LINCOLN ELECTRIC HOLDINGS INC
Form DEF 14A
March 21, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-12

LINCOLN ELECTRIC HOLDINGS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Lincoln Electric Holdings, Inc. (Lincoln), which will be held at 11:00 a.m., local time, on Thursday, April 24, 2014 at the Marriott Cleveland East, 26300 Harvard Road, Warrensville Heights, Ohio. A map showing the location of the Annual Meeting is printed on the outside back cover of the proxy statement.

Enclosed with this letter are the Annual Meeting notice, proxy statement, proxy card and an envelope in which to return the proxy card. Also enclosed is a copy of the Annual Report. The Annual Report and proxy statement contain important information about Lincoln, as well as our Board of Directors and executive officers. Please read these documents carefully.

If you are a registered holder of shares of Lincoln common stock or a participant in The Lincoln Electric Company Employee Savings Plan (401(k) plan), as a convenience to you and as a means of reducing costs, you may choose to vote your proxy electronically using the Internet or a touch-tone telephone instead of using the conventional method of completing and mailing the enclosed proxy card. Electronic proxy voting is permitted under Ohio law and our Amended and Restated Code of Regulations. You will find instructions on how to vote electronically in the proxy statement and on the proxy card. Having the freedom to vote by means of the Internet, telephone or mail does not limit your right to attend or vote in person at the Annual Meeting, if you prefer. If you plan to attend the Annual Meeting, please check the attendance box on the enclosed proxy card or when prompted if you cast your vote over the Internet or by telephone.

We look forward to seeing you at the Annual Meeting.

Sincerely,

Christopher L. Mapes

Chairman, President and Chief Executive Officer

Lincoln Electric Holdings, Inc.

March 21, 2014

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Lincoln Electric Holdings, Inc.

22801 Saint Clair Avenue

Cleveland, Ohio 44117-1199

NOTICE OF ANNUAL MEETING

OF SHAREHOLDERS

The Annual Meeting of Shareholders of Lincoln Electric Holdings, Inc. will be held at 11:00 a.m., local time, on Thursday, April 24, 2014, at the Marriott Cleveland East, 26300 Harvard Road, Warrensville Heights, Ohio.

Shareholders will be asked to vote on the following proposals:

(1) Election of five Directors to hold office until the 2017 Annual Meeting of Shareholders and until their successors are duly elected and qualified;

(2) Ratification of the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2014;

(3) To approve, on an advisory basis, the compensation of our named executive officers;

(4) Approval of amendments to our Amended and Restated Code of Regulations to declassify our Board of Directors; and

(5) Any other business properly brought before the meeting, or any postponement(s) or adjournment(s) of the meeting.

Shareholders of record as of the close of business on March 3, 2014, the record date, are entitled to vote at the Annual Meeting.

Frederick G. Stueber

Senior Vice President,

General Counsel and Secretary

March 21, 2014

Your Vote is Very Important Please Vote Promptly

Whether or not you plan to attend the Annual Meeting, we recommend that you mark, date, sign and return promptly the enclosed proxy card in the envelope provided or vote your shares electronically either by telephone (1-800-690-6903) or over the Internet

(www.proxyvote.com).

If your shares are not registered in your own name and you would like to attend the Annual Meeting, please bring evidence of your share ownership with you. You should be able to obtain evidence of your share ownership from the bank, broker, trustee or other nominee that holds the shares on your behalf.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 24, 2014.

This proxy statement, along with our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and our Annual Report, are available free of charge on the following website: www.lincolnelectric.com/proxymaterials.

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ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON APRIL 24, 2014

GENERAL INFORMATION

Who is soliciting proxies and why? Who is paying for the cost of this proxy solicitation?

The enclosed proxy is being solicited by our Board of Directors and we will pay the cost of the solicitation. Certain of our officers and other employees may also solicit proxies by telephone, letter or personal interview but will not receive any additional compensation for these activities. In addition, we reimburse banks, brokers and other custodians, nominees and fiduciaries for reasonable expenses incurred in forwarding proxy materials to beneficial owners of our common stock and obtaining their proxies. We will begin mailing this proxy statement on or about March 21, 2014.

