LINCOLN ELECTRIC
THE WELDING EXPERTS®

WELDING

2013 Annual Report

TOGETHER WITH OUR CUSTOMERS,

Lincoln Electric puts the "we" in welding. We are the world leader in the design, development and manufacture of arc welding products, robotic arc welding systems and plasma and oxyfuel cutting equipment, with a leading global position in the brazing and soldering alloys market. Recognized as The Welding Experts®, **we use our expertise to develop new technologies and applications in partnership with customers to make them more productive and successful.** We distinguish ourselves through an unwavering commitment to our employees, a relentless drive to maximize shareholder value and an enduring passion to make a positive impact on our world.

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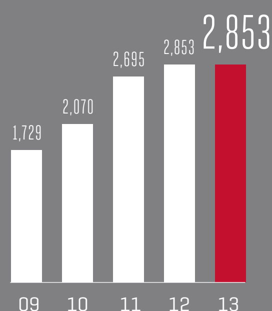
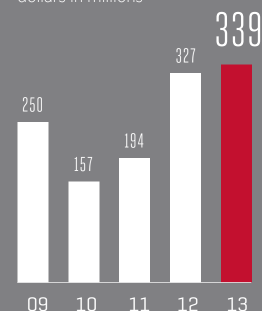
Net Sales
dollars in millions



Cash Provided by Operations
dollars in millions



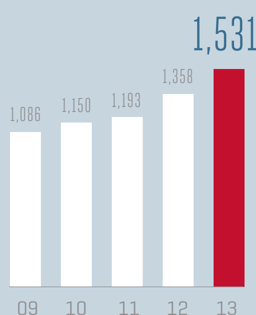
30% of Lincoln's sales in 2013 came from new products launched within the past five years.

Financial Highlights

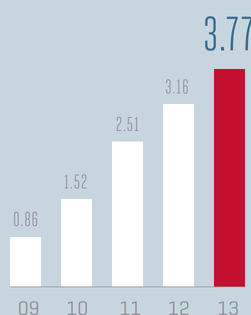
Year Ended December 31 (dollars in millions, except per share data)	2013	2012	2011
Net Sales	$ 2,853	$ 2,853	$ 2,695
Net Income	294	257	217
Net Income excluding special items [(1)]	313 [(2)]	266 [(3)]	213 [(4)]
Diluted Earnings per Share	3.54	3.06	2.56
Diluted Earnings per Share excluding special items [(1)]	3.77	3.16	2.51
Cash Dividends Paid per Share of Common Stock	0.66	0.88	0.62
Working Capital	674	693	748
Current Ratio	2.5	2.6	2.6
Total Assets	$ 2,152	$ 2,090	$ 1,977
Total Equity	1,531	1,358	1,193
Cash Provided by Operations	339	327	194
Return on Invested Capital [(5)]	18.9%	18.7%	16.9%

(1) Net Income excluding special items and Diluted Earnings per Share excluding special items are non-GAAP financial measures that management believes are important to investors to evaluate and compare the Company's financial performance from period to period. Management uses this information in assessing and evaluating the Company's underlying operating performance. Non-GAAP financial measures should be read in conjunction with the GAAP financial measures, as non-GAAP measures are a supplement to, and not a replacement for, GAAP financial measures.
(2) In 2013, special items include net rationalization and asset impairment charges of $8.5 ($7.6 after-tax or $0.09 per diluted share), a charge of $12.2 ($12.2 after-tax or $0.15 per diluted share) related to the devaluation of the Venezuelan currency and a loss of $0.7 ($0.7 after-tax or $0.01 per diluted share) 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 $1.1 representing portions attributable to non-controlling interests.
(3) In 2012, special items include net rationalization charges of $7.5 ($6.2 after-tax or $0.07 per diluted share), asset impairment charges of $1.8 ($1.3 after-tax or $0.02 per diluted share) and a charge of $1.4 ($0.9 after-tax or $0.01 per diluted share) related to a change in Venezuelan labor laws.
(4) In 2011, special items include net rationalization charges of $0.3 ($0.2 after tax) and a gain related to a favorable adjustment for tax audit settlements of $4.8 after-tax ($0.06 per diluted share).
(5) Return on invested capital is defined as rolling 12 months of earnings excluding tax-effected interest divided by invested capital.

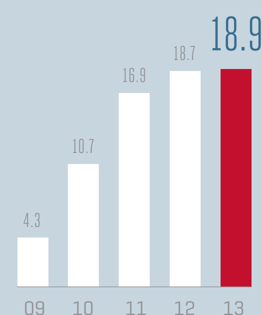
Total Equity
dollars in millions



Diluted Earnings
per share*



Return on Invested Capital
in percent



* Diluted earnings per share exclude the effects of special items and have been retroactively adjusted in prior years to give effect to the two-for-one stock split on May 31, 2011. 2013 excludes net rationalization and asset impairment charges, charges related to the devaluation of the Venezuelan currency and a loss on the sale of land partially offset by portions attributable to non-controlling interests. 2012 excludes net rationalization charges, asset impairment charges and a charge related to a change in Venezuelan labor laws. 2011 excludes net rationalization charges and a gain related to a favorable adjustment for tax audit settlements. 2010 excludes net rationalization gains, asset impairment charges, noncontrolling interest charges associated with a gain on disposal of assets, a net charge due to a change in functional currency for the Company's Venezuelan operation to the U.S. dollar and the devaluation of the Venezuelan currency and income due to a change in applicable tax regulations in the Asia Pacific Welding segment. 2009 excludes rationalization and asset impairment charges, the gain on the sale of a property, a loss associated with the acquisition of a business in China and related disposal of an investment in Taiwan, a pension settlement gain and a charge in noncontrolling interests associated with the pension settlement gain for a majority-owned consolidated subsidiary.

To Our Shareholders, Employees and Global Partners:

I am pleased to report that 2013 was another record-setting year for Lincoln Electric as we continued to create value for our stakeholders. While the global environment remained challenging, we were able to execute on our operational initiatives and focus on attractive sectors, high-growth applications and strong customer partnerships to yield record results. This balanced approach has been a winning formula and positions us well to further capitalize on our many long-term growth opportunities.

2013 Financial Highlights

While 2013 sales remained steady at $2.9 billion, we achieved a record operating profit margin of 14.3%, up 160 basis points compared with 2012. On an adjusted basis excluding special items, operating profit was a record $428.4 million, or 15.0% of sales. We also achieved record net income of $293.8 million, an increase of 14.1% from 2012. Net income on an adjusted basis was $313.2 million, an increase of 17.8% year-over-year. As a result, diluted earnings per share increased 15.7% to $3.54, and increased 19.3% on an adjusted basis to $3.77.

We also generated record cash flow from operations, up 3.5% to $338.9 million. Higher earnings and greater efficiency in operating working capital (17.6% of net sales) drove solid cash flow and allowed us to further invest in our future, strengthen our balance sheet, achieve a fully funded U.S. pension program and accelerate returns to our shareholders. During the year, we returned a record $217 million to our shareholders, representing nearly two-thirds of our cash flow from operations, through $168 million in share repurchases and a 17.6% increase in our dividend.

Employees Drive Long-Term Success

Our success is driven by the strength of our global employees and the improvements they have achieved in our businesses around the world, reflecting our ability to work as a team. We are focused on providing value-added solutions to serve our customers and driving excellence in processes. That focus is fundamental to our 2020 Vision and Strategy for the Company, which targets compounded annual growth of 10% in sales and an average return on invested capital of 15% through 2020.

We can point to many examples of progress and successful initiatives in 2013. As part of our multi-year deployment of a standardized ERP system, we completed seven installations of SAP during the year and we intend to expand upon this effort in 2014. We continued to drive improvement with an increased emphasis on sustainability and by pursuing our environmental, health and safety goals, as noted in this annual report. A highlight of this effort is our Canadian operation, which became the first welding facility in the world to achieve ISO 50001 certification, recognizing it as a global leader in process capabilities, employee engagement and environmental stewardship.

We are also enhancing our ability to serve our global customers through our “Us to Us” program, which is focused on enhancing our capabilities to deliver our products worldwide. Our procurement teams are collaborating globally to identify and develop efficiencies in our supply base. And, we are facilitating these teams with tools such as SAP and our new GlobalLinc internal communications network, which allows our employees to accelerate process excellence in our Company on a global scale.

Investing in Innovation

Our innovation pipeline has never been more robust, as we continue to invest in and develop proprietary technologies. We have accelerated our R&D program into attractive areas including alloy-based consumables, automation systems and laser technologies. In 2013, we invested $42 million in our R&D efforts, which contributed to the approximately 30% of sales during the year that came from new products launched within the last five years.

Among our key accomplishments in 2013, we expanded our automation portfolio to meet the growing demand for automated arc welding processes as customers seek to improve their productivity and quality while addressing the challenge of a shortage in skilled welders. Today, we offer the broadest portfolio of automation solutions and technical expertise for arc welding and cutting globally, and we expect to continue to build on

Our success is driven by the strength of our global employees and the improvements they have achieved in our businesses around the world, reflecting our ability to work as a team.

Christopher L. Mapes, Chairman, President and Chief Executive Officer

this position in the years ahead as we partner with our global customers to assist them in developing engineered solutions.

We are also driving further productivity for customers through our established base of Power Wave® welding equipment, where we have introduced software modules that monitor weld quality while instructing the operator on the sequence of welds necessary to ensure proper production processes.

Additionally, we are leveraging open innovation with industry and academic partners to accelerate innovation. One example is our participation with America Makes and other partners, where we are engaged in an incubator project that uses our proprietary hotwire laser technology for additive manufacturing applications with new alloys.

Excited About the Future

We are confident that our R&D investments and disciplined acquisition strategy will position us well to capitalize on the growing opportunities in our end markets. An ongoing economic recovery combined with global investments in energy, infrastructure development and automation of advanced manufacturing will present substantial growth opportunities for us throughout the world. We believe we have a strong portfolio of solutions, industry-leading technologies, the global footprint and technical expertise to serve these growing needs, along with the financial flexibility to invest in new areas to build upon our solid base.

We are excited about our future. By putting customers first and addressing their challenges with innovative solutions, we are driving measurable value, which we have highlighted in this year's annual report. We will continue to execute this value proposition globally as we pursue our 2020 Vision and Strategy. We believe this is the right formula to provide increasing value for all of our stakeholders in 2014 and beyond, and we will be steadfast in our pursuit of stronger year-over-year results through our commitment to continuous improvement and innovation. The hard work of our more than 10,000-person team worldwide has made Lincoln Electric the global leader it is today. We are thankful to our team, to our customers, and to our shareholders and partners for their ongoing support.

Sincerely,

Christopher L. Mapes
Chairman, President and Chief Executive Officer

RELIABILITY

220%

increase in productivity compared with traditional method

Lincoln Wire Provides a Cool Solution for Natural Gas Storage

Collecting natural gas from remote locations, and then transporting and storing it, poses many engineering and logistic challenges requiring specialized solutions and expertise.

Natural gas offers abundant reserves, low prices and relatively clean emissions, and its demand as a preferred energy source continues to grow. To meet this demand, more than 280 liquefied natural gas (LNG) projects are under consideration today.

Operating off the northwest coast of Australia, the Ichthys project is one of the largest LNG projects currently under construction. At the site, subsea wells collect natural gas which is transported 550 miles through a subsea pipeline to the city of Darwin, at the tip of Australia's Northern Territory. There, the gas is chilled to -196°C and held in large, specially engineered, multiwall and airtight tanks made of thick 9% nickel inner liner material that withstands low temperatures without becoming brittle.

Until recently, achieving the stringent weld metal requirements for tanks at these temperatures was a time-intensive process involving manual stick electrode consumables made of specialty alloys. By working with the construction company building the LNG tanks at Darwin to understand their priorities and issues, Lincoln Electric Research & Development and Application Engineering specialists helped design and demonstrate a more efficient solution.

Following a series of rigorous welding and mechanical tests to ensure fit-for-use and low-temperature durability, Lincoln Electric's new Metrode® brand Supercore™ 625 specialty alloy wire replaced the traditional stick electrode consumable. This conversion allowed the customer to achieve a 220% improvement in productivity, significantly reduce man-hours and diminish waste while delivering high-quality, reliable welds that exceed the weld requirements necessary for these extreme low-temperature conditions.

62%

Reduction in man-hours following conversion to the Metrode® Supercore™ 625 wire

280+

LNG projects currently under consideration globally to meet growing demand

↑Efficiency

Specialty alloy wire runs longer without requiring a stick reload every 120mm

PARTNERS

5,500

welds across **40 miles** of pipe

Technology and Training Are Keys to Success for Pipeline Project

When a leading global engineering, procurement, construction and installation company faced many challenging conditions during the construction of a 40-mile subsea gas pipeline, Lincoln Electric was the right partner to ensure that the welded units of the pipeline were of the highest quality.

From the training of welders to the fabrication and installation of the pipe, Lincoln Electric's welding technology and expertise helped ensure the welding operation was energy-efficient and productive.

Durable, defect-free products and expert training were mission-critical to the project as a result of the corrosive environment and severe operating conditions of the underwater setting. There simply was no room for error.

To prepare for work at the offshore welding stations that would be used for the project, a team of 30 skilled welders underwent extensive scenario training with the engineering company's proprietary training system. Drawing from the expertise they gained from their training utilizing Lincoln Electric's high-performance solutions, upgraded technology and optimized processes and protocols, the 30 welders worked across two shifts to successfully complete the project in less than four months. They welded 5,500 joints along 40 miles of pipe with zero defects.

Keys to the success of the project were Lincoln Electric's Power Wave® inverter power source, utilizing custom-designed proprietary welding waveforms, and Lincoln's specifically designed high-performance solid wire welding consumables. In addition, Lincoln's PowerConnect™ technology, which compensates for varying input power while maintaining consistent output levels, helped achieve energy cost savings of approximately 10% when compared with conventional solutions.

Finally, Production Monitoring™ 2 software technology allowed operators to track the usage of welding equipment, store welding data and analyze production performance based on their customized parameters, leading to fewer weld defects and maximizing productivity.

