
Venezuela statutory severance obligation	—	906	—
Adjustment for tax audit settlements	—	—	(4,844)
Non-controlling interests associated with special items	(1,068)	—	—
Adjusted net income	$313,188	$265,759	$212,579
Diluted earnings per share as reported	$3.54	$3.06	$2.56
Special items per share	0.23	0.10	(0.05)
Adjusted diluted earnings per share	$3.77	$3.16	$2.51

Net income for 2013 includes net rationalization and asset impairment charges of $7,573 primarily related to employee severance and other costs associated with the consolidation of manufacturing operations and impairment of long-lived assets and a loss on the sale of land of $705. Associated with the impairment of long-lived assets and loss on the sale of land is an offsetting special item of $1,068 attributable to non-controlling interests. Special items for 2013 also include charges of $12,198 related to the devaluation of the Venezuelan currency. Adjusted net income for 2013 includes $37,812, or $0.46 per diluted share, from the Company's Venezuelan operations.

Net income for 2012 includes net rationalization and asset impairment charges of $7,442 primarily related to employee severance and other costs associated with the consolidation of manufacturing operations initiated in 2012 partially offset by gains on the disposal of assets at rationalized operations and a charge of $906 related to the change in Venezuelan labor law, which provides for increased employee severance obligations.

Net income for 2011 includes net rationalization and asset impairment charges of $237 primarily related to employee severance and other costs associated with the consolidation of manufacturing operations resulting from actions initiated in 2009. Special items for 2011 also include a gain of $4,844 related to a favorable adjustment for tax audit settlements.

Liquidity and Capital Resources

The Company's cash flow from operations can be cyclical. Operational cash flow is a key driver of liquidity, providing cash and access to capital markets. In assessing liquidity, the Company reviews working capital measurements to define areas for improvement. Management anticipates the Company will be able to satisfy cash requirements for its ongoing businesses for the foreseeable future primarily with cash generated by operations, existing cash balances and, if necessary, borrowings under its existing credit facilities.

The following table reflects changes in key cash flow measures:

	Year Ended December 31,			$ Change	
	2013	2012	2011	2013 vs. 2012	2012 vs. 2011
Cash provided by operating activities	$338,894	$327,484	$193,518	$11,410	$133,966
Cash used by investing activities:	(129,500)	(187,471)	(130,796)	57,971	(56,675)
Capital expenditures	(76,015)	(52,715)	(65,813)	(23,300)	13,098
Acquisition of businesses, net of cash acquired	(53,161)	(134,602)	(66,229)	81,441	(68,373)
Proceeds from the sale of property, plant and equipment	1,393	1,387	1,246	6	141
Other investing activities	(1,717)	(1,541)	—	(176)	(1,541)
Cash used by financing activities:	(194,184)	(216,838)	(63,370)	22,654	(153,468)
(Payments) proceeds on short-term borrowings, net	(1,451)	(4,533)	8,981	3,082	(13,514)
Payments on long-term borrowings, net	(389)	(84,770)	(1,032)	84,381	(83,738)
Proceeds from exercise of stock options	20,297	18,776	11,351	1,521	7,425
Excess tax benefit from stock-based compensation	10,602	7,819	2,916	2,783	4,903
Purchase of shares for treasury	(167,879)	(81,018)	(36,997)	(86,861)	(44,021)
Cash dividends paid to shareholders	(49,277)	(73,112)	(51,935)	23,835	(21,177)
Transactions with non-controlling interests	(6,087)	—	—	(6,087)	—
Other financing activities	—	—	3,346	—	(3,346)
Increase (decrease) in Cash and cash equivalents	13,361	(74,637)	(5,092)		

Cash and cash equivalents increased 4.7%, or $13,361, to $299,825 during the twelve months ended December 31, 2013, from $286,464 as of December 31, 2012. This increase was predominantly due to cash provided by operating activities offset by capital expenditures of $76,015, cash used in the acquisition of businesses, net of cash acquired of $53,161, purchases of common shares for treasury of $167,879 and cash dividends paid to shareholders of $49,277. Additionally, in the twelve months ended December 31, 2012 a deposit of $89,448 for tax and interest assessed by the Canada Revenue Agency ("CRA") was made, which did not recur in the current period.

Cash provided by operating activities increased $11,410 for the twelve months ended December 31, 2013 compared with the twelve months ended December 31, 2012. The increase was predominantly due to increased Net income for the twelve months ended December 31, 2013, compared with the twelve months ended December 31, 2012 and a deposit of $89,448 for tax and interest assessed by the CRA made in 2012, which did not recur in the current period, offset by a slight improvement in net operating working capital requirements in the twelve months ended December 31, 2013 as compared to a significant improvement in the twelve months ended December 31, 2012. Net operating working capital, defined as the sum of Accounts receivable and Total inventory less Trade accounts payable, decreased $8,667 in 2013 compared with a decrease of $102,155 in 2012. Net operating working capital to sales, defined as net operating working capital divided by annualized rolling three months of Net sales, decreased to 17.6% at December 31, 2013 compared with 18.8% at December 31, 2012. Days sales in inventory decreased to 93.2 days at December 31, 2013 from 94.3 days at December 31, 2012. Accounts receivable days decreased to 50.3 days at December 31, 2013 from 51.8 days at December 31, 2012. Average days in accounts payable increased to 45.5 days at December 31, 2013 from 43.9 days at December 31, 2012.

Cash used by investing activities in the twelve months ended December 31, 2013 compared with the twelve months ended December 31, 2012 decreased by $57,971. The decrease was predominantly due to a decrease in the acquisition of businesses of $81,441 offset by an increase in capital expenditures of $23,300. The Company anticipates capital expenditures of $60,000 to $80,000 in 2014. Anticipated capital expenditures reflect investments for capital maintenance, to improve operational effectiveness and the Company's continuing international expansion.

Management critically evaluates all proposed capital expenditures and requires each project to increase efficiency, reduce costs, promote business growth, or to improve the overall safety and environmental conditions of the Company's facilities.

Cash used by financing activities decreased $22,654 in the twelve months ended December 31, 2013 compared with the twelve months ended December 31, 2012. The decrease was predominantly due to lower net payments of long-term borrowings of $84,381, lower cash dividends paid to shareholders of $23,835 offset by higher purchases of common shares for treasury of $86,861.