If your shares are held in your name, in order to vote your shares you must either attend the Annual Meeting and vote in person or appoint a proxy to vote on your behalf. Because it would be highly unlikely that all shareholders would be able to attend the Annual Meeting, the Board recommends that you appoint a proxy to vote on your behalf, as indicated on the accompanying proxy card, or appoint your proxy electronically via telephone or the Internet.

How do we distribute materials to shareholders sharing the same address?

To reduce the expense of delivering duplicate voting materials to shareholders who share the same address, we have taken advantage of the householding rules enacted by the Securities and Exchange Commission (SEC). As long as we provide proper notice to such shareholders, these rules permit us to deliver only one set of voting materials to shareholders who share the same address, meaning only one copy of the Annual Report, proxy statement and any other shareholder communication will be sent to those households. Each shareholder will, however, receive a separate proxy card.

How do I obtain a separate set of communications to shareholders?

If you share an address with another shareholder and have received only one copy of the Annual Report, proxy statement or any other shareholder communication, you may request that we send a separate copy of these materials to you at no cost to you. For this meeting and for future Annual Meetings, you may request separate copies of these materials. You may also request that we send only one set of these materials to you if you are receiving multiple copies. You may make these requests by sending a written notice to the Corporate Secretary at Lincoln Electric Holdings, Inc., 22801 St. Clair Avenue, Cleveland, Ohio 44117. You may also request separate copies of these materials for this meeting and for future Annual Meetings by calling Frederick G. Stueber, our Corporate Secretary, at 216-481-8100.

Who may vote?

Record holders of shares of common stock of Lincoln Electric Holdings, Inc. as of the close of business on March 3, 2014, the record date, are entitled to vote at the Annual Meeting. On that date, 80,683,177 shares of our common stock were outstanding. Each share is entitled to one vote on each proposal brought before the meeting.

What is required for there to be a quorum at the Annual Meeting?

Holders of at least a majority of the shares of our common stock issued and outstanding on the record date (March 3, 2014) must be present, in person or by proxy, for there to be a quorum in order to conduct business at the meeting. Abstentions and broker non-votes (described below) will count for purposes of determining if there is a quorum.

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What is the difference between holding shares as a shareholder of record and as a beneficial holder?

Shareholder of Record. If your shares are registered in your name with our transfer agent/registrar, Wells Fargo Bank, N.A., you are considered the shareholder of record and these proxy materials have been sent directly to you. You may vote in person at the meeting. You may also grant us your proxy to vote your shares by telephone, via the Internet or by mailing your signed proxy/voting instruction card in the postage-paid envelope provided. The card provides the voting instructions.

Beneficial Holder of Shares Held in Street Name . If your shares are held in a brokerage account, by a trustee, or by another nominee, then that other person/entity is considered the shareholder of record and the shares are considered held in street name. We sent these proxy materials to that other person/entity, and they have been forwarded to you with a voting instruction card. As the beneficial owner of the shares, you have the right to direct your broker, trustee or other nominee on how to vote and you are also invited to attend the meeting. However, if you are a beneficial holder, you are not the shareholder of record and you may not vote your street name shares in person at the meeting unless you obtain a legal proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote them at the meeting. Please refer to the information your broker, trustee or other nominee provided to see what voting options are available to you. If you have not heard from your broker or bank, please contact them as soon as possible.

What shares are included on the proxy card?

If you are both a registered shareholder of our common stock and a participant in The Lincoln Electric Company Employee Savings Plan (401(k) plan), you may have received one proxy card that shows all shares of our common stock registered in your name, including any dividend reinvestment plan shares, and all shares you have (based on the units credited to your account) under the 401(k) plan. Accordingly, your proxy card also serves as your voting directions to the 401(k) plan Trustee.

Please note, however, that unless the identical name(s) appeared on all your accounts, we were not able to consolidate your share information. If that was the case, you received more than one proxy card and must vote each one separately. If your shares are held through a bank, broker, trustee or some other nominee, you will receive either a voting form or a proxy card from them, instructing you on how to vote your shares. This may also include instructions on telephone and electronic voting. If you are both a record holder of shares and a beneficial holder of additional shares, you will receive a proxy card(s) directly from us as well as a voting instruction card from your bank, broker or other nominee.