0 defects

Severe environment required a defect-free pipeline

Custom

Lincoln's customized 1mm high-strength welding wire helped achieve perfect quality while meeting stringent requirements

10%

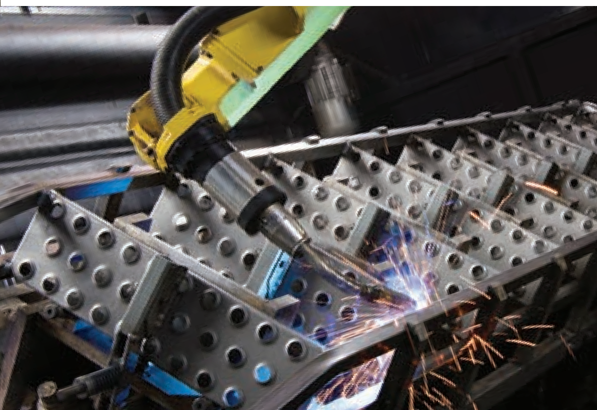
Energy savings vs. conventional solutions

48 hrs

ladders now ship within 48 hours of being ordered

Lincoln Team Steps Up to Ladder Maker's Challenge

Just-in-time (JIT) manufacturing reduces inventory and warehouse space requirements, improves operational efficiencies and increases levels of customer service and responsiveness.



This requires agile manufacturing processes to react in tight cycle times and flex to customers' changing requirements without sacrificing quality. For JIT, automation is often the right fit.

When a leading industrial metal ladder manufacturer sought to improve cycle times and order fill rates, JIT manufacturing was the answer. The solution had to accommodate small batch sizes, quick turns and product specifications ranging from 2- to 18-step tread configurations, while ensuring consistently high quality standards. Partnering with the right experts would be critical to ensuring success.

Lincoln Electric's arc welding automation engineering team, working closely with the customer and a tooling specialist, determined that a flexible automated manufacturing process would address the customer's needs and allow production of high-quality rolling ladders on demand. The customized solution leverages Lincoln Electric's pre-engineered System 55 robotic arc welding system which can accommodate multiple welding procedures, various types of tooling and the rotation and reorientation of parts in the arc welding process. This improved speed and efficiency for the customer, as two product lines could now be manufactured in one production cell.

Additionally, the process benefits from flexible tooling that adjusts to multiple part sizes and weld positions, as well as a sensor system that triggers the correct production sequence by identifying the assembled parts loaded and positioned in the tooling. Both finished quality and welding cycle times improved because of the error-free tooling concept. The operator is now able to manufacture a variety of ladders in a given shift, optimizing operational efficiency, safety, quality and speed. Today, the customer produces on demand, ships within 48 hours and has been recognized by its own customers for exceeding quality and service standards.

On demand

Error-free tooling and an automated system deliver high-quality ladders made to order

↑Quality

New solution uses four welds per tread vs. an industry standard of two

0 inventory

Just-in-time manufacturing eliminated the need for finished goods inventory

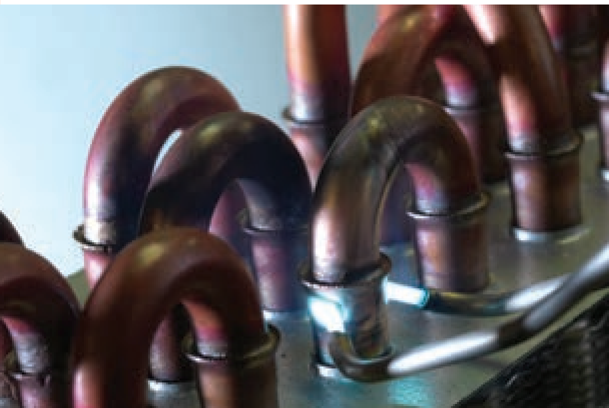
IMPROVE

35%

reduction in appliance failures

Getting It Done – Even in the Extremes

Ensuring that projects are completed on schedule, safely and reliably – regardless of weather – is critical for many industries including construction, farming, military, logistics, mining and emergency services.



These industries often rely on heavy-duty commercial HVAC systems to reduce expensive down-time and operating costs in the field by keeping workers safe and comfortable with thermal management, humidity control and ventilation to remove pollutants. One leading HVAC provider turned to Lincoln Electric's Harris® team to help improve the brazing of materials in its manufacturing process. Specifically, the company was focused on quality concerns associated with discoloration, enhancing the productivity of new operators and reducing appliance failures caused by leaks.

The Harris team's evaluation of the customer's brazing processes identified that more consistent heat input would eliminate discoloration associated with "hot flames," improve cycle times that had been extended by "soft flames," and reduce leak rates that had resulted from an inconsistent penetration of alloys. Operators are now able to maintain a consistent and repeatable flame through the use of standardized brazing equipment across each station – including new regulators, torches and tips. This also allows for more effective training on how to properly operate the equipment, apply heat and use the brazing alloys in the process.

Quality levels improved within one month following the Harris® brazing training and standardization of the equipment, generating an immediate $270,000 in annual savings. Additionally, leak rates were reduced significantly, resulting in a 35% reduction in appliance failures. Looking ahead to 2014, the Harris® team is working to identify other process improvements to achieve the ultimate goal of reducing appliance failures by 60%.

20%

Cost savings from reduced appliance quality failures

1 month

Harris® brazing training was the key to improved appliance performance within one month

60%

Targeted reduction in appliance failures in 2014

LEADERSHIP

As the global leader in the arc welding and cutting industry, we continue to foster a culture of continuous improvement, operational efficiency, individual achievement and integrity, while we also work to improve our communities, support the manufacturing industries we serve and develop the next generation of welders.

2013 Chairman's Award for EH&S Excellence: Lincoln Canada received our premier North American award for exceptional EH&S performance, which included earning ISO 50001 certification, a global best-in-class energy management system, recording no DART[4] incidents and achieving a 22% reduction in energy use in 2013

Living the Lincoln Legacy

Lincoln Electric's founders, John C. and James F. Lincoln, believed providing innovative products that deliver real value for customers – and rewarding employees for their achievements – would create a business that would generate long-term value for all of its stakeholders. For 119 years, their philosophy has passed the test through wars, recessions, technological shifts and globalization. Today, our founding principles remain as strong as ever, aligning well with the "people, planet and profit" pillars that define modern sustainability efforts.

Environmental, Health & Safety Improvements

Our commitment to maintaining the health and safety of our employees, customers and neighbors, while preserving the integrity of the environment, extends across our global network of 45 facilities. We strive to not only comply with but often exceed local environmental, health and safety (EH&S) regulatory requirements. To do this, we set rigorous annual goals that focus on continual improvement in conserving natural resources, preventing emissions and other pollutants, conserving energy, minimizing waste and protecting the safety and wellness of our employees and communities.

This effort includes our ongoing global investment in ISO 14001 environmental management systems, which allow us to identify, implement and measure

Sustainability Metrics	2013 vs. 2012 Percent Change
Greenhouse gas emissions[1]:	**4%** improvement
Waste minimization[2]:	**28%** improvement
Energy use[3]:	**1%** increase
Workplace safety[4]:	**18%** improvement

[1] Absolute metric tons of CO_2 emissions from both direct (fuels) and indirect (energy) sources across our global manufacturing footprint. Improvement reflects Scope 1 and 2 emissions as defined by 2006 IPCC guidelines.
[2] Percent of all waste (manufacturing and non-manufacturing waste material) recycled across our global manufacturing footprint. This metric excludes metals that are fully recycled or reused.
[3] Absolute energy use (electricity, natural gas, coal, fuel oil and liquefied petroleum gas) in gigajoules (GJ) across our global manufacturing footprint.
[4] Reflects a "Days Away, Restrictions or Transfers" (DART) rate that measures injury cases resulting in either missed work, restrictions in performing assigned tasks, or a job transfer during recovery. DART is calculated as number of incidents per 200,000 hours worked and reflects incidences across our global footprint.

Cleaner air

Our 2013 reduction in greenhouse gas emissions is equivalent to taking more than 2,300 cars off the road

Safer

We reduced our DART[4] rate 18% and seven of our facilities achieved no DART incidents in 2013

↓VOCs

We reduced Volatile Organic Compounds (VOCs) in our equipment manufacturing process, which eliminates hazardous emissions and reduces energy use by 84% in that process

improvements in resource efficiency, waste reduction and the resulting cost savings. In 2013, 57% of our applicable facilities were ISO 14001 certified, and we will continue to expand this program in 2014.

For the longer term, we are developing additional goals across our targeted metrics to highlight the results we expect to achieve by more efficiently using natural resources, further reducing the environmental impact of our operations and maintaining our focus on the safety of our employees worldwide.

Engaging Employees and Encouraging Achievement

Based on the philosophy of our founders, Lincoln Electric's management system encourages and rewards employee engagement and achievement. We are continuing that legacy with numerous Company- and employee-driven initiatives and partnerships. In 2013, for example, we expanded our new global intranet site, "GlobalLinc," which provides forums for employees to collaborate, report news, share best practices, access information and ask questions on key topics across regions.

We also are committed to cultivating a diverse work force that not only reflects our values of respect, fairness and nondiscrimination, but makes us a better supplier and partner to the customers we serve globally. Goals and objectives to support diversity are reviewed by our Board of Directors, and our Diversity Councils engage employees in inclusion and community outreach programs.

Additionally, a variety of employee development, wellness and engagement programs flourish throughout our global organization:

- The Junior Board program gives tomorrow's leaders an opportunity to impact the business through various executive-sponsored team projects.
- Locally sponsored events and fundraisers help bring positive change to communities across our global footprint.
- A growing number of Wellness Committee activities promote healthy lifestyles through education, wellness fairs, classes and charitable events.
- Employee-based groups such as "WELD" and "BBS" focus on safety and wellness initiatives, influencing safety practices, and generating awareness through newsletters and volunteerism in their local communities.

Integrity and Good Governance Are Part of Our Culture

Lincoln Electric maintains a proud tradition of good governance, ethical actions and integrity. Our Board is committed to following the highest corporate governance standards. We maintain a transparent workplace, welcoming questions and concerns, with an open-door policy that extends all the way to the Chairman.

Our employee base understands that everyone associated with Lincoln is expected to lead by example and diligently follow our "Code of Corporate Conduct and Ethics," which has been translated into 12 languages. In 2013, 33,000 courses were completed by our employees, covering awareness, training and monitoring of ethical behaviors. We also offer toll-free telephone hotline access across 24 countries available 24/7 and worldwide online access to report compliance concerns.

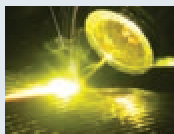
COMMUNITY

Sustainable Solutions

The Gem-Pak™ bulk packaging system for aluminum wire is fully recyclable and increases productivity by improving feedability and reducing tangling.

Our inverter-based welding equipment is up to 30% more energy efficient than transformer-based alternatives.

Lasers combined with our Power Wave® technology can more than double the amount of material deposited per hour and reduce the energy used in processing parts by more than 30% compared with other laser welding and cladding techniques.



The Harris® ecoSMART® boric acid-free flux reduces toxicity in customers' brazing operations.

Helping Customers with Their Sustainability Goals

Lincoln Electric is committed to helping customers address their environmental and productivity goals, and our high-performance solutions play a key role in environmentally friendly products such as wind turbines, solar panels and reduced-weight vehicles. With an emphasis on efficiency, productivity and ease-of-use, our R&D teams work to reduce the energy intensity of our systems, increase recycled content, decrease weight and bulk, and improve welding fumes and exhaust management.

Each year, we introduce many new products that help customers achieve their sustainability goals. In 2013, we invested $42 million in research and development globally, and approximately 30% of our sales revenue came from new products launched from 2009-2013.

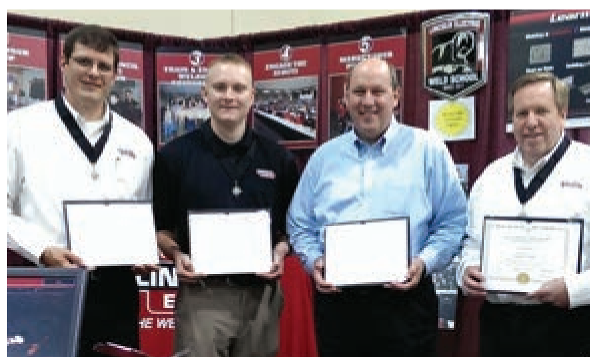
Championing Education and the Future of Welding

As the global leader in our industry, Lincoln Electric is uniquely positioned to advance the future of welding through a variety of programs and initiatives.

- Lincoln sponsors welding competitions for SkillsUSA® and was the exclusive welding sponsor of the 2013 WorldSkills International® global competition in Leipzig, Germany.
- The Lincoln Electric Welding School provides free training programs to qualified instructors to help them develop the next generation of welders.
- We work with skilled trade unions to "train the trainers" in welding, and provide training programs, curriculum and welding solutions to community colleges and skill centers.
- The James F. Lincoln Arc Welding Foundation, created in 1936 to encourage and stimulate scientific interest, study and education in the development of the arc welding industry, publishes and distributes low-cost training materials and books to educators and students. It also supports professional, college and school shop award programs.

Lincoln Electric partnered with Extollo International, a nonprofit organization, by donating welding equipment and educational curriculum to help rebuild Haiti.

Volunteers from Lincoln Mexico performed craft activities using recycled materials as part of the Mexico Teleton Foundation's "Summer Telethon 2013" to raise money for children's rehabilitation centers.



The Boy Scouts of America awarded Lincoln Electric with its prominent North Star Award for our efforts in supporting the organization's welding merit badge program, which launched in 2012.

- As part of the U.S. Army's "Training With Industry" program, enlisted soldiers serve with us for one year to learn welding technologies and business practices.
- Working with the United Nations Industrial Development Organization (UNIDO), a welding training facility in Liberia was equipped with Lincoln products and we provided complimentary training to welding instructors to help develop local skilled welders.

We also realize that the long-term success of advanced manufacturing relies on skills in STEM subjects (science, technology, engineering and mathematics). Welding is a profession that incorporates a wide range of disciplines including engineering, chemistry, metallurgy, sciences, physics and business. To foster that understanding, in 2013, we sponsored 40 college interns who worked in STEM-related functions at our headquarters. Additionally, our management team helps non-profit organizations such as MAGNET, WIRE-Net and the National Association of Manufacturers (NAM) develop programs focused on STEM education and vocational training. For younger students, we have developed training materials for the National FFA that emphasize STEM topics. We also supported the Boy Scouts of America® in the development and roll-out of its welding merit badge program and we will continue to develop curriculum to support its expansion.