The Company continues to expand globally and periodically looks at transactions that would involve significant investments. The Company can fund its global expansion plans with operational cash flow, but a significant acquisition may require access to capital markets, in particular, the long-term debt market, as well as the syndicated bank loan market. The Company's financing strategy is to fund itself at the lowest after-tax cost of funding. Where possible, the Company utilizes operational cash flows and raises capital in the most efficient market, usually the U.S., and then lends funds to the specific subsidiary that requires funding. If additional acquisitions providing appropriate financial benefits become available, additional expenditures may be made.

The Company's debt levels decreased from $20,275 at December 31, 2012 to $19,087 at December 31, 2013. Debt to total invested capital decreased to 1.2% at December 31, 2013 from 1.5% at December 31, 2012.

The Company paid $49,277 in cash dividends to its shareholders in the twelve months ended December 31, 2013.

The Company has a share repurchase program for up to 45 million shares of the Company's common stock. At management's discretion, the Company repurchases its common stock from time to time in the open market, depending on market conditions, stock price and other factors. During the twelve months ended December 31, 2013, the Company purchased 2,671,614 shares at a cost of $164,755. As of December 31, 2013, 15,670,759 shares remained available for repurchase under the stock repurchase program.

The Company made voluntary contributions to its U.S. defined benefit plans of $75,216, $60,277 and $30,000 in 2013, 2012 and 2011, respectively. The Company expects to voluntarily contribute approximately $20,000 to its U.S. plans in 2014. Based on current pension funding rules, the Company does not anticipate that contributions to the plans would be required in 2014.

Canada - Notice of Reassessment

As discussed in Note 12 to the consolidated financial statements, in July 2012, the Company received a Notice of Reassessment from the CRA for 2004 to 2011, which would disallow the deductibility of inter-company dividends. These adjustments would increase Canadian federal and provincial tax due by $58,824 plus approximately $16,022 of interest, net of tax. The Company disagrees with the position taken by the CRA and believes it is without merit. The Company will vigorously contest the assessment through the Tax Court of Canada. A trial date has not yet been scheduled.

In connection with the litigation process, the Company is required to deposit no less than one half of the tax and interest assessed by the CRA. The Company has elected to deposit the entire amount of the dispute in order to suspend the continuing accrual of a 5% interest charge. Additionally, deposited amounts will earn interest of approximately 1% due upon a favorable outcome. A deposit was made in 2012 and is recorded as a non-current asset as of December 31, 2013. Although the Company believes it will prevail on the merits of the tax position, the ultimate outcome of the assessment remains uncertain.

Rationalization and Asset Impairments

In 2013, the Company recorded rationalization and asset impairment net charges of $8,463 resulting from rationalization activities primarily initiated in 2012 and the third quarter 2013. The 2013 net charges include $3,658 primarily related to employee severance and other related costs and $4,961 in asset impairment charges, partially offset by gains from sales of assets of $156.

In 2012, the Company recorded rationalization and asset impairment net charges of $9,354 resulting from rationalization activities primarily initiated in 2012. The Company initiated a number of rationalization activities in 2012 to align its business to current market conditions. The 2012 net charges include $7,512 primarily related to employee severance and other related costs, partially offset by gains from sales of assets at rationalized operations and $1,842 in asset impairment charges.

In 2011, the Company recorded rationalization and asset impairment net charges of $282 resulting from rationalization activities primarily initiated in the third and second quarters of 2009. The Company initiated a number of rationalization activities in 2009 to align its business to current market conditions. The 2011 net charges include $259 primarily related to employee severance and other related costs and $23 in asset impairment charges.

Fair values of impaired assets were determined using projected discounted cash flows.

Acquisitions

During November 2013, the Company completed the acquisition of Robolution. Robolution, based outside of Frankfurt, Germany, is a leading European provider of robotic arc welding systems. The acquisition added to the Company's growing automation business and will enable the Company to seamlessly support automation customers across three continents.

During November 2013, the Company acquired an ownership interest in Burlington. Burlington, based in Hamilton, Ontario, Canada, is a leader in the design and manufacture of 3D robotic plasma cutting systems whose products are sold under the brand name Python X®. The acquisition broadens the Company's portfolio of automated cutting and welding process solutions.

Combined revenues for Robolution and Burlington in 2013 were approximately $35,000. The Company acquired Robolution and Burlington for approximately $54,023 in cash, net of cash acquired, and assumed debt and a $17,225 liability to acquire the remaining financial interest in Burlington. The fair value of net assets acquired was $30,051, resulting in goodwill of $41,197. The purchase price allocations are preliminary and subject to final opening balance sheet adjustments. In addition, during 2013 the Company acquired a greater interest in its majority-owned joint venture, Lincoln Electric Heli (Zhengzhou) Welding Materials Company Ltd.

On December 31, 2012, the Company completed the acquisition of the privately-held automated systems and tooling manufacturer, Tenn Rand. Tenn Rand, based in Chattanooga, Tennessee, is a leader in the design and manufacture of tooling and robotic systems for welding applications. The acquisition added tool design, system building and machining capabilities that will enable the Company to further expand its welding automation business. Annual sales for Tenn Rand at the date of acquisition were approximately $35,000.

On November 13, 2012, the Company completed the acquisition of Kaliburn from ITT Corporation. Kaliburn, headquartered in Ladson, South Carolina, is a designer and manufacturer of shape cutting solutions, producer of shape cutting control systems and manufacturer of web tension transducers and engineered machine systems. The acquisition added to the Company's cutting business portfolio. Annual sales for Kaliburn as of the date of acquisition were approximately $36,000.

On May 17, 2012, the Company completed the acquisition of Wayne Trail. Wayne Trail, based in Ft. Loramie, Ohio, is a manufacturer of automated systems and tooling, serving a wide range of applications in the metal processing market. The acquisition added to the Company's welding and automated solutions portfolio. Annual sales for Wayne Trail at the date of acquisition were approximately $50,000.

On March 6, 2012, the Company completed the acquisition of Weartech. Weartech, based in Anaheim, California, is a producer of cobalt-based hard facing and wear-resistant welding consumables. The acquisition added to the Company's consumables portfolio. Sales for Weartech during 2011 were approximately $40,000.

The Company acquired Tenn Rand, Kaliburn, Wayne Trail and Weartech for approximately $144,423 in cash, net of cash acquired, and assumed debt. The fair value of net assets acquired was $73,257, resulting in goodwill of $71,166.

On July 29, 2011, the Company acquired substantially all of the assets of Techalloy. Techalloy, based in Baltimore, Maryland, is a manufacturer of nickel alloy and stainless steel welding consumables. The acquisition added to the Company's consumables portfolio. Annual sales for Techalloy at the date of acquisition were approximately $70,000.