What is a broker non-vote and what effect does it have?

Brokers or other nominees who hold our common stock for a beneficial owner have the discretion to vote on routine proposals when they have not received voting instructions from the beneficial owner. However, your broker or other nominee is not permitted to vote on your behalf on the election of directors (Proposal 1) and other non-routine matters (including Proposals 3 and 4) unless you provide specific voting instructions to them by completing and returning the voting instruction card sent to you or by following the instructions provided to you by your broker, trustee or nominee to vote your shares via telephone or the Internet.

A broker non-vote occurs when a broker or other nominee does not receive voting instructions from the beneficial owner and does not have the discretion to direct the voting of the shares. **Therefore, if you hold your shares beneficially through a broker, trustee or other nominee, you must communicate your voting instructions to them to have your shares voted.**

Broker non-votes will be counted for purposes of calculating whether a quorum is present at the Annual Meeting, but will not be counted for purposes of determining the number of votes present in person or represented by proxy and entitled to vote (i.e., it will not be considered a vote cast) with respect to a particular proposal.

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What proposals am I being asked to vote on and what vote is required to approve each proposal?

You are being asked to vote on three proposals on the proxy card:

Proposal 1 (Election of Directors) requests the election of five Directors to the Class of 2017. You can specify whether your shares should be voted for all, some or none of the nominees. Under Ohio law and our Articles of Incorporation, if a quorum is present, the Director nominees receiving the greatest number of votes will be elected (plurality). However, we have adopted a majority voting policy that is applicable in uncontested elections of Directors. This means that the plurality standard will determine whether a Director nominee is elected, but our majority voting policy will further require that the number of votes cast for a Director must exceed the number of votes withheld from that Director or the Director must submit his or her resignation. The Nominating and Corporate Governance Committee would then consider whether to accept or reject the resignation. Broker non-votes and abstentions will have no effect on the election of Directors and are not counted under our majority voting policy. Holders of our common stock do not have cumulative voting rights with respect to the election of directors.

Proposal 2 (Ratification of Independent Auditors) requests that shareholders ratify the appointment of Ernst & Young LLP as our independent auditors. You can specify whether you want to vote for or against, or abstain from voting for this proposal. Proposal 2 requires the affirmative vote of a majority of the shares of Lincoln common stock present or represented by proxy and entitled to vote on the matter when a quorum is present. This means that the number of votes cast for the proposal must exceed the number of votes cast against the proposal. Votes on Proposal 2 that are marked abstain will have the same effect as votes against the proposal.

Proposal 3 (Advisory Vote on Executive Compensation) requests an advisory vote on our executive compensation. We make this request on an annual basis. You may vote for or against, or abstain from voting for this proposal. Although the vote is not binding on us, Proposal 3 requires the affirmative vote of a majority of the shares of Lincoln common stock present or represented by proxy and entitled to vote on the matter when a quorum is present. This means that the number of votes cast for the proposal must exceed the number of votes against the proposal. Votes on Proposal 3 that are marked abstain will have the same effect as votes against the proposal. Broker non-votes will have no effect on the results of this proposal.

The Board is asking for your vote on Proposal 3 pursuant to requirements under Section 14A of the Securities Exchange Act of 1934. Currently, advisory Say on Pay votes are scheduled to be held once every year, with the 2014 vote expected to occur at our 2014 Annual Meeting.

Proposal 4 (Declassify our Board of Directors) requests that shareholders approve amendments to our Amended and Restated Code of Regulations that, if adopted, would eliminate the classified structure of our Board of Directors over a three-year period. The declassification of our Board would be phased in starting with the 2015 Annual Meeting so that Directors up for election in 2015 would be elected to a one-year term. As a result, beginning with the election of Directors at the 2016 Annual Meeting, a majority of the Board would stand for election annually, and, beginning with the 2017 Annual Meeting, all Directors would stand for election annually. You may vote for or against, or abstain from voting on this proposal. Proposal 4 requires the affirmative vote of the holders of shares entitled to exercise not less than two-thirds (2/3) of the voting power of Lincoln shares. This means that two-thirds (2/3) of the voting power must be received in order for this proposal to pass. Broker non-votes and abstentions on Proposal 4 will have the same effect as votes against the proposal.