Revitalizing Our Communities

Every year, Lincoln Electric supports numerous non-profit organizations and philanthropic events across our international footprint and through the Lincoln Electric Foundation. Since 1952, the Foundation has invested in improving the vibrancy of local communities through grants for local schools, scholarships, youth programs, arts and cultural initiatives, and health and human services programs. Additionally, Lincoln Electric donates welding and cutting equipment, as well as our technical expertise, to help organizations achieve their mission of revitalizing communities and enhancing skills through the use of metal fabrication and welding. In 2013, our combined community outreach efforts represented approximately $3 million in giving.

Board of Directors

front row:

ROBERT J. KNOLL
Former Partner,
Deloitte & Touche LLP

KATHRYN JO LINCOLN
Chair of the Lincoln Institute of Land Policy

STEPHEN G. HANKS
Former President and Chief Executive Officer, Washington Group International, Inc.

G. RUSSELL LINCOLN
President of N.A.S.T. Inc.

HAROLD L. ADAMS
Lead Director
Chairman Emeritus and Former Chairman, President and Chief Executive Officer of RTKL Associates Inc.

back row:

CURTIS E. ESPELAND
Senior Vice President and Chief Financial Officer, Eastman Chemical Company

GEORGE H. WALLS, JR.
Former Chief Deputy Auditor, State of North Carolina

CHRISTOPHER L. MAPES
Chairman, President and Chief Executive Officer of the Company

PHILLIP J. MASON
Former President of Ecolab, Inc. EMEA sector

DAVID H. GUNNING
Former Vice Chairman of Cleveland-Cliffs Inc

WILLIAM E. MACDONALD, III
Former Vice Chairman of National City Corporation

HELLENE S. RUNTAGH
Former President and Chief Executive Officer of Berwind Group

Company Officers and Executive Management

GEOFFREY P. ALLMAN
Senior Vice President,
Corporate Controller

ANTHONY K. BATTLE
Senior Vice President,
Internal Audit

GEORGE D. BLANKENSHIP*
Executive Vice President
President, Lincoln Electric North America

GABRIEL BRUNO*
Executive Vice President,
Chief Information Officer

JOSEPH G. DORIA
Vice President
President, Lincoln Electric Canada

GRETCHEN A. FARRELL*
Executive Vice President,
Chief Human Resources Officer

THOMAS A. FLOHN*
Senior Vice President
President, Asia Pacific Region

MATHIAS HALLMANN*
Senior Vice President
President, Lincoln Electric Europe

STEVEN B. HEDLUND*
Senior Vice President, Strategy and Business Development

MICHELE R. KUHRT
Senior Vice President, Tax

DOUGLAS S. LANCE
Senior Vice President, North American Operations

CHRISTOPHER L. MAPES*
Chairman, President and Chief Executive Officer

WILLIAM T. MATTHEWS
Senior Vice President,
Technology and Research and Development

MICHAEL S. MINTUN
Senior Vice President, North America Sales and Marketing

DAVID J. NANGLE*
Senior Vice President
President, Harris Products Group

VINCENT K. PETRELLA*
Executive Vice President,
Chief Financial Officer and Treasurer

FREDERICK G. STUEBER*
Executive Vice President,
General Counsel and Secretary

A Note of Gratitude

We thank John Stropki, former Chairman and Chief Executive Officer, who retired in 2013, for all he has done during his 44-year career with the Company. We wish the best for him and his family.

*Member, Management Committee

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 ☑ 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 ☑

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 ☑ 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 ☑ 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.

☑ 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 ☑

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 Declared	Stock Price		Dividends Declared
	High	Low		High	Low	
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:

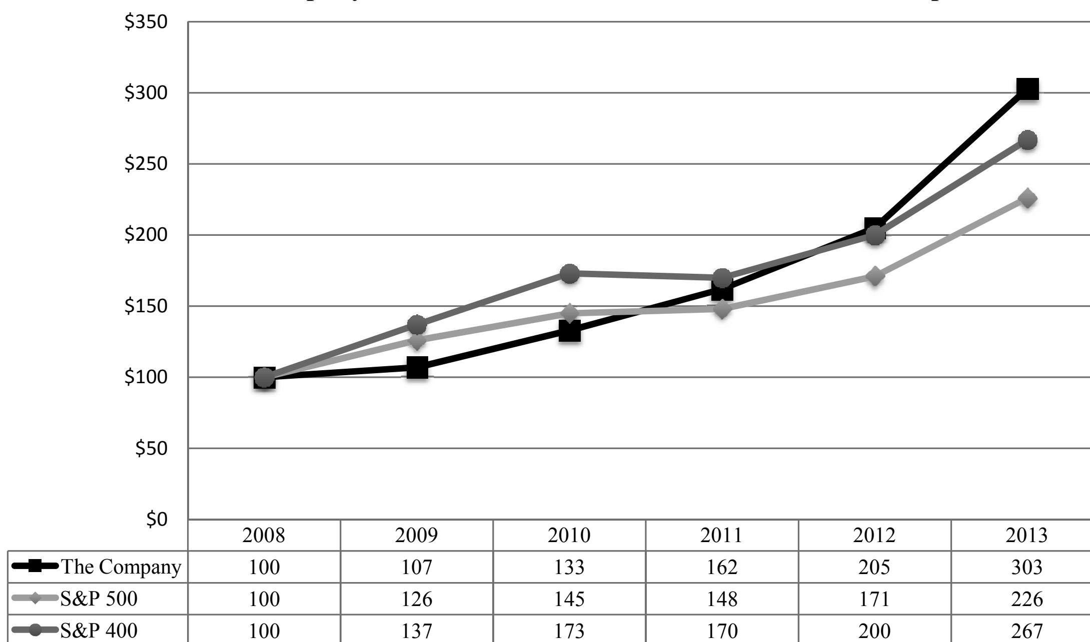
Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (2)
October 1-31, 2013	162,100	$ 67.84	162,100	16,257,131
November 1-30, 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.

Five Year Performance Caparison
The Company's Common Shares, S&P 500 and S&P 400 Composite Indices



	2008	2009	2010	2011	2012	2013
The Company	100	107	133	162	205	303
S&P 500	100	126	145	148	171	226
S&P 400	100	137	173	170	200	267

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%

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.

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:

	Net Sales 2011	Change in Net Sales due to: 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.

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	15,948
Total Equity	1,530,688	1,358,321
TOTAL LIABILITIES AND EQUITY	$ 2,151,867	$ 2,089,863

See notes to these consolidated financial statements.

LINCOLN ELECTRIC HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Year Ended December 31,		
	2013	2012	2011
Net sales	$ 2,852,671	$ 2,853,367	$ 2,694,609
Cost of goods sold	1,910,017	1,986,711	1,957,872
Gross profit	942,654	866,656	736,737
Selling, general & administrative expenses	527,206	495,221	439,775
Rationalization and asset impairment charges	8,463	9,354	282
Operating income	406,985	362,081	296,680
Other income (expense):			
Interest income	3,320	3,988	3,121
Equity earnings in affiliates	4,806	5,007	5,385
Other income	4,194	2,685	2,849
Interest expense	(2,864)	(4,191)	(6,704)
Total other income (expense)	9,456	7,489	4,651
Income before income taxes	416,441	369,570	301,331
Income taxes	124,754	112,354	84,318
Net income including non-controlling interests	291,687	257,216	217,013
Non-controlling interests in subsidiaries' loss	(2,093)	(195)	(173)
Net income	$ 293,780	$ 257,411	$ 217,186
Basic earnings per share	$ 3.58	$ 3.10	$ 2.60
Diluted earnings per share	$ 3.54	$ 3.06	$ 2.56
Cash dividends declared per share	$ 0.830	$ 0.710	$ 0.635

See notes to these consolidated financial statements.

LINCOLN ELECTRIC HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2013	2012	2011
Net income including non-controlling interests	$ 291,687	$ 257,216	$ 217,013
Other comprehensive income, net of tax:			
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax of $(141) in 2013; $(201) in 2012; $264 in 2011	289	(832)	1,264
Defined pension plan activity, net of tax of $60,556 in 2013; $(3,492) in 2012; $(47,413) in 2011	101,151	(6,475)	(79,936)
Currency translation adjustment	(19,955)	19,635	(26,773)
Transactions with non-controlling interests	155	—	—
Other comprehensive income (loss)	81,640	12,328	(105,445)
Comprehensive income	373,327	269,544	111,568
Comprehensive (loss) income attributable to non-controlling interests	(3,912)	(348)	315
Comprehensive income attributable to shareholders	$ 377,239	$ 269,892	$ 111,253

See notes to these consolidated financial statements.

LINCOLN ELECTRIC HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands, except per share amounts)

	Common Shares Outstanding	Common Shares	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non-controlling Interests	Total
Balance at December 31, 2010	84,242	$ 9,858	$ 162,447	$ 1,320,552	$ (141,948)	$ (217,412)	$ 15,981	$ 1,149,478
Net income				217,186			(173)	217,013
Unrecognized amounts from defined benefit pension plans, net of tax					(79,936)			(79,936)
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax					1,264			1,264
Currency translation adjustment					(27,261)		488	(26,773)
Cash dividends declared – $0.635 per share				(53,345)				(53,345)
Issuance of shares under benefit plans	593		16,657			5,881		22,538
Purchase of shares for treasury	(1,078)					(36,997)		(36,997)
Balance at December 31, 2011	83,757	9,858	179,104	1,484,393	(247,881)	(248,528)	16,296	1,193,242
Net income				257,411			(195)	257,216
Unrecognized amounts from defined benefit pension plans, net of tax					(6,475)			(6,475)
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax					(832)			(832)
Currency translation adjustment					19,788		(153)	19,635
Cash dividends declared – $0.710 per share				(59,136)				(59,136)
Issuance of shares under benefit plans	985		26,020			9,669		35,689
Purchase of shares for treasury	(1,797)					(81,018)		(81,018)
Balance at December 31, 2012	82,945	9,858	205,124	1,682,668	(235,400)	(319,877)	15,948	1,358,321
Net income				293,780			(2,093)	291,687
Unrecognized amounts from defined benefit pension plans, net of tax					101,151			101,151
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax					289			289
Currency translation adjustment					(18,136)		(1,819)	(19,955)
Cash dividends declared – $0.83 per share				(67,986)				(67,986)
Issuance of shares under benefit plans	787		33,693			7,460		41,153
Purchase of shares for treasury	(2,722)					(167,879)		(167,879)
Transactions with non-controlling interests			1,702		155		(7,950)	(6,093)
Balance at December 31, 2013	81,010	$ 9,858	$ 240,519	$ 1,908,462	$ (151,941)	$ (480,296)	$ 4,086	$ 1,530,688

See notes to these consolidated financial statements.

LINCOLN ELECTRIC HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 293,780	$ 257,411	$ 217,186
Non-controlling interests in subsidiaries' loss	(2,093)	(195)	(173)
Net income including non-controlling interests	291,687	257,216	217,013
Adjustments to reconcile Net income including non-controlling interests to Net cash provided by operating activities:			
Rationalization and asset impairment charges	5,092	1,740	23
Depreciation and amortization	68,883	65,334	62,051
Equity (earnings) loss in affiliates, net	(1,660)	160	(1,971)
Deferred income taxes	17,817	(2,137)	15,139
Stock-based compensation	9,734	8,961	6,610
Pension expense	29,774	35,515	26,370
Pension contributions and payments	(87,356)	(69,646)	(36,322)
Other, net	1,910	2,688	991
Changes in operating assets and liabilities, net of effects from acquisitions:			
(Increase) decrease in accounts receivable	(5,437)	57,759	(67,518)
Decrease (increase) in inventories	13,310	28,286	(51,679)
Decrease (increase) in other current assets	2,811	(9,506)	(2,857)
Increase in accounts payable	794	16,110	8,672
(Decrease) increase in other current liabilities	(7,785)	21,887	20,838
Net change in other long-term assets and liabilities	(680)	(86,883)	(3,842)
NET CASH PROVIDED BY OPERATING ACTIVITIES	338,894	327,484	193,518
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(76,015)	(52,715)	(65,813)
Acquisition of businesses, net of cash acquired	(53,161)	(134,602)	(66,229)
Proceeds from sale of property, plant and equipment	1,393	1,387	1,246
Other investing activities	(1,717)	(1,541)	—
NET CASH USED BY INVESTING ACTIVITIES	(129,500)	(187,471)	(130,796)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	1,230	2,518	23,224
Payments on short-term borrowings	(2,164)	(4,293)	(15,446)
Amounts due banks, net	(517)	(2,758)	1,203
Proceeds from long-term borrowings	61	918	909
Payments on long-term borrowings	(450)	(85,688)	(1,941)
Proceeds from exercise of stock options	20,297	18,776	11,351
Excess tax benefit from stock-based compensation	10,602	7,819	2,916
Purchase of shares for treasury	(167,879)	(81,018)	(36,997)
Cash dividends paid to shareholders	(49,277)	(73,112)	(51,935)
Transactions with non-controlling interests	(6,087)	—	—
Other financing activities	—	—	3,346
NET CASH USED BY FINANCING ACTIVITIES	(194,184)	(216,838)	(63,370)
Effect of exchange rate changes on cash and cash equivalents	(1,849)	2,188	(4,444)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,361	(74,637)	(5,092)
Cash and cash equivalents at beginning of year	286,464	361,101	366,193
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 299,825	$ 286,464	$ 361,101

See notes to these consolidated financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Lincoln Electric Holdings, Inc. and its wholly-owned and majority-owned subsidiaries for which it has a controlling interest (the "Company") after elimination of all inter-company accounts, transactions and profits.

General Information

The Company is a manufacturer 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, regulators and torches used in oxy-fuel welding, cutting and brazing and consumables used in the brazing and soldering alloys market.

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.

The translation of assets and liabilities originally denominated in foreign currencies into U.S. dollars is for consolidation purposes, and does not necessarily indicate that the Company could realize or settle the reported value of those assets and liabilities in U.S. dollars. Additionally, such a translation does not necessarily indicate that the Company could return or distribute the reported U.S. dollar value of the net equity of its foreign operations to shareholders.