On July 29, 2011, the Company acquired substantially all of the assets of Torchmate. Torchmate, based in Reno, Nevada, provides a wide selection of computer numeric controlled plasma cutter and oxy-fuel cutting systems. The acquisition added to the Company's plasma and oxy-fuel cutting product offering. Annual sales for Torchmate at the date of acquisition were approximately $13,000.

On March 11, 2011, the Company completed the acquisition of Severstal. Severstal is a leading manufacturer of welding consumables in Russia and was a subsidiary of OAO Severstal, one of the world's leading vertically integrated steel and mining companies. This acquisition expanded the Company's capacity and distribution channels in Russia and the Commonwealth of Independent States ("CIS"). Sales for Severstal during 2010 were approximately $40,000.

On January 31, 2011, the Company acquired substantially all of the assets of Arc Products. Arc Products is a manufacturer of orbital welding systems and welding automation components based in Southern California. Orbital welding systems are designed to automatically weld pipe and tube in difficult to access locations and for mission-critical applications requiring high weld integrity and sophisticated quality monitoring capabilities. The acquisition will complement the Company's ability to serve global customers in the nuclear, power generation and process industries worldwide. Sales for Arc Products during 2010 were not significant.

The Company acquired Techalloy, Torchmate, Severstal and Arc Products for approximately $65,321 in cash and assumed debt and a contingent consideration liability fair valued at $3,806. The contingent consideration is based upon estimated sales at the related acquisition for the five-year period ending December 31, 2015 and will be paid in 2016 based on actual sales during the five-year period. The fair value of net assets acquired was $46,837, resulting in goodwill of $22,290.

Pro forma information related to these acquisitions has not been presented because the impact on the Company's Consolidated Statements of Income is not material. Acquired companies are included in the Company's consolidated financial statements as of the date of acquisition.

Debt

At December 31, 2013 and 2012, the fair value of long-term debt, including the current portion, was approximately $4,212 and $1,919, respectively, which was determined using available market information and methodologies requiring judgment. Since considerable judgment is required in interpreting market information, the fair value of the debt is not necessarily the amount which could be realized in a current market exchange.

Revolving Credit Agreement

The Company has a line of credit totaling $300,000 through the Amended and Restated Credit Agreement (the “Credit Agreement”), which was entered into on July 26, 2012. The Credit Agreement contains customary affirmative, negative and financial covenants for credit facilities of this type, including limitations on the Company and its subsidiaries with respect to liens, investments, distributions, mergers and acquisitions, dispositions of assets, transactions with affiliates and a fixed charges coverage ratio and total leverage ratio. As of December 31, 2013, the Company was in compliance with all of its covenants and had no outstanding borrowings under the Credit Agreement. The Credit Agreement has a five-year term and may be increased, subject to certain conditions, by an additional amount up to $100,000. The interest rate on borrowings is based on either LIBOR or the prime rate, plus a spread based on the Company’s leverage ratio, at the Company’s election.

Short-term Borrowings

The Company's short-term borrowings included in Amounts due banks were $14,581 and $18,220 at December 31, 2013 and 2012, respectively, and represent the borrowings of foreign subsidiaries at weighted average interest rates of 11.3% and 11.3%, respectively.

Contractual Obligations and Commercial Commitments

The Company's contractual obligations and commercial commitments as of December 31, 2013 are as follows:

	Payments Due By Period				
	Total	2014	2015 to 2016	2017 to 2018	2019 and Beyond
Long-term debt, including current portion	$2,722	$644	$854	$450	$774
Interest on long-term debt	311	107	104	54	46
Capital lease obligations	236	72	127	37	—
Short-term debt	14,581	14,581	—	—	—
Interest on short-term debt	1,019	1,019	—	—	—
Operating leases	48,170	13,263	18,631	9,708	6,568
Purchase commitments(1)	164,232	160,987	2,983	175	87
Total	$231,271	$190,673	$22,699	$10,424	$7,475

(1) Purchase commitments include contractual obligations for raw materials and services.

As of December 31, 2013, there was $25,907 of tax liabilities related to unrecognized tax benefits. Because of the high degree of uncertainty regarding the timing of future cash outflows associated with these liabilities, the Company is unable to estimate the years in which settlement will occur with the respective taxing authorities. See Note 12 to the Company's consolidated financial statements for further discussion.

The Company expects to voluntarily contribute approximately $20,000 to the U.S. pension plans in 2014.

Stock-Based Compensation

On April 28, 2006, the shareholders of the Company approved the 2006 Equity and Performance Incentive Plan, as amended ("EPI Plan"), which replaced the 1998 Stock Plan, as amended and restated in May 2003. The EPI Plan provides for the granting of options, appreciation rights, restricted shares, restricted stock units and performance-based awards up to an additional 6,000,000 of the Company's common shares. In addition, on April 28, 2006, the shareholders of the Company approved the 2006 Stock Plan for Non-Employee Directors, as amended ("Director Plan"), which replaced the Stock Option Plan for Non-Employee Directors adopted in 2000. The Director Plan provides for the granting of options, restricted shares and restricted stock units up to an additional 600,000 of the Company's common shares. At December 31, 2013, there were 2,315,239 common shares available for future grant under all plans.