Our Directors do not know of any other matters that are to be presented at the meeting. If any other matters come before the meeting of which we failed to receive notice within the 30-day period from December 26, 2013 through January 25, 2014 (or that applicable laws otherwise would permit proxies to vote on a discretionary basis), it is intended that the persons authorized under solicited proxies will vote on the matters in accordance with their best judgment.

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How do I vote?

Registered Holders

If your shares are registered in your name, you may vote in person or by proxy in any ONE of the following ways:

- **Using a Toll-Free Telephone Number.** After reading the proxy materials and with your proxy card in front of you, you may call the toll-free number **1-800-690-6903** using a touch-tone telephone. Have the information that is printed on your proxy card, in the box marked by the arrow available, and follow the instructions.

- **Over the Internet.** After reading the proxy materials and with your proxy card in front of you, you may use a computer to access the website www.proxyvote.com. Have the information that is printed on your proxy card, in the box marked by the arrow available, and follow the instructions.

- **By Mail.** After reading the proxy materials, you may mark, sign and date your proxy card and return it in the enclosed prepaid and addressed envelope.

- **In Person at the Meeting.** If you plan to attend the Annual Meeting in person, you must provide proof of your ownership of our common stock and a form of personal identification for admission to the meeting. If you hold your shares in street name, and you also wish to vote at the meeting, you must obtain a proxy, executed in your favor, from your bank or broker. **NOTE: Because 401(k) plan shares are held in a qualified plan, you are not able to vote 401(k) plan shares in person at the Annual Meeting.**

The Internet and telephone voting procedures have been set up for your convenience and have been designed to authenticate your identity, allow you to give voting instructions and confirm that those instructions have been recorded properly.

Participants in the 401(k) Plan

If you participate in the 401(k) plan, the plan s independent Trustee, Fidelity Management Trust Company, will vote your 401(k) plan shares according to your voting directions. You may give your voting directions to the plan Trustee in any ONE of the three ways set forth above under Registered Holders. If you do not return your proxy card or do not vote over the Internet or by telephone, the Trustee will not vote your plan shares. Each participant who gives the Trustee voting directions acts as a named fiduciary for the 401(k) plan under the provisions of the Employee Retirement Income Security Act of 1974, as amended.

Beneficial Holders of Shares Held in Street Name

If your shares are held by a bank, broker, trustee or some other nominee (in street name), that entity will give you separate voting instructions. Brokers and other nominees are not entitled to vote on the election of Directors, the advisory vote on executive compensation, or the proposal to declassify our Board of Directors, unless they receive voting instructions from the beneficial owner. Therefore, it is important that you instruct your bank, broker or other nominee on how you want your shares voted.

What happens if I sign, date and return my proxy but do not specify how I want my shares voted on the proposals?

Registered Shareholders

If you sign, date and return your proxy card but do not specify how you want to vote your shares, your shares will be voted **FOR** the election of all of the Director nominees, **FOR** the ratification of the appointment of our independent auditors, **FOR** the approval of the compensation of our named executive officers and **FOR** the proposal to declassify our Board of Directors.

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Street Name Shareholders

Your broker or nominee may vote your uninstructed shares only on those proposals on which it has discretion to vote. Your broker or nominee does not have discretion to vote your uninstructed shares on non-routine matters such as Proposal 1 (election of Directors), Proposal 3 (advisory vote on executive compensation), and Proposal 4 (declassify the Board of Directors). However, your broker or nominee does have discretion to vote your uninstructed shares on routine matters such as Proposal 2 (ratification of independent auditors).

May I revoke my proxy or change my vote?