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. generally accepted accounting principles ("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.

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.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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.

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.

Reserves are maintained for estimated obsolescence or excess inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. Historically, the Company's reserves have approximated actual experience.

Equity Investments

Investments in businesses in which the Company does not have a controlling interest and holds between a 20% and 50% ownership interest are accounted for using the equity method of accounting. The Company's 50% ownership interest in equity investments includes investments in Turkey and Chile. The amount of retained earnings that represents undistributed earnings of 50% or less owned equity investments was $16,694 at December 31, 2013 and $15,034 at December 31, 2012.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and include improvements which significantly increase capacities or extend the useful lives of existing plant and equipment. Depreciation and amortization are computed using a straight-line method over useful lives ranging from three to 20 years for machinery, tools and equipment, and up to 50 years for buildings. Net gains or losses related to asset dispositions are recognized in earnings in the period in which dispositions occur.

Routine maintenance, repairs and replacements are expensed as incurred. The Company capitalizes interest costs associated with long-term construction in progress.

Goodwill and Intangibles

Goodwill is recorded when the cost of acquired businesses exceeds the fair value of the identifiable net assets acquired. Intangible assets other than goodwill are recorded at fair value at the time acquired or at cost, if applicable. Intangible assets that do not have indefinite lives are amortized in line with the pattern in which the economic benefits of the intangible asset are consumed. If the pattern of economic benefit cannot be reliably determined, the intangible assets are amortized on a straight-line basis over the shorter of the legal or estimated life.

Goodwill and indefinite-lived intangibles assets are not amortized, but are tested for impairment 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 Company's annual impairment test of goodwill and indefinite-lived intangible assets in 2013 resulted in no impairment loss being recognized.

Long-Lived Assets

The Company 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.

Fair Value Measurements

Financial assets and liabilities, such as the Company's defined benefit pension plan assets and derivative contracts, are valued at fair value using the market and income valuation approaches. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company uses the market approach to value similar assets and liabilities in active markets and the income approach that consists of discounted cash flow models that take into account the present value of future cash flows under the terms of the contracts using current market information as of the reporting date. The following hierarchy is used to classify the inputs used to measure fair value:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Product Warranties

The Company accrues for product warranty claims based on historical experience and the expected material and labor costs to provide warranty service. Warranty services are provided for periods up to three years from the date of sale. The accrual for product warranty claims is included in "Accrued expenses."

Revenue Recognition

Substantially all of the Company's revenues are recognized when the risks and rewards of ownership and title to the product have transferred to the customer which generally occurs at point of shipment. The Company recognizes any discounts, credits, returns, rebates and incentive programs based on reasonable estimates as a reduction of Sales to arrive at Net sales at the same time the related revenue is recorded.

For contracts accounted for under the percentage of completion method, revenue recognition is based upon the ratio of costs incurred to date compared with estimated total costs to complete. The cumulative impact of revisions to total estimated costs is reflected in the period of the change, including anticipated losses.

Distribution Costs

Distribution costs, including warehousing and freight related to product shipments, are included in Cost of goods sold.

Stock-Based Compensation

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 the recipients fail to meet vesting requirements.

Common stock issuable upon the exercise of employee stock options is excluded from the calculation of diluted earnings per share when the calculation of option equivalent shares is anti-dilutive.

Financial Instruments

The Company uses forward contracts to hedge exposures to commodity prices and exchange rate fluctuations on certain purchase and sales transactions, balance sheet and net investment exposures. Contracts are generally written on a short-term basis but may cover exposures for up to two years and are not held for trading or speculative purposes. The Company uses interest rate swaps from time to time to hedge changes in the fair value of debt. The Company recognizes derivative instruments as either assets or liabilities at fair value. The accounting for changes in the fair value of derivative instruments depends on whether it has been designated and qualifies as part of a hedging relationship and on the type of hedging relationship.

For derivative instruments that qualify as a fair value hedge (i.e., hedging the exposure to changes in the fair value of an asset or a liability), the gain or loss on the derivative instrument, as well as the offsetting loss or gain on the hedged item are recognized in earnings. For derivative instruments that qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows), the effective portion of the unrealized gain or loss on the derivative instrument is reported as a component of Accumulated other comprehensive loss with offsetting amounts recorded as Other current assets, Other non-current assets, Other current liabilities or Other long-term liabilities depending on the position and the duration of the contract. At settlement, the realized gain or loss is reflected in earnings in the same period or periods during which the hedged transaction affects earnings. Any remaining gain or loss on the derivative instrument is recognized in earnings. For derivative instruments not designated as hedges, the gain or loss from changes in the fair value of the instruments is recognized in earnings.

Research and Development

Research and development costs are charged to Selling, general & administrative expenses as incurred and totaled $42,126, $37,305 and $32,834 in 2013, 2012 and 2011, respectively.

Bonus

Included in Selling, general & administrative expenses are the costs related to the Company's discretionary employee bonus programs, which for certain U.S.- based employees are net of hospitalization costs. Bonus costs were $123,571 in 2013, $124,947 in 2012 and $104,361 in 2011.

Income Taxes

Deferred income taxes are recognized at currently enacted tax rates for temporary differences between the financial reporting and income tax basis of assets and liabilities and operating loss and tax credit carry-forwards. 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.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in certain circumstances that affect the amounts reported in the accompanying consolidated financial statements and notes. Actual results could differ from these estimates.

Reclassification

Certain reclassifications have been made to prior year financial statements to conform to current year classifications.

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.

NOTE 2 - EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	Year Ended December 31,		
	2013	2012	2011
Numerator:			
Net income	$ 293,780	$ 257,411	$ 217,186
Denominator:			
Basic weighted average shares outstanding	81,978	83,087	83,681
Effect of dilutive securities - Stock options and awards	1,064	1,088	1,027
Diluted weighted average shares outstanding	83,042	84,175	84,708
Basic earnings per share	$ 3.58	$ 3.10	$ 2.60
Diluted earnings per share	$ 3.54	$ 3.06	$ 2.56

For the years ended December 31, 2013, 2012 and 2011, common shares subject to equity-based awards of 45,850, 107,814 and 626,135, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

NOTE 3 – ACQUISITIONS

During November 2013, the Company completed the acquisition of Robolution GmbH ("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 Automation Corporation ("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, Tennessee Rand, Inc. ("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 in 2012 were approximately $35,000.

On November 13, 2012, the Company completed the acquisition of the Kaliburn, Burny and Cleveland Motion Control businesses (collectively, "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 acquisitions added to the Company's cutting business portfolio. Annual sales for Kaliburn at the date of acquisition were approximately $36,000.

On May 17, 2012, the Company completed the acquisition of Wayne Trail Technologies, Inc. (“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 International, Inc. (“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 Company, Inc. and certain assets of its parent company, Central Wire Industries Ltd. (collectively, "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 Applied Robotics, Inc. (d/b/a Torchmate) ("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 OOO Severstal-metiz: welding consumables ("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 SSCO Manufacturing, Inc. (d/b/a Arc Products) ("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.

NOTE 4 – GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill by reportable segments for the years ended December 31, 2013 and 2012 were as follows:

	North America Welding	Europe Welding	Asia Pacific Welding	South America Welding	The Harris Products Group	Consolidated
Balance at December 31, 2011	$ 18,514	$ 23,867	$ 5,208	$ 561	$ 16,951	$ 65,101
Additions and adjustments	67,740	66	—	—	(1,109)	66,697
Foreign currency translation	23	1,424	40	53	(435)	1,105
Balance as of December 31, 2012	86,277	25,357	5,248	614	15,407	132,903
Additions and adjustments	44,446	—	—	—	(1,027)	43,419
Foreign currency translation	(284)	(927)	111	(52)	(455)	(1,607)
Balance as of December 31, 2013	$ 130,439	$ 24,430	$ 5,359	$ 562	$ 13,925	$ 174,715

Additions to goodwill primarily reflect goodwill recognized in the acquisitions of Robolution and Burlington in 2013 and the acquisitions of Weartech, Wayne Trail, Kaliburn and Tenn Rand in 2012 (see Note 3). Reductions to goodwill result from the tax benefit attributable to the amortization of tax deductible goodwill in excess of goodwill recorded for financial reporting purposes.

Gross and net intangible assets other than goodwill by asset class as of December 31, 2013 and 2012 were as follows:

		December 31, 2013			
	Weighted Average Life	Gross Amount	Accumulated Amortization	Indefinite Lived Assets	Total Intangible, Net
Trademarks and trade names	12	$ 38,566	$ 11,898	$ 18,310	$ 44,978
Customer relationships	14	74,935	16,837	—	58,098
Patents	20	23,861	6,205	—	17,656
Other	14	49,578	23,298	—	26,280
Total		$ 186,940	$ 58,238	$ 18,310	$ 147,012

	December 31, 2012			
	Gross Amount	Accumulated Amortization	Indefinite Lived Assets	Total Intangible, Net
Trademarks and trade names	$ 30,611	$ 9,493	$ 18,276	$ 39,394
Customer relationships	63,906	12,099	—	51,807
Patents	20,882	5,103	—	15,779
Other	44,769	18,847	—	25,922
Total	$ 160,168	$ 45,542	$ 18,276	$ 132,902

Additions to gross and net intangible assets primarily reflect assets and related amortization recognized in the acquisitions of Robolution and Burlington in 2013 and the acquisitions of Weartech, Wayne Trail, Kaliburn and Tenn Rand in 2012. Aggregate amortization expense was $13,342, $10,641 and $6,661 for 2013, 2012 and 2011, respectively. Estimated annual amortization expense for intangible assets for each of the next five years is $15,745 in 2014, $15,337 in 2015, $14,367 in 2016, $12,228 in 2017 and $11,484 in 2018.

NOTE 5 – SEGMENT INFORMATION

The Company's primary business is the design and manufacture 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 also has a leading global position in the brazing and soldering alloys market. 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.

Segment performance is measured and resources are allocated based on a number of factors, the primary profit measure being earnings before interest and income taxes ("EBIT"), as adjusted. Segment EBIT is adjusted for special items as determined by management such as the impact of rationalization activities, certain asset impairment charges and gains or losses on disposals of assets. The accounting principles applied at the operating segment level are generally the same as those applied at the consolidated financial statement level with the exception of LIFO. Segment assets include inventories measured on a FIFO basis while consolidated inventories are reported on a LIFO basis. Segment and consolidated income before interest and income taxes are reported on a LIFO basis. At December 31, 2013, 2012 and 2011, approximately 38%, 34% and 31%, respectively, of total inventories were valued using the LIFO method. LIFO is used for certain domestic inventories included in the North America Welding segment. Inter-segment sales are recorded at agreed upon prices that approximate arm's length prices and are eliminated in consolidation. Corporate-level expenses are allocated to the operating segments on a basis that management believes to be reasonable. Certain corporate-level expenses may not be allocated to the operating segments and are reported as Corporate/Eliminations.

Financial information for the reportable segments follows:

	North America Welding	Europe Welding	Asia Pacific Welding	South America Welding	The Harris Products Group	Corporate / Eliminations	Consolidated
For the Year Ended December 31, 2013							
Net sales	$ 1,652,769	$ 429,548	$ 266,282	$ 195,895	$ 308,177	$ —	$ 2,852,671
Inter-segment sales	127,254	19,911	14,906	233	9,605	(171,909)	$ —
Total	$ 1,780,023	$ 449,459	$ 281,188	$ 196,128	$ 317,782	$ (171,909)	$ 2,852,671
EBIT, as adjusted	$ 318,507	$ 36,247	$ 1,815	$ 57,306	$ 27,826	$ (4,350)	$ 437,351
Special items charge (gain)	1,052	2,045	6,071	12,198	—	—	$ 21,366
EBIT	$ 317,455	$ 34,202	$ (4,256)	$ 45,108	$ 27,826	$ (4,350)	$ 415,985
Interest income							3,320
Interest expense							(2,864)
Income before income taxes							$ 416,441
Total assets	$ 1,048,412	$ 403,094	$ 325,656	$ 169,027	$ 162,496	$ 43,182	$ 2,151,867
Equity investments in affiliates	—	23,315	—	3,303	—	—	$ 26,618
Capital expenditures	41,181	10,305	2,073	20,840	3,931	(2,315)	$ 76,015
Depreciation and amortization	39,086	10,933	13,559	1,893	3,636	(224)	$ 68,883
For the Year Ended December 31, 2012							
Net sales	$ 1,580,818	$ 452,227	$ 324,482	$ 161,483	$ 334,357	$ —	$ 2,853,367
Inter-segment sales	131,062	16,048	14,829	38	8,549	(170,526)	$ —
Total	$ 1,711,880	$ 468,275	$ 339,311	$ 161,521	$ 342,906	$ (170,526)	$ 2,853,367
EBIT, as adjusted	$ 293,070	$ 37,299	$ 7,247	$ 18,301	$ 29,477	$ (4,886)	$ 380,508
Special items charge (gain)	827	3,534	4,993	1,381	—	—	$ 10,735
EBIT	$ 292,243	$ 33,765	$ 2,254	$ 16,920	$ 29,477	$ (4,886)	$ 369,773
Interest income							3,988
Interest expense							(4,191)
Income before income taxes							$ 369,570
Total assets	$ 980,093	$ 451,654	$ 350,189	$ 134,650	$ 195,881	$ (22,604)	$ 2,089,863
Equity investments in affiliates	—	21,798	—	2,808	—	—	$ 24,606
Capital expenditures	36,834	5,372	8,833	899	831	(54)	$ 52,715
Depreciation and amortization	33,479	11,008	15,102	1,878	3,934	(67)	$ 65,334
For the Year Ended December 31, 2011							
Net sales	$ 1,309,499	$ 508,692	$ 376,276	$ 156,684	$ 343,458	$ —	$ 2,694,609
Inter-segment sales	136,314	17,422	15,614	494	8,496	(178,340)	$ —
Total	$ 1,445,813	$ 526,114	$ 391,890	$ 157,178	$ 351,954	$ (178,340)	$ 2,694,609
EBIT, as adjusted	$ 227,924	$ 36,171	$ 2,629	$ 12,895	$ 25,151	$ 426	$ 305,196
Special items charge (gain)	—	392	(110)	—	—	—	$ 282
EBIT	$ 227,924	$ 35,779	$ 2,739	$ 12,895	$ 25,151	$ 426	$ 304,914
Interest income							3,121
Interest expense							(6,704)
Income before income taxes							$ 301,331
Total assets	$ 771,315	$ 436,327	$ 380,282	$ 110,781	$ 181,916	$ 96,155	$ 1,976,776
Equity investments in affiliates	—	20,500	—	4,118	—	—	$ 24,618
Capital expenditures	31,826	8,566	21,498	2,314	1,792	(183)	$ 65,813
Depreciation and amortization	29,237	11,736	14,663	2,033	4,714	(332)	$ 62,051

In 2013, special items include net charges of $1,052, $2,045 and $922 in the North America Welding, Europe Welding and Asia Pacific Welding segments, respectively, primarily related to employee severance and other costs associated with the consolidation of manufacturing operations. The Asia Pacific Welding segment special items also include 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 special items represent charges of $12,198 related to the devaluation of the Venezuelan currency.