Under these plans, options, restricted shares and restricted stock units granted were 357,494 in 2013, 567,023 in 2012 and 648,561 in 2011. The Company issued shares of common stock from treasury upon all exercises of stock options and the granting of restricted stock awards in 2013, 2012 and 2011.
Expense is recognized for all awards of stock-based compensation by allocating the aggregate grant date fair value over the vesting period. No expense is recognized for any stock options, restricted or deferred shares or restricted stock units ultimately forfeited because recipients fail to meet vesting requirements. Total stock-based compensation expense recognized in the Consolidated Statements of Income for 2013, 2012 and 2011 was $9,734, $8,961 and $6,610, respectively. The related tax benefit for 2013, 2012 and 2011 was $3,727, $3,409 and $2,515, respectively. As of December 31, 2013, total unrecognized stock-based compensation expense related to non-vested stock options, restricted shares and restricted stock units was $21,633, which is expected to be recognized over a weighted average period of approximately 3.3 years.
The aggregate intrinsic value of options outstanding and exercisable which would have been received by the optionees had all awards been exercised at December 31, 2013, was $85,404 and $76,076, respectively. The total intrinsic value of awards exercised during 2013, 2012 and 2011 was $20,297, $18,776 and $10,028 respectively.
Product Liability Costs
Product liability costs have historically been significant particularly with respect to asbestos claims. Costs incurred are volatile and are largely related to trial activity. The costs associated with these claims are predominantly defense costs which are recognized in the periods incurred. Product liability costs decreased $767 in 2013 compared with 2012 primarily due to reduced trial activity.
The long-term impact of the asbestos loss contingency, in the aggregate, on operating results, operating cash flows and access to capital markets is difficult to assess, particularly since claims are in many different stages of development and the Company benefits significantly from cost sharing with co-defendants and insurance carriers. Moreover, the Company has been largely successful to date in its defense of these claims.
Off-Balance Sheet Arrangements
The Company utilizes letters of credit to back certain payment and performance obligations. Letters of credit are subject to limits based on amounts outstanding under the Company's Credit Agreement.
New Accounting Pronouncements
New Accounting Standards to be Adopted:
In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU 2013-11 requires an entity to present an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward, with limited exceptions. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption and retrospective application is permitted. The Company is currently evaluating the impact of the adoption of ASU 2013-11, but does not expect it will have a significant impact on the Company's financial statements.
In March 2013, the FASB issued ASU No. 2013-05, "Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." ASU 2013-05 clarifies the applicable guidance for the release of the cumulative translation adjustment under current U.S. GAAP by emphasizing that the accounting for the release of the cumulative translation adjustment into net income for sales or transfers of a controlling financial interest within a foreign entity is the same irrespective of whether the sale or transfer is of a subsidiary or a group of assets that is a nonprofit activity or business. When a reporting entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity, the parent is required to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income. The amendments are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The Company is currently evaluating the impact of the adoption of ASU 2013-05 on the Company's financial statements.

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Critical Accounting Policies

The Company's consolidated financial statements are based on the selection and application of significant accounting policies, which require management to make estimates and assumptions. These estimates and assumptions are reviewed periodically by management and compared to historical trends to determine the accuracy of estimates and assumptions used. If warranted, these estimates and assumptions may be changed as current trends are assessed and updated. Historically, the Company's estimates have been determined to be reasonable. No material changes to the Company's accounting policies were made during 2013. The Company believes the following accounting policies are some of the more critical judgment areas affecting its financial condition and results of operations.

Legal and Tax Contingencies

The Company, like other manufacturers, is subject from time to time to a variety of civil and administrative proceedings arising in the ordinary course of business. Such claims and litigation include, without limitation, product liability claims and health, safety and environmental claims, some of which relate to cases alleging asbestos induced illnesses. The costs associated with these claims are predominantly defense costs, which are recognized in the periods incurred. Insurance reimbursements mitigate these costs and, where reimbursements are probable, they are recognized in the applicable period. With respect to costs other than defense costs (i.e., for liability and/or settlement or other resolution), reserves are recorded when it is probable that the contingencies will have an unfavorable outcome. The Company accrues its best estimate of the probable costs, after a review of the facts with management and counsel and taking into account past experience. If an unfavorable outcome is determined to be reasonably possible but not probable, or if the amount of loss cannot be reasonably estimated, disclosure is provided for material claims or litigation. Many of the current cases are in differing procedural stages and information on the circumstances of each claimant, which forms the basis for judgments as to the validity or ultimate disposition of such actions, varies greatly. Therefore, in many situations a range of possible losses cannot be made. Reserves are adjusted as facts and circumstances change and related management assessments of the underlying merits and the likelihood of outcomes change. Moreover, reserves only cover identified and/or asserted claims. Future claims could, therefore, give rise to increases to such reserves.

The Company is subject to taxation from U.S. federal, state, municipal and international jurisdictions. The calculation of current income tax expense is based on the best information available and involves significant management judgment. The actual income tax liability for each jurisdiction in any year can in some instances be ultimately determined several years after the financial statements are published.

The Company maintains reserves for estimated income tax exposures for many jurisdictions. Exposures are settled primarily through the completion of audits within each individual tax jurisdiction or the closing of a statute of limitation. Exposures can also be affected by changes in applicable tax law or other factors, which may cause management to believe a revision of past estimates is appropriate. Management believes that an appropriate liability has been established for income tax exposures; however, actual results may materially differ from these estimates. See Note 12 to the Company's consolidated financial statements and the "Item 3. Legal Proceedings" section of this Annual Report on Form 10-K for further discussion of tax contingencies.

Translation of Foreign Currencies

Asset and liability accounts are translated into U.S. dollars using exchange rates in effect at the dates of the Consolidated Balance Sheets; revenue and expense accounts are translated at average monthly exchange rates. Translation adjustments are reflected as a component of Total equity. For subsidiaries operating in highly inflationary economies, both historical and current exchange rates are used in translating balance sheet accounts and translation adjustments are included in Net income.

Foreign currency transaction losses are included in Selling, general & administrative expenses and were $7,759, $4,608 and $4,904 in 2013, 2012 and 2011, respectively.

Venezuela – Highly Inflationary Economy

Venezuela is a highly inflationary economy under U.S. GAAP. As a result, the financial statements of the Company's Venezuelan operation are reported under highly inflationary accounting rules as of January 1, 2010. Under highly inflationary accounting, the financial statements of the Company's Venezuelan operation have been remeasured into the Company's reporting currency and exchange gains and losses from the re-measurement of monetary assets and liabilities are reflected in current earnings. On February 8, 2013, the Venezuelan government announced the devaluation of its currency relative to the U.S. dollar. Effective February 13, 2013 the official rate moved from 4.3 to 6.3 bolivars to the U.S. dollar. The devaluation of the bolivar resulted in a foreign currency transaction loss of $8,081 in Selling, general & administrative expenses and higher Cost of goods sold of $4,117 due to the liquidation of inventory valued at the historical exchange rate. In January 2014, the Venezuelan government announced the formation of the National Center of Foreign Trade ("CENCOEX") to replace the Commission for the Administration of Currency Exchange ("CADIVI"). In addition, the government announced the CENCOEX would utilize the rate used in the SICAD auction-based exchange rate program (the "SICAD rate") for certain transactions as opposed to the official rate. Transactions executed at the SICAD rate most recently used a rate of 11.7 bolivars to the U.S. dollar. In February 2014, the government announced a new foreign exchange system, SICAD 2, which is expected to use a currency mechanism based on bond swaps. At this time, the Company expects to continue to use the official rate of 6.3 bolivars to the U.S. dollar to translate its Venezuelan subsidiary's financial results. The Company will continue to assess the information available relative to Venezuelan exchange rates, however, the future impact on the Company's financial statements is uncertain.