Yes. You may change or revoke your proxy prior to the closing of the polls in any one of the following FOUR ways:

1. by sending a written notice to our Corporate Secretary stating that you want to revoke your proxy;

2. by submitting a properly completed and signed proxy card with a later date (which will automatically revoke the earlier proxy);

3. by entering later-dated telephone or Internet voting instructions (which will automatically revoke the earlier proxy); or

4. by voting in person at the Annual Meeting after requesting that the earlier proxy be revoked. **NOTE: Because 401(k) plan shares are held in a qualified plan, you are not able to revoke or change your vote on 401(k) plan shares at the Annual Meeting.**

If your shares are held by a bank, broker, trustee or some other nominee, you will have to check with your bank, broker, trustee or other nominee to determine how to change your vote. Also note that if you plan to attend the Annual Meeting, you will not be able to vote in person at the meeting any of your shares held by a nominee unless you have a valid proxy from the nominee. If you plan to attend the Annual Meeting, please check the attendance box on the enclosed proxy card or indicate so when prompted if you are voting by telephone or over the Internet.

Who counts the votes?

We have engaged Broadridge Financial Solutions, Inc. as our independent agent to receive and tabulate the votes. Broadridge will separately tabulate for, against and withhold votes, abstentions and broker non-votes. Broadridge will also act as our inspector of elections at the Annual Meeting. All properly signed proxy cards and all properly recorded Internet and telephone votes (including votes marked abstain and broker non-votes) will be counted to determine whether or not a quorum is present at the meeting.

May I receive future shareholder communications over the Internet?

If you are a registered shareholder, you may consent to receiving future shareholder communications (e.g., proxy materials, Annual Reports and interim communications) over the Internet instead of the mail. You give your consent by marking the appropriate box on your proxy card or following the prompts given you when you vote by telephone or over the Internet. If you choose electronic access, once there is sufficient interest in electronic delivery, we will discontinue mailing proxy statements and Annual Reports to you. However, you will still receive a proxy card, together with a formal notice of the meeting, in the mail.

Providing shareholder communications over the Internet will reduce our printing and postage costs and the number of paper documents that you would otherwise receive. If you give your consent, there is no cost to you for this service other than charges you may incur from your Internet provider, telephone and/or cable company. Once you give your consent, it will remain in effect until you inform us otherwise.

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If your shares are held through a bank, broker, trustee or some other nominee, check the information provided by that entity for instructions on how to choose to access future shareholder communications over the Internet.

In addition, our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, Annual Report and this proxy statement are available free of charge on the following website: www.lincolnelectric.com/proxymaterials.

When are shareholder proposals due for next year s Annual Meeting in 2015?

In order for proposals to be considered for inclusion in next year s proxy statement for the 2015 Annual Meeting, a shareholder proposal submitted under Rule 14a-8 of the Securities Exchange Act of 1934 must be received in writing by the Corporate Secretary at Lincoln Electric Holdings, Inc., 22801 Saint Clair Avenue, Cleveland, Ohio 44117-1199 on or before November 21, 2014, and it must otherwise comply with Rule 14a-8. In addition, if shareholders want to present proposals at our 2015 Annual Meeting other than through the process set forth in Rule 14a-8, they must comply with the requirements set forth in our Amended and Restated Code of Regulations, which we refer to as our Regulations. Specifically, they must provide written notice containing certain information as described in our Regulations and such notice must be received no later than January 24, 2015 and no earlier than December 25, 2014. If notices delivered pursuant to the Regulations are not timely received, then we will not be required to present such proposals at the 2015 Annual Meeting. If the Board of Directors chooses to present any information submitted after the deadlines set forth in the Regulations at the 2015 Annual Meeting, then the persons named in proxies solicited by the Board for the 2015 Annual Meeting may exercise discretionary voting power with respect to such information.

May I submit a nomination for Director?

Our Regulations permit shareholders to nominate one or more persons for election as a Director but require that nominations be received in the Corporate Secretary s Office at least 80 days before the date of the annual meeting at which the nomination is to be made, as long as we publicly announced the date of the annual meeting more than 90 days prior to the annual meeting date. Alternatively, shareholder nominations for Director must be received in the Corporate Secretary s Office no later than the close of business on the tenth day following the day on which we publicly announced the date of the annual meeting in those instances when we have not publicly announced the date of the annual meeting more than 90 days prior to the annual meeting date. For complete details on the nomination process, contact our Corporate Secretary at the address below.