In 2012, special items include net charges of $827, $3,637 and $3,151 for rationalization actions in the North America Welding, Europe Welding and Asia Pacific Welding segments, respectively, primarily related to employee severance and other costs associated with the consolidation of manufacturing operations. The Europe Welding segment special items also include a gain of $103 on the sale of assets. The Asia Pacific Welding segment special items also include a charge of $1,842 related to asset impairments. The South America Welding segment special item represents a charge of $1,381 related to a change in Venezuelan labor law, which provides for increased employee severance obligations.

In 2011, special items include net charges of $188 and $93 for rationalization actions in the Europe Welding and Asia Pacific Welding segments, respectively, primarily related to employee severance and other costs associated with the consolidation of manufacturing operations. The Europe Welding and Asia Pacific Welding segments special items also include a loss of $204 and a gain of $203, respectively, on the sale of assets at rationalized operations.

Export sales (excluding inter-company sales) from the United States were $260,195 in 2013, $268,331 in 2012 and $242,380 in 2011. No individual customer comprised more than 10% of the Company's total revenues for any of the three years ended December 31, 2013.

The geographic split of the Company's Net sales, based on the location of the customer, and property, plant and equipment were as follows:

	Year Ended December 31,		
	2013	2012	2011
Net sales:			
United States	$ 1,350,309	$ 1,283,066	$ 1,092,838
China	219,490	229,996	286,121
Other foreign countries	1,282,872	1,340,305	1,315,650
Total	$ 2,852,671	$ 2,853,367	$ 2,694,609

	December 31,		
	2013	2012	2011
Property, plant and equipment, net:			
United States	$ 162,357	$ 170,831	$ 149,637
China	83,416	92,744	96,374
Other foreign countries	238,685	223,050	224,801
Eliminations	(453)	(389)	(361)
Total	$ 484,005	$ 486,236	$ 470,451

NOTE 6 – RATIONALIZATION AND ASSET IMPAIRMENTS

The Company recorded rationalization net charges of $8,463, $9,354 and $282 for the years ended December 31, 2013, 2012 and 2011, respectively. The 2013 net charges include $3,658 primarily related to employee severance and $4,961 in asset impairment charges, partially offset by gains of $156 related to sale of assets. A description of each restructuring plan and the related costs follows:

North America Welding Plans:

During 2012, the Company initiated various rationalization plans within the North America Welding segment. Plans for the segment include consolidating its Oceanside, California operations and its Reno, Nevada operations to another facility in Reno, Nevada and consolidating its Baltimore, Maryland manufacturing operations into its current manufacturing operations in Cleveland, Ohio. These actions impacted 72 employees within the North America Welding segment. During the year ended December 31, 2013, the Company recorded charges of $1,052, which represent employee severance and other related costs. At December 31, 2013, a liability relating to these actions of $466 was recognized in Other current liabilities, which will be substantially paid in 2014. Additional charges related to the completion of this plan are expected to be immaterial.

Europe Welding Plans:

During 2013, the Company announced a rationalization plan within the Europe Welding segment to relocate the manufacturing of certain consumable products from its Portuguese operations to current facilities in Italy. These actions impacted 56 employees within the Europe Welding segment. During the year ended December 31, 2013, the Company recorded charges of $1,832 related to these activities. The amount represents employee severance and other related costs of $1,599 and asset impairment charges of $233. At December 31, 2013, a liability relating to these actions of $1,209 was recognized in Other current liabilities. The Company expects to incur additional charges in the range of $400 to $700 related to the completion of this plan.

During 2012, the Company initiated various rationalization plans within the Europe Welding segment. Plans for the segment include the consolidation of manufacturing facilities in Russia, relocation of its Italian machine manufacturing operations to current facilities in Poland and headcount restructuring at various other manufacturing operations within the segment to better align the cost structure and capacity requirements with current economic needs and conditions. These actions impacted 285 employees within the Europe Welding segment. During the year ended December 31, 2013, the Company recorded net charges of $213 related to these activities. The amount represents employee severance and other related costs and asset impairment charges, partially offset by a gain on sale of assets. At December 31, 2013, a liability relating to these actions of $1,226 was recognized in Other current liabilities, which will be substantially paid in 2014. Additional charges related to the completion of this plan are expected to be immaterial.

Asia Pacific Welding Plans:

During 2012, the Company initiated various rationalization plans within the Asia Pacific Welding segment. These included the rationalization of the Australian manufacturing operations and headcount reductions at various other manufacturing operations within the segment to better align the cost structure and capacity requirements with current economic needs and conditions. These actions impacted 268 employees within the Asia Pacific Welding segment. During the year ended December 31, 2013, the Company recorded net charges of $922, which represent employee severance and other related costs of $841 and asset impairment charges of $235, partially offset by gains of $154 from the sale of assets. At December 31, 2013, a liability relating to these actions of $375 was recognized in Other current liabilities, which will be substantially paid in 2014. Additional charges related to the completion of this plan are expected to be immaterial.

The Company continues evaluating its cost structure and additional rationalization actions may result in charges in future periods.

During 2013, the Company recorded long-lived asset impairment charges of $4,444 in Rationalization and asset impairment charges. The charge is the result of the Company removing capacity to align itself with current market conditions and improve operating efficiency.

The following tables summarize the activity related to the rationalization liabilities by segment for the years ended December 31, 2013 and 2012:

	North America Welding	Europe Welding	Asia Pacific Welding	The Harris Products Group	Consolidated
Balance at December 31, 2011	$ —	$ 173	$ —	$ 82	$ 255
Payments and other adjustments	(827)	(1,797)	(2,107)	(82)	(4,813)
Charged to expense	827	3,637	3,151	—	7,615
Balance at December 31, 2012	$ —	$ 2,013	$ 1,044	$ —	$ 3,057
Payments and other adjustments	(586)	(1,343)	(1,510)	—	(3,439)
Charged to expense	1,052	1,765	841	—	3,658
Balance at December 31, 2013	$ 466	$ 2,435	$ 375	$ —	$ 3,276

NOTE 7 – ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME ("AOCI")

The following tables set forth the total changes in AOCI by component, net of taxes, for the years ended December 31, 2013 and 2012:

	Unrealized (loss) gain on derivatives designated and qualifying as cash flow hedges	Defined benefit pension plan activity	Currency translation adjustment	Total
Balance at December 31, 2011	$ 912	$ (255,369)	$ 6,576	$ (247,881)
Other comprehensive income (loss) before reclassification	(1,997)	(26,373) [2]	19,555 [3]	(8,815)
Amounts reclassified from AOCI	1,165 [1]	19,898 [2]	233 [3]	21,296
Net current-period other comprehensive income (loss)	(832)	(6,475)	19,788	12,481
Balance at December 31, 2012	$ 80	$ (261,844)	$ 26,364	$ (235,400)
Other comprehensive income (loss) before reclassification	(681)	82,050 [2]	(19,316) [3]	62,053
Amounts reclassified from AOCI	970 [1]	19,101 [2]	1,335 [3]	21,406
Net current-period other comprehensive income (loss)	289	101,151	(17,981)	83,459
Balance at December 31, 2013	$ 369	$ (160,693)	$ 8,383	$ (151,941)

1 During the 2013 period, this AOCI reclassification is a component of Net sales of $619 (net of tax of $99), Cost of goods sold of $418 (net of tax of $295) and SG&A of $(67) with no tax effect; during the 2012 period, the reclassification is a component of Net sales of $931 (net of tax of $157) and Cost of goods sold of $234 (net of tax of $169). (See Note 13 - Derivatives for additional details.)

2 This AOCI component is included in the computation of net periodic pension costs (net of tax of $60,556 and $(3,492) during the years ended December 31, 2013 and 2012, respectively). (See Note 11 - Retirement and Postretirement Benefit Plans for additional details.)

3 The Other comprehensive income before reclassifications excludes $(1,819) and $(153) attributable to Non-controlling interests in the years ended December 31, 2013 and 2012, respectively. The reclassified AOCI component is included in the computation of Non-controlling interests. (See Consolidated Statements of Equity for additional details.)

NOTE 8 – DEBT

At December 31, 2013 and 2012, debt consisted of the following:

	December 31,	
	2013	2012
Long-term debt		
Capital leases due through 2017, interest at 1.12% to 3.63%	$ 236	$ 267
Other borrowings due through 2023, interest up to 4.00%	4,270	1,788
	4,506	2,055
Less current portion	715	456
Long-term debt, less current portion	3,791	1,599
Short-term debt		
Amounts due banks, interest at 11.28% (11.32% in 2012)	14,581	18,220
Current portion long-term debt	715	456
Total short-term debt	15,296	18,676
Total debt	$ 19,087	$ 20,275

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.

Capital Leases

At December 31, 2013 and 2012, $236 and $267 of capital lease indebtedness was secured by property, plant and equipment, respectively.

Other

Maturities of long-term debt, including payments under capital leases and amounts due banks, for the five years succeeding December 31, 2013 are $15,297 in 2014, $535 in 2015, $446 in 2016, $285 in 2017, $202 in 2018 and $774 thereafter. Total interest paid was $2,864 in 2013, $4,423 in 2012 and $6,979 in 2011. The primary difference between interest expense and interest paid in 2012 and 2011 is the amortization of the gains on terminated interest rate swaps.

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.

NOTE 9 – STOCK PLANS

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.

Stock Options

The following table summarizes stock option activity for the years ended December 31, 2013, 2012 and 2011, under all Plans:

	Year Ended December 31,					
	2013		2012		2011	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance at beginning of year	3,060,944	$ 30.98	3,632,463	$ 26.05	3,779,824	$ 23.99
Options granted	273,105	70.88	412,980	47.66	459,263	35.34
Options exercised	(774,783)	26.20	(962,029)	19.52	(572,795)	19.82
Options canceled	(106,618)	40.54	(22,470)	24.07	(33,829)	26.62
Balance at end of year	2,452,648	36.52	3,060,944	30.98	3,632,463	26.05
Exercisable at end of year	1,837,014	29.93	2,208,455	27.19	2,677,071	23.73

Options granted under both the EPI Plan and its predecessor plans may be outstanding for a maximum of 10 years from the date of grant. The majority of options granted vest ratably over a period of three years from the grant date. The exercise prices of all options were equal to the quoted market price of the Company's common shares at the date of grant. The Company issued shares of common stock from treasury upon all exercises of stock options in 2013, 2012 and 2011.

The Company uses the Black-Scholes option pricing model for estimating fair values of options. In estimating the fair value of options granted, the expected option life is based on the Company's historical experience. The expected volatility is based on historical volatility. The weighted average assumptions for each of the three years ended December 31, 2013 were as follows:

	Year Ended December 31,		
	2013	2012	2011
Expected volatility	32.97%	45.67%	41.92%
Dividend yield	1.40%	1.66%	1.63%
Risk-free interest rate	1.52%	0.70%	0.80%
Expected option life (years)	4.4	4.5	4.3
Weighted average fair value per option granted during the year	$ 18.14	$ 15.87	$ 10.97

The following table summarizes non-vested stock options for the year ended December 31, 2013:

	Year Ended December 31, 2013	
	Number of Options	Weighted Average Fair Value at Grant Date
Balance at beginning of year	852,489	$ 13.63
Granted	273,105	18.14
Vested	(410,542)	12.50
Forfeited	(99,418)	14.04
Balance at end of year	615,634	16.32

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.

The following table summarizes information about awards outstanding as of December 31, 2013:

	Outstanding		Exercisable		
Exercise Price Range	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Life (years)
Under $29.99	738,614	$ 23.41	738,614	$ 23.41	4.6
$30.00 - $39.99	1,092,456	33.20	1,001,199	33.00	6.2
Over $40.00	621,578	57.93	97,201	47.85	9.4
	2,452,648		1,837,014		6.5

Restricted Share Awards ("RSAs")

The following table summarizes restricted share award activity for the years ended December 31, 2013, 2012 and 2011, under all Plans:

	Year Ended December 31,					
	2013		2012		2011	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Balance at beginning of year	336,808	$ 28.49	379,233	$ 28.06	523,730	$ 27.36
Shares granted	14,464	70.88	20,099	47.81	22,779	35.55
Shares vested*	(224,021)	25.68	(62,524)	32.10	(159,842)	26.97
Shares forfeited	(11,935)	25.76	—	—	(7,434)	24.67
Balance at end of year	115,316	39.55	336,808	28.49	379,233	28.06

* Includes shares vested but not exercisable

RSAs are valued at the quoted market price on the grant date. The majority of RSAs vest over a period of three to five years. The Company issued shares of common stock from treasury upon the granting of RSAs in 2013, 2012 and 2011. All restricted shares issued in 2013, 2012 and 2011, were under the the Director Plan. The remaining weighted average life of all non-vested RSAs is 1.8 years as of December 31, 2013.