Future impacts to earnings of applying highly inflationary accounting for Venezuela on the Company's consolidated financial statements will be dependent upon movements in the applicable exchange rates between the bolivar and the U.S. dollar and the amount of monetary assets and liabilities included in the Company's Venezuelan operation's balance sheet. The bolivar-denominated monetary net asset position was $38,633 at December 31, 2013, which includes $50,642 of cash and cash equivalents, and $31,545 at December 31, 2012, which includes $32,610 of cash and cash equivalents. The increased exposure was due to the limited opportunities to convert bolivars into U.S. dollars.

The Company's ability to effectively manage sales and profit levels in Venezuela will be impacted by several factors. These include, but are not limited to, the Company's ability to mitigate the effect of any potential devaluation and Venezuelan government price exchange controls. If in the future the Company were to convert bolivars at a rate other than the official exchange rate or the official exchange rate is revised, the Company may realize a loss to earnings. For example, a future devaluation in the Venezuelan currency to a rate of 12.6 would result in the Company realizing additional charges of approximately $3,000 to Cost of goods sold based on current inventory levels and $20,000 to Selling, general and administrative expenses based upon the current bolivar-denominated monetary net asset position. Additionally, the various restrictions on the distribution of foreign currency by the Venezuelan government could affect the Company's ability to pay obligations and maintain normal production levels in Venezuela.

Deferred Income Taxes

Deferred income taxes are recognized at currently enacted tax rates for temporary differences between the financial reporting and income tax bases of assets and liabilities and operating loss and tax credit carry-forwards. The Company does not provide deferred income taxes on unremitted earnings of certain non-U.S. subsidiaries, which are deemed permanently reinvested. It is not practicable to calculate the deferred taxes associated with the remittance of these earnings. Deferred income taxes associated with earnings of $8,354 that are not expected to be permanently reinvested were not significant. At December 31, 2013, the Company had approximately $102,128 of gross deferred tax assets related to deductible temporary differences and tax loss and credit carry-forwards which may reduce taxable income in future years.

In assessing the realizability of deferred tax assets, the Company assesses whether it is more likely than not that a portion or all of the deferred tax assets will not be realized. The Company considers the scheduled reversal of deferred tax liabilities, tax planning strategies, and projected future taxable income in making this assessment. At December 31, 2013, a valuation allowance of $49,684 was recorded against these deferred tax assets based on this assessment. The Company believes it is more likely than not that the tax benefit of the remaining net deferred tax assets will be realized. The amount of net deferred tax assets considered realizable could be increased or reduced in the future if the Company's assessment of future taxable income or tax planning strategies changes.

Pensions

The Company maintains a number of defined benefit and defined contribution plans to provide retirement benefits for employees. These plans are maintained and contributions are made in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA"), local statutory law or as determined by the Board of Directors. The plans generally provide benefits based upon years of service and compensation. Pension plans are funded except for a domestic non-qualified pension plan for certain key employees and certain foreign plans.

A substantial portion of the Company's pension amounts relates to its defined benefit plan in the United States. The fair value of plan assets is determined at December 31 of each year.

A significant element in determining the Company's pension expense is the expected return on plan assets. At the end of each year, the expected return on plan assets is determined based on the weighted average expected return of the various asset classes in the plan's portfolio and the targeted allocation of plan assets. The asset class return is developed using historical asset return performance as well as current market conditions such as inflation, interest rates and equity market performance. The Company determined this rate to be 7.4% and 7.7% at December 31, 2013 and 2012, respectively. The assumed long-term rate of return on assets is applied to the market value of plan assets. This produces the expected return on plan assets included in pension expense. The difference between this expected return and the actual return on plan assets is deferred and amortized over the average remaining service period of active employees expected to receive benefits under the plan. The amortization of the net deferral of past losses will increase future pension expense. During 2013, investment returns were 12.4% compared with a return of 11.1% in 2012. A 25 basis point change in the expected return on plan assets would increase or decrease pension expense by approximately $1,900.

Another significant element in determining the Company's pension expense is the discount rate for plan liabilities. To develop the discount rate assumption, the Company refers to the yield derived from matching projected pension payments with maturities of a portfolio of available non-callable bonds rated AA- or better. The Company determined this rate to be 4.7% at December 31, 2013 and 3.8% at December 31, 2012. A 10 basis point change in the discount rate would increase or decrease pension expense by approximately $1,100.

Pension expense relating to the Company's defined benefit plans was $29,908, $36,258 and $26,370 in 2013, 2012 and 2011, respectively. The Company expects 2014 defined benefit pension expense to decrease by a range of approximately $15,000 to $18,000.

The Accumulated other comprehensive loss, excluding tax effects, recognized on the Consolidated Balance Sheet was $256,260 as of December 31, 2013 and $417,967 as of December 31, 2012. The decrease is primarily the result of actuarial gains recorded during the year. Actuarial gains arising during 2013 are primarily attributable to a higher discount rate.

The Company made voluntary contributions to its U.S. defined benefit plans of $75,216, $60,277 and $30,000 in 2013, 2012 and 2011, respectively. The Company expects to voluntarily contribute $20,000 to its U.S. plans in 2014. Based on current pension funding rules, the Company does not anticipate that contributions to the plans would be required in 2014.

Inventories

Inventories are valued at the lower of cost or market. Fixed manufacturing overhead costs are allocated to inventory based on normal production capacity and abnormal manufacturing costs are recognized as period costs. For most domestic inventories, cost is determined principally by the last-in, first-out ("LIFO") method, and for non-U.S. inventories, cost is determined by the first-in, first-out ("FIFO") method. The valuation of LIFO inventories is made at the end of each year based on inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs. Actual year-end costs and inventory levels may differ from interim LIFO inventory valuations. The excess of current cost over LIFO cost was $70,882 at December 31, 2013 and $72,173 at December 31, 2012.

The Company reviews the net realizable value of inventory on an on-going basis, with consideration given to deterioration, obsolescence and other factors. If actual market conditions differ from those projected by management, and the Company's estimates prove to be inaccurate, write-downs of inventory values and adjustments to Cost of goods sold may be required. Historically, the Company's reserves have approximated actual experience.

Accounts Receivable

The Company maintains an allowance for doubtful accounts for estimated losses from the failure of its customers to make required payments for products delivered. The Company estimates this allowance based on the age of the related receivable, knowledge of the financial condition of customers, review of historical receivables and reserve trends and other pertinent information. If the financial condition of customers deteriorates or an unfavorable trend in receivable collections is experienced in the future, additional allowances may be required. Historically, the Company's reserves have approximated actual experience.

Long-Lived Assets
The Company periodically evaluates whether current facts or circumstances indicate that the carrying value of its depreciable long-lived assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether impairment exists. If an asset is determined to be impaired, a loss is recognized to the extent that carrying value exceeds fair value. Fair value is measured based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows.
Goodwill and Intangibles
The Company performs an annual impairment test of goodwill and indefinite-lived intangible assets in the fourth quarter using the same dates each year or more frequently if changes in circumstances or the occurrence of events indicate potential impairment. The fair value of each indefinite-lived intangible asset is compared to its carrying value and an impairment charge is recorded if the carrying value exceeds the fair value. Goodwill is tested by comparing the fair value of each reporting unit with its carrying value. If the carrying value of the reporting unit exceeds its fair value, the implied value of goodwill is compared to its carrying value and impairment is recognized to the extent that the carrying value exceeds the implied fair value.
Fair values are determined using established business valuation multiples and models developed by the Company that incorporate allocations of certain assets and cash flows among reporting units, estimates of market participant assumptions of future cash flows, future growth rates and the applicable discount rates to value estimated cash flows. Changes in economic and operating conditions impacting these assumptions could result in asset impairments in future periods.
The fair value of goodwill for all of the Company's operating business units exceeded its carrying value by at least 20% as of the testing date during the fourth quarter of 2013. Key assumptions in estimating the reporting unit's fair value include assumed market participant assumptions of revenue growth, operating margins and the rate used to discount future cash flows. Actual revenue growth and operating margins below the assumed market participant assumptions or an increase in the discount rate would have a negative impact on the fair value of the reporting unit that could result in a goodwill impairment charge in a future period.
Stock-Based Compensation
The Company utilizes the Black-Scholes option pricing model for estimating fair values of options. The Black-Scholes model requires assumptions regarding the volatility of the Company's stock, the expected life of the stock award and the Company's dividend yield. The Company utilizes historical data in determining these assumptions. An increase or decrease in the assumptions or economic events outside of management's control could have a direct impact on the Black-Scholes model.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
The Company's primary financial market risks include fluctuations in currency exchange rates, commodity prices and interest rates. The Company manages these risks by using derivative financial instruments in accordance with established policies and procedures. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes.
Included below is a sensitivity analysis based upon a hypothetical 10% weakening or strengthening in the U.S. dollar compared to foreign currency exchange rates at December 31, 2013, a 10% change in commodity prices, and a 100 basis point increase in effective interest rates under the Company's current borrowing arrangements. The contractual derivative and borrowing arrangements in effect at December 31, 2013 were compared to the hypothetical foreign exchange, commodity price, or interest rates in the sensitivity analysis to determine the effect on income before taxes, interest expense, or accumulated other comprehensive loss. The analysis takes into consideration any offset that would result from changes in the value of the hedged asset or liability.
Foreign Currency Exchange Risk
The Company enters into forward foreign exchange contracts principally to hedge the currency fluctuations in transactions denominated in foreign currencies, thereby limiting the Company's risk that would otherwise result from

changes in exchange rates. At December 31, 2013, the Company hedged certain third-party and inter-company purchases and sales. At December 31, 2013, the Company had foreign exchange contracts with a notional value of approximately $36,880. At December 31, 2013, a hypothetical 10% weakening of the U.S. dollar would not materially affect the Company's financial statements.

Commodity Price Risk

From time to time, the Company uses various hedging arrangements to manage exposures to price risk from commodity purchases. These hedging arrangements have the effect of locking in for specified periods the prices the Company will pay for the volume to which the hedge relates. A hypothetical 10% adverse change in commodity prices on the Company's open commodity futures at December 31, 2013 would not materially affect the Company's financial statements.

Interest Rate Risk

As of December 31, 2013, the Company had no interest rate swaps outstanding. Additionally, the Company had no outstanding borrowings under the Credit Agreement, therefore an interest rate increase would have no effect on interest expense.

The fair value of the Company's Cash and cash equivalents at December 31, 2013 approximated carrying value. The Company's financial instruments are subject to concentrations of credit risk. The Company has minimized this risk by entering into investments with a number of major banks and financial institutions and investing in high-quality instruments. The Company does not expect any counter-parties to fail to meet their obligations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is submitted in a separate section of this Annual Report on Form 10-K following the signature page.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of disclosure controls and procedures, as such term is defined in Rule 13a-15(e) of the Exchange Act. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting as of December 31, 2013 based on the 1992 framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Company's evaluation under such framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2013.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2013 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included elsewhere in this Annual Report on Form 10-K and is incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the fourth quarter of 2013 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company is expected to file its 2014 proxy statement pursuant to Regulation 14A of the Exchange Act prior to April 30, 2014.

Except for the information set forth within Part I, Item 1C section of this Annual Report on Form 10-K concerning our Executive Officers, the information required by this item is incorporated by reference from the 2014 proxy statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the 2014 proxy statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference from the 2014 proxy statement.

For further information on the Company's equity compensation plans, see Note 1 and Note 9 to the Company's consolidated financial statements.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference from the 2014 proxy statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference from the 2014 proxy statement.