The following table summarizes non-vested restricted share awards for the year ended December 31, 2013:

	Year Ended December 31, 2013	
	Number of Restricted Shares	Weighted Average Fair Value at Grant Date
Balance at beginning of year	318,088	$ 28.74
Shares granted	14,464	70.88
Shares vested	(205,301)	25.80
Shares forfeited	(11,935)	25.76
Balance at end of year	115,316	39.55

Restricted Stock Units ("RSUs")

The following table summarizes restricted stock unit activity for the years ended December 31, 2013, 2012 and 2011, under all Plans:

	Year Ended December 31,					
	2013		2012		2011	
	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value	Units	Weighted Average Grant Date Fair Value
Balance at beginning of year	288,669	$ 40.83	166,519	$ 34.55	—	$ —
Units granted	69,925	67.17	133,944	47.97	166,519	34.55
Units vested	(33,698)	39.20	(10,499)	33.06	—	—
Units forfeited	(40,952)	41.70	(1,295)	35.55	—	—
Balance at end of year	283,944	47.38	288,669	40.83	166,519	34.55

RSUs are valued at the quoted market price on the grant date. The majority of RSUs vest over a period of three to five years. The Company will issue shares of common stock from treasury upon the vesting of RSUs and any earned dividend equivalents. Conversion of 31,552 RSUs to common stock in 2013 were deferred as part of the 2005 Deferred Compensation Plan for Executives (the "2005 Plan"). As of December 31, 2013, 43,012 RSUs, including related dividend equivalents, have been deferred under the 2005 Plan. These units are reflected within dilutive shares in the calculation of earnings per share. All RSUs issued in 2013, 2012 and 2011, were under the the EPI Plan. The remaining weighted average life of all non-vested RSUs is 4.1 years as of December 31, 2013.

Stock-Based Compensation Expense

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.

Lincoln Stock Purchase Plan

The 1995 Lincoln Stock Purchase Plan provides employees the ability to purchase open market shares on a commission-free basis up to a limit of ten thousand dollars annually. Under this plan, 800,000 shares have been authorized to be purchased. Shares purchased were 4,653 in 2013, 4,908 in 2012 and 4,466 in 2011.

NOTE 10 – COMMON STOCK REPURCHASE PROGRAM

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 year ended December 31, 2013, the Company purchased 2,671,614 shares at an average cost per share of $61.67. As of December 31, 2013, 15,670,759 shares remained available for repurchase under the stock repurchase program. The treasury shares have not been retired.

NOTE 11 – RETIREMENT ANNUITY AND GUARANTEED CONTINUOUS EMPLOYMENT PLANS

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. The Company uses a December 31 measurement date for its plans.

The Company does not have, and does not provide for, any postretirement or postemployment benefits other than pensions and certain non-U.S. statutory termination benefits.

Defined Benefit Plans

Contributions are made in amounts sufficient to fund current service costs on a current basis and to fund past service costs, if any, over various amortization periods.

Obligations and Funded Status

	December 31,	
	2013	2012
Change in benefit obligations		
Benefit obligations at beginning of year	$ 1,033,725	$ 991,979
Service cost	23,188	21,538
Interest cost	37,225	41,584
Plan participants' contributions	221	334
Plan amendments	1,623	(3,681)
Actuarial (gain) loss	(91,851)	70,015
Benefits paid	(59,296)	(86,722)
Settlement/curtailment	(1,390)	(3,946)
Currency translation	(2,003)	2,624
Benefit obligations at end of year	941,442	1,033,725
Change in plan assets		
Fair value of plan assets at beginning of year	813,897	749,456
Actual return on plan assets	101,044	83,156
Employer contributions	85,456	68,029
Plan participants' contributions	221	334
Benefits paid	(57,644)	(85,238)
Settlement	(1,390)	(3,798)
Currency translation	(1,589)	1,958
Fair value of plan assets at end of year	939,995	813,897
Funded status at end of year	(1,447)	(219,828)
Unrecognized actuarial net loss	258,781	422,042
Unrecognized prior service cost	(2,547)	(4,101)
Unrecognized transition assets, net	26	26
Net amount recognized	$ 254,813	$ 198,139

The actuarial gain arising during 2013 was primarily attributable to a higher discount rate. In 2012, the Company's U.S. defined benefit plans were amended to allow participants, including those with deferred vested pension benefits, additional payment options including a lump sum and a five year payment option. The decrease in benefits paid in 2013 primarily reflect the disbursements related to deferred vested participants taking lump sum payment options in the prior period.

The after-tax amounts of unrecognized actuarial net loss, prior service costs and transition assets included in Accumulated other comprehensive loss at December 31, 2013 were $162,983, $(2,307) and $17, respectively. The actuarial loss represents changes in the estimated obligation not yet recognized in the Consolidated Income Statement. The pre-tax amounts of unrecognized actuarial net loss, prior service credits and transition obligations expected to be recognized as components of net periodic benefit cost during 2014 are $16,104, $(618) and $4, respectively.

Amounts Recognized in Consolidated Balance Sheets

	December 31,	
	2013	2012
Prepaid pensions	$ 36,116	$ —
Accrued pension liability, current	(10,564)	(3,639)
Accrued pension liability, long-term	(26,999)	(216,189)
Accumulated other comprehensive loss, excluding tax effects	256,260	417,967
Net amount recognized in the balance sheets	$ 254,813	$ 198,139

Components of Pension Cost for Defined Benefit Plans

	Year Ended December 31,		
	2013	2012	2011
Service cost	$ 23,188	$ 21,538	$ 17,331
Interest cost	37,225	41,584	44,161
Expected return on plan assets	(61,244)	(58,754)	(57,405)
Amortization of prior service cost	(613)	(90)	(62)
Amortization of net loss	30,929	31,085	21,816
Settlement/curtailment loss	423	895	529
Pension cost for defined benefit plans	$ 29,908	$ 36,258	$ 26,370

The Company's defined benefit plans costs decreased in 2013 primarily as a result of a lower interest cost and a higher expected return on plan assets.

Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets

	December 31,	
	2013	2012
U.S. pension plans		
Projected benefit obligation	$ 37,355	$ 956,837
Accumulated benefit obligation	33,416	905,541
Fair value of plan assets	10,028	755,491
Non-U.S. pension plans		
Projected benefit obligation	$ 49,990	$ 76,884
Accumulated benefit obligation	42,593	70,492
Fair value of plan assets	39,753	58,403

The total accumulated benefit obligation for all plans was $891,397 as of December 31, 2013 and $976,033 as of December 31, 2012.

Contributions to Plans

The Company expects to contribute approximately $20,000 to its defined benefit plans in the United States in 2014. The actual amounts to be contributed in 2014 will be determined at the Company's discretion.

Benefit Payments for Plans

Benefits expected to be paid for the U.S. plans are as follows:

Estimated Payments	
2014	$ 61,755
2015	53,992
2016	61,654
2017	59,570
2018	58,422
2019 through 2023	307,094

Assumptions

Weighted average assumptions used to measure the benefit obligation for the Company's significant defined benefit plans as of December 31, 2013 and 2012 were as follows:

	December 31,	
	2013	**2012**
Discount rate	4.7%	3.8%
Rate of increase in compensation	4.2%	4.0%

Weighted average assumptions used to measure the net periodic benefit cost for the Company's significant defined benefit plans for each of the three years ended December 31, 2013 were as follows:

	December 31,		
	2013	**2012**	**2011**
Discount rate	3.8%	4.2%	5.3%
Rate of increase in compensation	4.1%	4.0%	4.0%
Expected return on plan assets	7.4%	7.7%	7.9%

To develop the discount rate assumption to be used for U.S. plans, 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 expected long-term rate of return assumption is based on the weighted average expected return of the various asset classes in the plans' 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 rate of compensation increase is determined by the Company based upon annual reviews.

Pension Plans' Assets

The primary objective of the pension plans' investment policy is to ensure sufficient assets are available to provide benefit obligations when such obligations mature. Investment management practices must comply with ERISA or any other applicable regulations and rulings. The overall investment strategy for the defined benefit pension plans' assets is to achieve a rate of return over a normal business cycle relative to an acceptable level of risk that is consistent with the long-term objectives of the portfolio. The target allocation for plan assets is 60% to 70% equity securities and 30% to 40% debt securities.

The following table sets forth, by level within the fair value hierarchy, the pension plans' assets as of December 31, 2013:

	Pension Plans' Assets at Fair Value as of December 31, 2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common trusts and 103-12 investments (1)				
Cash and cash equivalents	$ —	$ 4,686	$ —	$ 4,686
Common trusts and 103-12 investments	—	902,746	—	902,746
Private equity funds (2)	—	—	32,563	32,563
Total assets at fair value	$ —	$ 907,432	$ 32,563	$ 939,995

The following table sets forth, by level within the fair value hierarchy, the pension plans' assets as of December 31, 2012:

	Pension Plans' Assets at Fair Value as of December 31, 2012			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate stock (3)	$ 107,763	$ —	$ —	$ 107,763
Cash and cash equivalents	5,170	—	—	5,170
Corporate and other obligations (4)	—	412	—	412
Common trusts and 103-12 investments (1)	—	673,469	—	673,469
Private equity funds (2)	—	—	27,083	27,083
Total assets at fair value	$ 112,933	$ 673,881	$ 27,083	$ 813,897

(1) Common trusts and 103-12 investments are comprised of a number of investment funds that invest in a diverse portfolio of assets including equity securities, corporate and governmental bonds, equity and credit indexes, and money markets. Trusts are valued at the net asset value ("NAV") as determined by their custodian. NAV represents the accumulation of the unadjusted quoted close prices on the reporting date for the underlying investments divided by the total shares outstanding at the reporting dates.

(2) Private equity funds consist of four funds seeking capital appreciation by investing in private equity investment partnerships and venture capital companies. Funds are comprised of unrestricted and restricted publicly traded securities and privately held securities. Unrestricted securities are valued at the closing market price on the reporting date. Restricted securities may be valued at a discount from such closing public market price, depending on facts and circumstances. Privately held securities are valued at fair value as determined by the fund directors and general partners.

(3) This investment category includes publicly traded equity investments directly held by the plans. Investments are valued at the unadjusted quoted close prices reported on the reporting date.

(4) This investment category is composed of publicly traded bonds and asset backed securities which are valued at the quoted closing market prices on the reporting date.

The table below sets forth a summary of changes in the fair value of the Level 3 pension plans' assets for the year ended December 31, 2013:

		Private Equity Funds
Balance at the beginning of year	$	27,083
Purchases, sales, issuances and settlements		2,186
Realized and unrealized gains		3,294
Balance at the end of year	$	32,563
The amount of total gains during the period attributable to the change in unrealized gains relating to Level 3 net assets still held at the reporting date	$	3,035

Supplemental Executive Retirement Plan

The Company maintains a domestic unfunded supplemental executive retirement plan ("SERP") under which non-qualified supplemental pension benefits are paid to certain employees in addition to amounts received under the Company's qualified retirement plan which is subject to Internal Revenue Service ("IRS") limitations on covered compensation. The annual cost of this program has been included in the determination of total net pension costs shown above and was $2,329, $2,254 and $2,110 in 2013, 2012 and 2011, respectively. The projected benefit obligation associated with this plan is also included in the pension disclosure shown above and was $22,877, $25,646 and $23,930 at December 31, 2013, 2012 and 2011, respectively.

Defined Contribution Plans

Substantially all U.S. employees are covered under a 401(k) savings plan in which they may invest 1% or more of eligible compensation, limited to maximum amounts as determined by the IRS. For most participants the plan provides for Company matching contributions of 35% of the first 6% of employee compensation contributed to the plan.

The plan also includes a feature in which all participants hired after November 1, 1997 receive an annual Company contribution of 2% of their base pay. The plan allowed employees hired before November 1, 1997, at their election, to receive this contribution in exchange for forfeiting certain benefits under the pension plan. In 2006, the plan was amended to include a feature in which all participants receive an annual Company contribution ranging from 4% to 10% of base pay based on years of service.

The annual costs recognized for defined contribution plans were $10,812, $9,405 and $8,478 in 2013, 2012 and 2011, respectively.

Multi-Employer Plans

The Company participates in multi-employer plans for several of its operations in Europe. Costs for these plans are recognized as contributions are funded. The Company's risk of participating in these plans is limited to the annual premium as determined by the plan. The annual costs of these programs were $1,048, $972 and $966 in 2013, 2012 and 2011, respectively.

Other Benefits

The Cleveland, Ohio, area operations have a Guaranteed Continuous Employment Plan covering substantially all employees which, in general, provides that the Company will provide work for at least 75% of every standard work week (presently 40 hours). This plan does not guarantee employment when the Company's ability to continue normal operations is seriously restricted by events beyond the control of the Company. The Company has reserved the right to terminate this plan effective at the end of a calendar year by giving notice of such termination not less than six months prior to the end of such year.

NOTE 12 – INCOME TAXES

The components of income before income taxes for the three years ended December 31, 2013 were as follows:

	Year Ended December 31,		
	2013	2012	2011
U.S.	$ 281,724	$ 243,382	$ 204,667
Non-U.S.	134,717	126,188	96,664
Total	$ 416,441	$ 369,570	$ 301,331

The components of income tax expense (benefit) for the three years ended December 31, 2013 were as follows:

	Year Ended December 31,		
	2013	2012	2011
Current:			
Federal	$ 58,099	$ 72,809	$ 42,510
Non-U.S.	40,348	33,510	19,970
State and local	8,490	8,172	6,699
	106,937	114,491	69,179
Deferred:			
Federal	21,946	(1,673)	12,140
Non-U.S.	(5,734)	(750)	2,768
State and local	1,605	286	231
	17,817	(2,137)	15,139
Total	$ 124,754	$ 112,354	$ 84,318

The differences between total income tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes for the three years ended December 31, 2013 were as follows:

	Year Ended December 31,		
	2013	2012	2011
Statutory rate of 35% applied to pre-tax income	$ 145,754	$ 129,350	$ 105,466
Effect of state and local income taxes, net of federal tax benefit	7,124	5,598	4,585
Taxes (less) more than the U.S. tax rate on non-U.S. earnings, including utilization of tax loss carry-forwards, losses with no benefit and changes in non-U.S. valuation allowance	(17,352)	(11,263)	(13,637)
Manufacturing deduction	(6,386)	(6,287)	(5,330)
U.S. tax cost (benefit) of foreign source income	995	(4,766)	145
Resolution and adjustments to uncertain tax positions	(313)	(1,493)	(5,103)
Other	(5,068)	1,215	(1,808)
Total	$ 124,754	$ 112,354	$ 84,318
Effective tax rate	29.96%	30.40%	27.98%

The 2013 effective tax rate is impacted by the geographic mix of earnings and taxes at lower rates in foreign jurisdictions, including Canada, Mexico, Poland and the U.K., as well as loss utilization in other foreign jurisdictions. Total income tax payments, net of refunds, were $84,567 in 2013, $78,506 in 2012 and $62,600 in 2011.