PART IV
ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES
(a)(1) Financial Statements
The following consolidated financial statements of the Company are included in a separate section of this report following the signature page and certifications:
Report of Independent Registered Public Accounting Firm
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting
Consolidated Balance Sheets – December 31, 2013 and 2012
Consolidated Statements of Income – Years ended December 31, 2013, 2012 and 2011
Consolidated Statements of Comprehensive Income – Years ended December 31, 2013, 2012 and 2011
Consolidated Statements of Equity – Years ended December 31, 2013, 2012 and 2011
Consolidated Statements of Cash Flows – Years ended December 31, 2013, 2012 and 2011
Notes to Consolidated Financial Statements
(a)(2) Financial Statement Schedules
The following consolidated financial statement schedule of the Company is included in a separate section of this report
following the signature page:
Schedule II – Valuation and Qualifying Accounts
All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange
Commission are not required under the related instructions or are inapplicable, and therefore, have been omitted.
(a)(3) Exhibits

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation of Lincoln Electric Holdings, Inc. (filed as Exhibit 3.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on September 27, 2011, SEC file No. 0-1402 and incorporated herein by reference and made a part hereof).
3.2	Amended and Restated Code of Regulations of Lincoln Electric Holdings, Inc. (as Amended on November 3, 2009) (filed as Exhibit 3.2 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended September 30, 2009, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.1	Amended and Restated Credit Agreement, dated as of July 26, 2012, by and among Lincoln Electric Holdings, Inc., The Lincoln Electric Company, Lincoln Electric International Holding Company, J.W. Harris Co., Inc., Techalloy, Inc., Wayne Trail Technologies, Inc., Lincoln Global, Inc., the Lenders and KeyBank National Association, as Letter of Credit Issuer and Administrative Agent (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on July 31, 2012, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.2*	1998 Stock Plan (Amended, Restated and Renamed as of May 1, 2003) (filed as Appendix B to the Lincoln Electric Holdings, Inc. proxy statement dated March 31, 2003, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.3*	Amendment No. 1 to the 1998 Stock Plan (Amended, Restated and Renamed Effective May 1, 2003) dated October 20, 2006 (filed as Exhibit 10.6 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2007, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.4*	1988 Incentive Equity Plan (filed as Exhibit 28 to the Form S-8 Registration Statement of The Lincoln Electric Company, SEC File No. 33-25209 and incorporated herein by reference and made a part hereof) as adopted and amended by Lincoln Electric Holdings, Inc. pursuant to an Instrument of Adoption and Amendment dated December 29, 1998 (filed as Exhibit 10(d) to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 1998, SEC File No. 0-1402 and incorporated

	herein by reference and made a part hereof).
10.5*	Amendment No. 2 to the 1988 Incentive Equity Plan dated October 20, 2006 (filed as Exhibit 10.8 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2007, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.6*	Supplemental Executive Retirement Plan (Amended and Restated as of December 31, 2008) (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on January 7, 2009, SEC File No. 0-1402 and incorporated herein by reference and made part hereof).

Exhibit No.	Description
10.7*	Deferred Compensation Plan for Certain Retention Agreements and Other Contractual Arrangements (Amended and Restated as of January 1, 2004) (filed as Exhibit 10(i) to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2003, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.8*	Non-Employee Directors' Deferred Compensation Plan (Amended and Restated as of December 31, 2008) (filed as Exhibit 10.3 to Form 8-K of Lincoln Electric Holdings, Inc. filed on January 7, 2009, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.9*	2005 Deferred Compensation Plan for Executives (Amended and Restated as of August 1, 2011) (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on August 4, 2011, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.10*	Description of Management Incentive Plan (filed as Exhibit 10(e) to Form 10-K of The Lincoln Electric Company for the year ended December 31, 1995, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.11*	Description of Long-Term Performance Plan (filed as Exhibit 10(f) to Form 10-K of The Lincoln Electric Company for the year ended December 31, 1997, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.12*	Form of Severance Agreement (as entered into by the Company and the following executive officers: Messrs. Stropki, Mapes, Petrella, Stueber, LeBlanc and Blankenship) (filed as Exhibit 10.1 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended June 30, 2009, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.13*	Stock Option Plan for Non-Employee Directors (filed as Exhibit 10(p) to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended March 31, 2000, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.14*	Amendment No. 1 to the Stock Option Plan for Non-Employee Directors dated October 20, 2006 (filed as Exhibit 10.26 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2007, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.15*	Summary of Cash Long-Term Incentive Plan, as amended (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on April 6, 2005, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.16*	2006 Equity and Performance Incentive Plan (Restated as of March 3, 2011) (filed as Annex A to the Lincoln Electric Holdings, Inc. proxy statement dated March 18, 2011, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.17*	2006 Stock Plan for Non-Employee Directors (filed as Appendix C to the Lincoln Electric Holdings, Inc. proxy statement dated March 28, 2006, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.18*	Amendment No. 1 to the 2006 Stock Plan for Non-Employee Directors dated October 20, 2006 (filed as Exhibit 10.2 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended March 31, 2007, SEC file No. 0-1402 and incorporated herein by reference and made a part hereof).
10.19*	Amendment No. 2 to the 2006 Stock Plan for Non-Employee Directors dated July 26, 2007 (filed as Exhibit 10.1 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended September 30, 2007, SEC file No. 0-1402 and incorporated herein by reference and made a part hereof).
10.20*	2007 Management Incentive Compensation Plan (Amended and Restated as of December 31, 2008) (filed as Exhibit 10.4 to Form 8-K of Lincoln Electric Holdings, Inc. filed on January 7, 2009, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.21*	Form of Restricted Shares Agreement for Non-Employee Directors (filed as Exhibit 10.1 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended September 30, 2010, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.22*	

	Form of Restricted Shares Agreement for Executive Officers (filed as Exhibit 10.2 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended September 30, 2010, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.23*	Form of Stock Option Agreement for Non-Employee Directors (filed as Exhibit 10.3 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended September 30, 2010, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.24*	Form of Stock Option Agreement for Executive Officers (filed as Exhibit 10.4 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended September 30, 2010, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.25*	Form of Restricted Shares Agreement for Non-Employee Directors (for awards made on or after December 1, 2010) (filed as Exhibit 10.35 to Form 10-K of the Lincoln Electric Holdings, Inc. for the year ended December 31, 2010, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).

Exhibit No.	Description
10.26*	Form of Restricted Shares Agreement for Executive Officers (for awards made on or after December 1, 2010) (filed as Exhibit 10.36 to Form 10-K of the Lincoln Electric Holdings, Inc. for the year ended December 31, 2010, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.27*	Form of Stock Option Agreement for Executive Officers (for awards made on or after December 1, 2010) (filed as Exhibit 10.37 to Form 10-K of the Lincoln Electric Holdings, Inc. for the year ended December 31, 2010, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.28*	Form of Restricted Stock Unit Agreement for Executive Officers (filed as Exhibit 10.2 to Form 8-K of Lincoln Electric Holdings, Inc. filed on August 4, 2011, SEC File No. 0-1402 and incorporated herein by reference and made a part thereof).
10.29*	Form of Officer Indemnification Agreement (effective February 23, 2012) (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on February 29, 2012, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.30*	Form of Director Indemnification Agreement (effective February 23, 2012) (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on February 29, 2012, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.31*	Form of Amendment to Restricted Shares Agreement for Executive Officers (for awards granted prior to December 2013) (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on December 20, 2013, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.32*	Form of Amendment to Restricted Stock Unit Agreement for Executive Officers (for awards granted prior to December 2013) (filed as Exhibit 10.2 to Form 8-K of Lincoln Electric Holdings, Inc. filed on December 20, 2013, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.33*	Form of Restricted Stock Unit Agreement for Executive Officers (for awards granted on or after December 16, 2013) (filed herewith).
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm.
24	Powers of Attorney.
31.1	Certification by the President and Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification by the Senior Vice President, Chief Financial Officer and Treasurer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Reflects management contract or other compensatory arrangement required to be filed as an exhibit pursuant to Item 15(b) of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LINCOLN ELECTRIC HOLDINGS, INC.

By: /s/ VINCENT K. PETRELLA

Vincent K. Petrella
Senior Vice President, Chief Financial Officer and Treasurer
(principal financial and accounting officer)
February 21, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ CHRISTOPHER L. MAPES
Christopher L. Mapes,
President and Chief Executive Officer
(principal executive officer)
February 21, 2014

/s/ VINCENT K. PETRELLA
Vincent K. Petrella,
Senior Vice President, Chief Financial Officer and Treasurer (principal financial and accounting officer)
February 21, 2014

/s/ VINCENT K. PETRELLA
Vincent K. Petrella as
Attorney-in-Fact for
Harold L. Adams, Director
February 21, 2014

/s/ VINCENT K. PETRELLA
Vincent K. Petrella as
Attorney-in-Fact for
Curtis E. Espeland, Director
February 21, 2014

/s/ VINCENT K. PETRELLA
Vincent K. Petrella as
Attorney-in-Fact for
David H. Gunning, Director
February 21, 2014

/s/ VINCENT K. PETRELLA
Vincent K. Petrella as
Attorney-in-Fact for
Stephen G. Hanks, Director
February 21, 2014

/s/ VINCENT K. PETRELLA
Vincent K. Petrella as
Attorney-in-Fact for
Robert J. Knoll, Director
February 21, 2014

/s/ VINCENT K. PETRELLA
Vincent K. Petrella as
Attorney-in-Fact for
G. Russell Lincoln, Director
February 21, 2014

/s/ VINCENT K. PETRELLA
Vincent K. Petrella as
Attorney-in-Fact for
Kathryn Jo Lincoln, Director
February 21, 2014

/s/ VINCENT K. PETRELLA
Vincent K. Petrella as
Attorney-in-Fact for
William E. MacDonald, III, Director
February 21, 2014

/s/ VINCENT K. PETRELLA
Vincent K. Petrella as
Attorney-in-Fact for
Phillip J. Mason, Director
February 21, 2014

/s/ VINCENT K. PETRELLA
Vincent K. Petrella as
Attorney-in-Fact for
Hellene S. Runtagh, Director
February 21, 2014

/s/ VINCENT K. PETRELLA
Vincent K. Petrella as
Attorney-in-Fact for
George H. Walls, Jr., Director
February 21, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Lincoln Electric Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Lincoln Electric Holdings, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index as Item 15 (a) (2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lincoln Electric Holdings, Inc. and subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lincoln Electric Holdings, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio

February 21, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Lincoln Electric Holdings, Inc.

We have audited Lincoln Electric Holdings, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Lincoln Electric Holdings, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting in Item 9A. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Lincoln Electric Holdings, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Lincoln Electric Holdings, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2013 of Lincoln Electric Holdings, Inc. and subsidiaries and our report dated February 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Cleveland, Ohio
February 21, 2014

LINCOLN ELECTRIC HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	December 31, 2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	$299,825	$286,464
Accounts receivable (less allowance for doubtful accounts of $8,398 in 2013; $8,654 in 2012)	367,134	360,662
Inventories		
Raw materials	112,478	119,963
Work-in-process	38,963	41,805
Finished goods	198,522	203,122
Total inventory	349,963	364,890
Deferred income taxes	10,922	16,670
Other current assets	102,931	104,130
Total Current Assets	1,130,775	1,132,816
Property, Plant and Equipment		
Land	48,369	44,510
Buildings	373,373	343,867
Machinery and equipment	723,715	732,461
	1,145,457	1,120,838
Less accumulated depreciation	661,452	634,602
Property, Plant and Equipment, Net	484,005	486,236
Other Assets		
Prepaid pensions	36,116	—
Equity investments in affiliates	26,618	24,606
Intangibles, net	147,012	132,902
Goodwill	174,715	132,903
Long-term investments	32,763	31,187
Deferred income taxes	3,556	44,639
Other non-current assets	116,307	104,574
Total Other Assets	537,087	470,811
TOTAL ASSETS	$2,151,867	$2,089,863

See notes to these consolidated financial statements.

LINCOLN ELECTRIC HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	December 31, 2013	2012
LIABILITIES AND EQUITY		
Current Liabilities		
Amounts due banks	$14,581	$18,220
Trade accounts payable	212,799	209,647
Accrued employee compensation and benefits	68,263	68,698
Accrued expenses	29,613	29,420
Accrued taxes, including income taxes	46,109	45,505
Accrued pensions	10,564	3,639
Dividends payable	18,619	—
Customer advances	24,319	26,335
Other current liabilities	31,335	38,347
Current portion of long-term debt	715	456
Total Current Liabilities	456,917	440,267
Long-Term Liabilities		
Long-term debt, less current portion	3,791	1,599
Accrued pensions	26,999	216,189
Deferred income taxes	48,103	8,349
Accrued taxes	36,149	35,550
Other long-term liabilities	49,220	29,588
Total Long-Term Liabilities	164,262	291,275
Shareholders' Equity		
Preferred shares, without par value – at stated capital amount; authorized – 5,000,000 shares; issued and outstanding – none	—	—
Common shares, without par value – at stated capital amount; authorized – 240,000,000 shares; issued – 98,581,434 shares in 2013 and 2012; outstanding – 81,010,084 shares in 2013 and 82,944,817 shares in 2012	9,858	9,858
Additional paid-in capital	240,519	205,124
Retained earnings	1,908,462	1,682,668
Accumulated other comprehensive loss	(151,941)	(235,400)
Treasury shares, at cost – 17,571,350 shares in 2013 and 15,636,617 shares in 2012	(480,296)	(319,877)
Total Shareholders' Equity	1,526,602	1,342,373
Non-controlling interests	4,086	