Deferred Taxes

Significant components of deferred tax assets and liabilities at December 31, 2013 and 2012, were as follows:

	December 31,	
	2013	2012
Deferred tax assets:		
Tax loss and credit carry-forwards	$ 51,762	$ 40,373
Inventory	1,277	1,328
Other accruals	15,709	14,981
Employee benefits	18,909	17,904
Pension obligations	4,643	82,903
Other	9,828	12,686
Deferred tax assets, gross	102,128	170,175
Valuation allowance	(49,684)	(38,799)
Deferred tax assets, net	52,444	131,376
Deferred tax liabilities:		
Property, plant and equipment	38,653	41,380
Intangible assets	24,014	19,545
Inventory	7,311	5,783
Pension obligations	7,315	2,940
Other	8,777	8,769
Deferred tax liabilities	86,070	78,417
Total Deferred taxes	$ (33,626)	$ 52,959

At December 31, 2013, certain subsidiaries had tax loss carry-forwards of approximately $121,044 that will expire in various years from 2014 through 2030, except for $77,380 for which there is no expiration date.

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 certain 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 decreased in the future if the Company's assessment of future taxable income or tax planning strategies changes.

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.

Unrecognized Tax Benefits

Liabilities for unrecognized tax benefits are classified as "Accrued taxes" non-current unless expected to be paid in one year. The Company recognizes interest and penalties related to unrecognized tax benefits in "Income taxes." Current income tax expense included an expense of $492 for the year ended December 31, 2013 and an expense of $893 for the year ended December 31, 2012 for interest and penalties. For those same years, the Company's accrual for interest and penalties related to unrecognized tax benefits totaled $10,257 and $10,295, respectively.

The following table summarizes the activity related to unrecognized tax benefits:

	2013	2012
Balance at January 1	$ 25,255	$ 26,656
Increase related to current year tax provisions	1,990	3,838
Increase related to prior years' tax positions	208	212
Increase related to acquisitions	3,528	1,274
Decrease related to settlements with taxing authorities	(95)	(940)
Resolution of and other decreases in prior years' tax liabilities	(3,491)	(5,964)
Other	(1,488)	179
Balance at December 31	$ 25,907	$ 25,255

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $13,739 at December 31, 2013 and $14,839 at December 31, 2012.

The Company files income tax returns in the U.S. and various state, local and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2003. The Company is currently subject to various U.S. state audits, an Indian tax audit for 2012 - 2013 and an Indonesian tax audit for 2003 and 2005 - 2007.

The Company is generally not able to precisely estimate the ultimate settlement amounts or timing until after the close of an audit. The Company evaluates its tax positions and establishes liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained.

Unrecognized tax benefits are reviewed on an ongoing basis and are adjusted for changing facts and circumstances, including progress of tax audits and closing of statutes of limitations. Based on information currently available, management believes that additional audit activity could be completed and/or statutes of limitations may close relating to existing unrecognized tax benefits. It is reasonably possible there could be a further reduction of $4,284 in prior years' unrecognized tax benefits in 2014.

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 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 and is recorded as a non-current asset valued at $84,128 as of December 31, 2013. 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 quarter in which a judgment is reached.

NOTE 13 – DERIVATIVES

The Company uses derivatives to manage exposures to currency exchange rates, interest rates and commodity prices arising in the normal course of business. Derivative contracts to hedge currency and commodity exposures are generally written on a short-term basis but may cover exposures for up to two years while interest rate contracts may cover longer periods consistent with the terms of the underlying debt. The Company does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized at fair value on the Company's Consolidated Balance Sheets. The accounting for gains and losses resulting from changes in fair value depends on the use of the derivative and whether it is designated and qualifies for hedge accounting. The Company formally documents the relationship of the hedge with the hedged item as well as the risk-management strategy for all designated hedges. Both at inception and on an ongoing basis, the hedging instrument is assessed as to its effectiveness, when applicable. If and when a derivative is determined not to be highly effective as a hedge, the underlying hedged transaction is no longer likely to occur, or the derivative is terminated, hedge accounting is discontinued. The cash flows from settled derivative contracts are recognized in operating activities in the Company's Consolidated Statements of Cash Flows. Hedge ineffectiveness was immaterial for the three years ended December 31, 2013.

The Company is subject to the credit risk of the counterparties to derivative instruments. Counterparties include a number of major banks and financial institutions. The Company manages individual counterparty exposure by monitoring the credit rating of the counterparty and the size of financial commitments and exposures between the Company and the counterparty. None of the concentrations of risk with any individual counterparty was considered significant at December 31, 2013. The Company does not expect any counterparties to fail to meet their obligations.

Cash flow hedges

Certain foreign currency forward contracts are qualified and designated as cash flow hedges. The dollar equivalent gross notional amount of these short-term contracts was $36,880 at December 31, 2013 and $39,597 at December 31, 2012. The effective portions of the fair value gains or losses on these cash flow hedges are recognized in Accumulated other comprehensive income ("AOCI") and subsequently reclassified to Cost of goods sold or Sales for hedges of purchases and sales, respectively, as the underlying hedged transactions affected earnings.

Net investment hedges

The Company had a foreign currency forward contract that qualified as a designated net investment hedge. No such contract was outstanding as of December 31, 2013. The effective portion of the fair value gain or loss on these net investment hedges were recognized in AOCI and subsequently reclassified to Selling, general and administrative expenses when the underlying hedged investment was liquidated.

Derivatives not designated as hedging instruments

The Company has certain foreign exchange forward contracts which are not designated as hedges. These derivatives are held as economic hedges of certain balance sheet exposures. The dollar equivalent gross notional amount of these contracts was $186,158 at December 31, 2013 and $189,259 at December 31, 2012. The fair value gains or losses from these contracts are recognized in Selling, general and administrative expenses, offsetting the losses or gains on the exposures being hedged.

The Company has short-term silver and copper forward contracts with notional amounts of 290,000 troy ounces and 375,000 pounds, respectively, at December 31, 2013 and short-term silver and copper forward contracts with notional amounts of 275,000 troy ounces and 375,000 pounds, respectively, at December 31, 2012. Realized and unrealized gains and losses on these contracts were recognized in Cost of goods sold.

Fair values of derivative instruments in the Company's Consolidated Balance Sheets follow:

	December 31, 2013		December 31, 2012	
Derivatives by hedge designation	**Other Current Assets**	**Other Current Liabilities**	**Other Current Assets**	**Other Current Liabilities**
Designated as hedging instruments:				
Foreign exchange contracts	$ 706	$ 219	$ 352	$ 325
Not designated as hedging instruments:				
Foreign exchange contracts	766	228	510	902
Commodity contracts	262	47	731	—
Total derivatives	$ 1,734	$ 494	$ 1,593	$ 1,227

The effects of undesignated derivative instruments on the Company's Consolidated Statements of Income for the years ended December 31, 2013 and 2012 consisted of the following:

		Year Ended December 31,	
Derivatives by hedge designation	**Classification of gains (losses)**	**2013**	**2012**
Not designated as hedges:			
Foreign exchange contracts	Selling, general & administrative expenses	$ 215	$ 3,711
Commodity contracts	Cost of goods sold	2,882	(1,117)

The effects of designated cash flow hedges on AOCI and the Company's Consolidated Statements of Income for the years ended December 31, 2013 and 2012 consisted of the following:

	December 31,	
Total gain recognized in AOCI, net of tax	**2013**	**2012**
Foreign exchange contracts	$ 369	$ 80

The Company expects a gain of $369 related to existing contracts to be reclassified from AOCI, net of tax, to earnings over the next 12 months as the hedged transactions are realized.

		Year Ended December 31,	
Derivative type	**Gain (loss) reclassified from AOCI to:**	**2013**	**2012**
Foreign exchange contracts	Sales	$ 619	$ 931
	Cost of goods sold	418	234
Net investment contracts	Selling, general & administrative expenses	(67)	—

NOTE 14 – FAIR VALUE

The following table provides a summary of fair value assets and liabilities as of December 31, 2013 measured at fair value on a recurring basis:

Description	**Balance as of December 31, 2013**	**Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Foreign exchange contracts	$ 1,472	$ —	$ 1,472	$ —
Commodity contracts	262	—	262	—
Total assets	$ 1,734	$ —	$ 1,734	$ —
Liabilities:				
Foreign exchange contracts	$ 447	$ —	$ 447	$ —
Commodity contracts	47	—	47	—
Contingent consideration	5,375	—	—	5,375
Forward contract	16,974	—	—	16,974
Deferred compensation	20,132	—	20,132	—
Total liabilities	$ 42,975	$ —	$ 20,626	$ 22,349

The following table provides a summary of fair value assets and liabilities as of December 31, 2012 measured at fair value on a recurring basis:

Description	Balance as of December 31, 2012	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Foreign exchange contracts	$ 862	$ —	$ 862	$ —
Commodity contracts	731	—	731	—
Total assets	$ 1,593	$ —	$ 1,593	$ —
Liabilities:				
Foreign exchange contracts	$ 1,227	$ —	$ 1,227	$ —
Contingent consideration	4,894	—	—	4,894
Deferred compensation	16,882	—	16,882	—
Total liabilities	$ 23,003	$ —	$ 18,109	$ 4,894

The Company's derivative contracts are valued at fair value using the market approach. The Company measures the fair value of foreign exchange contracts using Level 2 inputs based on observable spot and forward rates in active markets. The Company measures the fair value of commodity contracts using Level 2 inputs through observable market transactions in active markets provided by financial institutions. During the year ended December 31, 2013, there were no transfers between Levels 1, 2 or 3.

In connection with an acquisition, the Company recorded a contingent consideration fair valued at $5,375 as of December 31, 2013, which reflects a $481 increase in the liability from December 31, 2012. The contingent consideration is based upon estimated sales for the five-year period ending December 31, 2015 and will be paid in 2016 based on actual sales during the period. The fair value of the contingent consideration is a Level 3 valuation and fair valued using a probability weighted discounted cash flow analysis.

In connection with an acquisition, the Company obtained a controlling financial interest in the acquired entity and at the same time entered into a contract to obtain the remaining financial interest in the entity over a three-year period. The amount to be paid to obtain the remaining financial interest will be based upon actual financial results of the entity. A liability was recorded for the contract at a fair value of $16,974 as of December 31, 2013. The fair value of the contract is a Level 3 valuation and is based on the present value of the expected future payments. The expected future payments are based on a multiple of forecast earnings and cash flows over the three-year period ending December 31, 2016, present valued utilizing a risk based discount rate. The present value calculations utilized an average discount rate of 16.3% and annual earnings growth rates ranging from 14.8% to 18.8%.

The deferred compensation liability is the Company's obligation under its executive deferred compensation plan. The Company measures the fair value of the liability using the market values of the participants' underlying investment fund elections.

The Company has various financial instruments, including cash and cash equivalents, short-and long-term debt and forward contracts. While these financial instruments are subject to concentrations of credit risk, the Company has minimized this risk by entering into arrangements with a number of major banks and financial institutions and investing in several high-quality instruments. The Company does not expect any counterparties to fail to meet their obligations. The fair value of "Cash and cash equivalents," "Accounts receivable," "Amounts due banks" and "Trade accounts payable" approximated book value due to the short-term nature of these instruments at both December 31, 2013 and December 31, 2012. See Note 8 for the fair value estimate of debt.

NOTE 15 – INVENTORY

For most domestic inventories, cost is determined principally by the LIFO method, and for non-U.S. inventories, cost is determined by the 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. Because these estimates are subject to many factors beyond management's control, annual results may differ from interim results as they are subject to the final year-end LIFO inventory valuation. At December 31, 2013 and 2012, approximately 38% and 34%, respectively, of total inventories were valued using the LIFO method. The excess of current cost over LIFO cost was $70,882 at December 31, 2013 and $72,173 at December 31, 2012.

NOTE 16 – LEASES

The Company leases sales offices, warehouses and distribution centers, transportation equipment, office equipment and information technology equipment. Such leases, some of which are noncancelable and, in many cases, include renewals, expire at various dates. The Company pays most insurance, maintenance and taxes relating to leased assets. Rental expense was $18,642 in 2013, $17,751 in 2012 and $15,221 in 2011.

At December 31, 2013, total future minimum lease payments for noncancelable operating leases were $13,263 in 2014, $10,391 in 2015, $8,240 in 2016, $5,637 in 2017, $4,071 in 2018 and $6,568 thereafter.

The following table summarizes assets held under capital leases and included in property, plant and equipment:

	December 31,	
	2013	2012
Buildings	$ 461	$ 441
Machinery and equipment	110	209
Less: accumulated depreciation	(100)	(163)
Net capital leases	$ 471	$ 487

NOTE 17 – 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 claimants in the asbestos cases seek compensatory and punitive damages, in most cases for unspecified amounts. The Company believes it has meritorious defenses to these claims and intends to contest such suits vigorously.

The Company's accrual for contingent liabilities was $2,735 as of December 31, 2013 and $5,636 as of December 31, 2012. The accrual is included in Other current liabilities.

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.

Based on the Company's historical experience in litigating product liability claims, including a significant number of dismissals, summary judgments and defense verdicts in many cases and immaterial settlement amounts, as well as the Company's current assessment of the underlying merits of the claims and applicable insurance, the Company believes resolution of these claims and proceedings, individually or in the aggregate, will not have a material effect on the Company's consolidated financial statements.

NOTE 18 – PRODUCT WARRANTY COSTS

The changes in product warranty accruals for 2013, 2012 and 2011 were as follows:

	December 31,		
	2013	2012	2011
Balance at beginning of year	$ 15,304	$ 15,781	$ 16,879
Accruals for warranties	12,786	10,872	10,395
Settlements	(12,794)	(11,477)	(11,260)
Foreign currency translation	(116)	128	(233)
Balance at end of year	$ 15,180	$ 15,304	$ 15,781

NOTE 19 – QUARTERLY FINANCIAL DATA (UNAUDITED)

	First	Second	Third	Fourth
2013				
Net sales	$ 718,573	$ 727,432	$ 691,875	$ 714,791
Gross profit	226,572	240,338	232,697	243,047
Income before income taxes	90,679	106,534	97,840	121,388
Net income	66,806	72,606	66,044	88,324
Basic earnings per share	$ 0.81	$ 0.88	$ 0.81	$ 1.09
Diluted earnings per share	$ 0.80	$ 0.87	$ 0.80	$ 1.07
2012				
Net sales	$ 727,122	$ 744,045	$ 697,552	$ 684,648
Gross profit	215,265	224,997	213,362	213,032
Income before income taxes	92,919	98,157	90,889	87,605
Net income	64,243	66,319	64,765	62,084
Basic earnings per share	$ 0.77	$ 0.80	$ 0.78	$ 0.75
Diluted earnings per share	$ 0.76	$ 0.79	$ 0.77	$ 0.74

The quarter ended December 31, 2013 includes rationalization and impairment net charges of $259 ($223 after-tax) primarily related to employee severance and other costs associated with the consolidation of manufacturing operations in North America Welding, Europe Welding and Asia Pacific Welding segments and a charge of $705 related to a loss on the sale of land in the Asia Pacific Welding segment. Associated with the loss on the sale of land is a charge of $47 attributable to non-controlling interests.

The quarter ended September 30, 2013 includes rationalization and asset impairment net charges of $1,627 ($1,595 after-tax) primarily related to employee severance and other costs associated with the consolidation of manufacturing operations in North America Welding, Europe Welding and Asia Pacific Welding segments and a charge of $4,675 ($4,503 after-tax) related to impairment of long-lived assets in the Asia Pacific Welding segment. Associated with impairment of long-lived assets is a charge of $1,021 attributable to non-controlling interests.

The quarter ended June 30, 2013 includes rationalization and asset impairment net charges of $851 ($579 after-tax) primarily related to employee severance and other costs associated with the consolidation of manufacturing operations in North America Welding, Europe Welding and Asia Pacific Welding segments and charges of $2,538 related to devaluation of Venezuelan currency in the South America Welding segment.

The quarter ended March 31, 2013 includes rationalization and asset impairment net charges of $1,051 ($673 after-tax) primarily related to employee severance and other costs associated with the consolidation of manufacturing operations in North America Welding, Europe Welding and Asia Pacific Welding segments and charges of $9,660 related to devaluation of Venezuelan currency in the South America Welding segment.

The quarter ended December 31, 2012 includes rationalization and asset impairment net charges of $5,037 ($3,823 after-tax) primarily related to employee severance and other costs associated with the consolidation of manufacturing operations in North America Welding, Europe Welding and Asia Pacific Welding segments.

The quarter ended September 30, 2012 includes rationalization and asset impairment net charges of $3,059 ($2,704 after-tax) primarily related to employee severance and other costs associated with the consolidation of manufacturing operations in North America Welding, Europe Welding and Asia Pacific Welding segments.

The quarter ended June 30, 2012 includes rationalization net charges of $1,258 ($915 after-tax) primarily related to employee severance and other costs associated with the consolidation of manufacturing operations in North America Welding, Europe Welding and Asia Pacific Welding segments and a charge of $1,381 ($906 after-tax) related to a change in Venezuelan labor law, which provides for increased employee severance obligations in the South America Welding segment.

The quarterly earnings per share ("EPS") amounts are each calculated independently. Therefore, the sum of the quarterly EPS amounts may not equal the annual totals.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
LINCOLN ELECTRIC HOLDINGS, INC.
(In thousands)

		Additions			
Description	**Balance at Beginning of Period**	**Charged to Costs and Expenses**	**(1) Charged to Other Accounts**	**(2) Deductions**	**Balance at End of Period**
Allowance for doubtful accounts:					
Year Ended December 31, 2013	$ 8,654	$ 2,671	$ 49	$ 2,976	$ 8,398
Year Ended December 31, 2012	7,079	3,368	68	1,861	8,654
Year Ended December 31, 2011	7,855	2,173	(303)	2,646	7,079

(1) Currency translation adjustment.

(2) Uncollectible accounts written-off, net of recoveries.

Exhibit 21

LINCOLN ELECTRIC HOLDINGS, INC.
SUBSIDIARIES OF THE REGISTRANT

The Company's subsidiaries and joint ventures are listed in the following table:

Name	**Country of Incorporation**
A. B. Arriendos S.A.	Chile
Arc Products, Inc.	United States
Burlington Automation Corporation	Canada
Electro-Arco S.A.	Portugal
Harris Calorific GmbH	Germany
Harris Calorific International Sp. z o.o.	Poland
Harris Calorific S.r.l.	Italy
Harris Euro S.L.	Spain
Harris Soldas Especiais S.A.	Brazil
Inversiones LyL S.A.	Chile
J.W. Harris Co., Inc.	United States
Jinzhou Zheng Tai Welding and Metal Co., Ltd.	China
Kaliburn, Inc.	United States
Kaynak Teknigi Sanayi ve Ticaret A.S.	Turkey
Lincoln Canada Finance ULC	Canada
Lincoln Electric Bester Sp. z o.o.	Poland
Lincoln Electric Company of Canada LP	Canada
Lincoln Electric Company (India) Private Limited	India
Lincoln Electric Cutting Systems, Inc.	United States
Lincoln Electric do Brasil Industria e Comercio Ltda.	Brazil
Lincoln Electric Europe B.V.	The Netherlands
Lincoln Electric Europe, S.L.	Spain
Lincoln Electric France S.A.S.	France
Lincoln Electric Heli (Zhengzhou) Welding Materials Company Ltd.	China
Lincoln Electric Holdings S.ar.l.	Luxembourg
Lincoln Electric Iberia, S.L.	Spain
Lincoln Electric International Holding Company	United States
Lincoln Electric Italia S.r.l.	Italy
Lincoln Electric Japan K.K.	Japan
Lincoln Electric (Jinzhou) Welding Materials Co., Ltd.	China
Lincoln Electric Luxembourg S.ar.l.	Luxembourg
Lincoln Electric Management (Shanghai) Co., Ltd.	China
Lincoln Electric Manufactura, S.A. de C.V.	Mexico
Lincoln Electric Maquinas, S. de R.L. de C.V.	Mexico
Lincoln Electric Mexicana, S.A. de C.V.	Mexico
Lincoln Electric Middle East FZE	United Arab Emirates
Lincoln Electric North America, Inc.	United States

Name	Country of Incorporation
Lincoln Electric S.A.	Argentina
Lincoln Electric (Tangshan) Welding Materials Co., Ltd.	China
Lincoln Electric (U.K.) Ltd.	United Kingdom
Lincoln Global Holdings LLC	United States
Lincoln Global, Inc.	United States
Lincoln Smitweld B.V.	The Netherlands
Lincoln Soldaduras de Colombia Ltda.	Colombia
Lincoln Soldaduras de Venezuela C.A.	Venezuela
Metrode Products Limited	United Kingdom
OAO Mezhgosmetiz – Mtsensk	Russia
OOO Torgovyi Dom Mezhgosmetiz	Russia
OOO Severstal – metiz: Welding Consumables	Russia
PT Lincoln Electric Indonesia	Indonesia
Robolution GmbH	Germany
Smart Force, LLC	United States
Techalloy, Inc.	United States
Tennessee Rand, Inc.	United States
Tenwell Development Pte. Ltd.	Singapore
The Lincoln Electric Company	United States
The Lincoln Electric Company (Asia Pacific) Pte. Ltd.	Singapore
The Lincoln Electric Company (Australia) Proprietary Limited	Australia
The Lincoln Electric Company (New Zealand) Limited	New Zealand
The Lincoln Electric Company of South Africa (Pty) Ltd.	South Africa
The Nanjing Lincoln Electric Co., Ltd.	China
The Shanghai Lincoln Electric Co., Ltd.	China
Uhrhan & Schwill Schweisstechnik GmbH	Germany
Wayne Trail Technologies, Inc.	United States
Weartech International, Inc.	United States
Weartech International Limited	United Kingdom
Welding, Cutting, Tools & Accessories, LLC	United States

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following registration statements:

Form S-8 Registration Statement of Lincoln Electric Holdings, Inc. for the Stock Option Plan for Non-Employee Directors (Form S-8 No. 333-49976),

Form S-8 Registration Statement of Lincoln Electric Holdings, Inc. for the 1998 Stock Plan, including Post-Effective Amendment No. 1 (Form S-8 No. 333-58305),

Form S-8 Registration Statement of Lincoln Electric Holdings, Inc. for The Lincoln Electric Company Employee Savings Plan (Form S-8 Nos. 333-107114 and 333-132036),

Form S-8 Registration Statement of Lincoln Electric Holdings, Inc. (as successor to The Lincoln Electric Company) for The Lincoln Electric Company Employee Savings Plan, including Post-Effective Amendment No. 1 (Form S-8 No. 033-64187),

Form S-8 Registration Statement of Lincoln Electric Holdings, Inc. (as successor to The Lincoln Electric Company) for The Lincoln Electric Company 1988 Incentive Equity Plan (Form S-8 No. 033-25209), including Post-Effective Amendment No. 1 (Form S-8 No. 033-25210),

Form S-8 Registration Statement of Lincoln Electric Holdings, Inc. (as successor to The Lincoln Electric Company) for the 1995 Lincoln Stock Purchase Plan, including Post-Effective Amendment No. 1 (Form S-8 No. 033-64189),

Form S-8 Registration Statement of Lincoln Electric Holdings, Inc. for the 2006 Equity and Performance Incentive Plan (Form S-8 No. 333-134212), and

Form S-8 Registration Statement of Lincoln Electric Holdings, Inc. for the 2006 Stock Plan for Non-Employee Directors (Form S-8 No. 333-134210),

of our reports dated February 21, 2014, with respect to the consolidated financial statements and schedule of Lincoln Electric Holdings, Inc. and subsidiaries, and the effectiveness of internal control over financial reporting of Lincoln Electric Holdings, Inc. and subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2013.

/s/ Ernst & Young LLP

Cleveland, Ohio

February 21, 2014

Exhibit 24

POWER OF ATTORNEY

Directors of Lincoln Electric Holdings, Inc.

Each of the undersigned Directors of Lincoln Electric Holdings, Inc. hereby appoints Christopher L. Mapes, Vincent K. Petrella and Frederick G. Stueber, and each of them, as attorneys for the undersigned, for and in the name, place and stead of the undersigned in the capacity specified, to prepare or cause to be prepared, to execute and to file with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Act"), an Annual Report on Form 10-K for the year ended December 31, 2013 relating to Lincoln Electric Holdings, Inc., such other periodic reports as may be required pursuant to the Act, amendments and exhibits to any of the foregoing and any and all other documents to be filed with the Securities and Exchange Commission or elsewhere pertaining to such reports, with full power and authority to take any other action deemed necessary or appropriate to effect the filing of the documents.

Executed the date set forth below.

/s/ Christopher L. Mapes
Christopher L. Mapes, Director
February 21, 2014

/s/ Harold L. Adams
Harold L. Adams, Director
February 21, 2014

/s/ Curtis E. Espeland
Curtis E. Espeland, Director
February 21, 2014

/s/ David H. Gunning
David H. Gunning, Director
February 21, 2014

/s/ Stephen G. Hanks
Stephen G. Hanks, Director
February 21, 2014

/s/ Robert J. Knoll
Robert J. Knoll, Director
February 21, 2014

/s/ G. Russell Lincoln
G. Russell Lincoln, Director
February 21, 2014

/s/ Kathryn Jo Lincoln
Kathryn Jo Lincoln, Director
February 21, 2014

/s/ William E. MacDonald, III
William E. MacDonald, III, Director
February 21, 2014

/s/ Phillip J. Mason
Phillip J. Mason, Director
February 21, 2014

/s/ Hellene S. Runtagh
Hellene S. Runtagh, Director
February 21, 2014

/s/ George H. Walls, Jr.
George H. Walls, Jr., Director
February 21, 2014

Exhibit 31.1

CERTIFICATION

I, Christopher L. Mapes, certify that:

1. I have reviewed this annual report on Form 10-K of Lincoln Electric Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2014

/s/ Christopher L. Mapes

Christopher L. Mapes
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Vincent K. Petrella, certify that:

1. I have reviewed this annual report on Form 10-K of Lincoln Electric Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2014

/s/ Vincent K. Petrella

Vincent K. Petrella
Senior Vice President, Chief Financial
Officer and Treasurer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Lincoln Electric Holdings, Inc. (the "Company") for the year ended December 31, 2013, as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: February 21, 2014

/s/ Christopher L. Mapes

Christopher L. Mapes
President and Chief Executive Officer

/s/ Vincent K. Petrella

Vincent K. Petrella
Senior Vice President, Chief Financial Officer and Treasurer

Corporate Information

Additional copies of Lincoln Electric's 2013 Annual Report and Form 10-K may be obtained by contacting Investor Relations at (216) 383-2534, sending a fax to (216) 383-8220 or visiting our website: www.lincolnelectric.com.

Inquiries about dividends, shareholder records, share transfers, changes in ownership and address changes should be directed to the Transfer Agent and Registrar:

MAIL
Wells Fargo Shareowner Services
P.O. Box 64854
St. Paul, Minnesota 55164-0854

COURIER
Wells Fargo Shareowner Services
1110 Centre Pointe Curve
Mendota Heights, Minnesota
55120-4100

DIRECT
(800) 468-9716 or (651) 450-4064
www.wellsfargo.com/shareownerservices

ANNUAL MEETING
The Annual Meeting of Lincoln Electric Shareholders is scheduled to be held on Thursday, April 24, 2014, at 11:00 a.m., at Marriott Cleveland East, 26300 Harvard Road, Warrensville Heights, Ohio 44122.

STOCK INFORMATION
The Company's Common Shares are traded on the NASDAQ Stock Market under the stock symbol "LECO." The number of record holders of Common Shares at December 31, 2013 was 1,719.

For additional Company information, contact:

Investor Relations
Lincoln Electric Holdings, Inc.
22801 St. Clair Avenue
Cleveland, Ohio 44117-1199 USA
Phone: (216) 383-2534
Fax: (216) 383-8220

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