To nominate a candidate for election as Director, you must send a written notice to the Corporate Secretary at Lincoln Electric Holdings, Inc., 22801 Saint Clair Avenue, Cleveland, Ohio 44117-1199. The notice must include certain information about you as a shareholder of Lincoln and about the person you intend to nominate, including a statement about the person s willingness to serve, if elected. Specifically, each notice must include: (1) the name and address of the shareholder who intends to make the nomination and of the person(s) to be nominated, (2) a representation that the shareholder is a holder of record of stock of Lincoln entitled to vote for the election of directors on the date of such notice and intends to appear in person or by proxy at the meeting to nominate the person(s) specified in the notice, (3) a description of all arrangements or understandings between the shareholder and each nominee and any other person(s) (naming such person(s)) pursuant to which the nomination(s) are to be made by the shareholder, (4) such other information regarding each nominee proposed by the shareholder as would be required to be included in the proxy statement filed pursuant to the proxy rules of the SEC, had the nominee been nominated, or intended to be nominated, by our Board of Directors, and (5) the consent of each nominee to serve as a director of Lincoln if so elected.

For this year s Annual Meeting, we had to receive nominations not later than the close of business on February 3, 2014 as we publicly announced the date of this year s Annual Meeting on January 16, 2014, which is more than 90 days prior to this year s Annual Meeting date. Accordingly, no additional nominations can be made for this year s Annual Meeting.

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How do I contact Lincoln?

For general information, shareholders may contact Lincoln at the following address:

Lincoln Electric Holdings, Inc.

22801 Saint Clair Avenue

Cleveland, Ohio 44117-1199

Attention: Amanda Butler, Director, Investor Relations

Throughout the year, you may visit our website at www.lincolnelectric.com for information about current developments at Lincoln.

How do I contact the Directors?

Shareholders may send communications to any or all of our Directors through the Corporate Secretary at the following address:

Lincoln Electric Holdings, Inc.

22801 Saint Clair Avenue

Cleveland, Ohio 44117-1199

Attention: Corporate Secretary

The name of any specific intended Board recipient should be noted in the communication. The Corporate Secretary will forward such correspondence only to the intended recipients. Prior to forwarding any correspondence, the Corporate Secretary will review such correspondence and, in his discretion, not forward certain items if they are deemed of a frivolous nature or otherwise inappropriate for the Board s consideration. In such cases, some of that correspondence may be forwarded elsewhere within Lincoln for review and possible response.

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ELECTION OF DIRECTORS

Our Regulations currently provide for three classes of Directors whose terms expire in different years. Ohio s General Corporation Law provides that, unless another voting standard is stipulated in the Articles of Incorporation, if a quorum is present, the Director nominees receiving the greatest number of votes will be elected as Directors of Lincoln (plurality standard). In addition, we have adopted a majority voting policy with respect to uncontested elections of Directors. The majority voting policy is described in detail below under Corporate Governance. Accordingly, for the 2014 Annual Meeting, the plurality standard will determine whether a Director nominee is elected but, under our majority voting policy, if any Director fails to receive a majority of the votes cast in his or her favor, the Director will be required to submit his or her resignation to the Board promptly after the certification of the election results. The Nominating and Corporate Governance Committee of the Board would then consider each resignation and recommend to the Board whether to accept or reject it.

Under our current classified Board structure, of our three Director classes, one class will hold office until the 2014 Annual Meeting, one class will hold office until the 2015 Annual Meeting and one class will hold office until the 2016 Annual Meeting, in each case to serve until their successors are duly elected and qualified. Should Proposal 4 (declassify our Board of Directors) pass by the required two-thirds (2/3) vote, the declassification process will commence with the Directors scheduled for election in 2015. Accordingly, if the declassification proposal passes, the Directors up for election at this Annual Meeting to serve until 2017 will be elected to a three-year term, and the class of Directors up for election at the 2015 Annual Meeting will be the first class of Directors up for election for a one-year term.

Election of Five Directors to Serve Until 2017

At the 2014 Annual Meeting, five Directors will be elected to serve for a three-year term until the 2017 Annual Meeting and until their successors are duly elected and qualified. Unless otherwise directed, shares represented by proxy will be voted **FOR** the following:

Class of 2017. The class of Directors whose term ends in 2017 has been fixed at five. **David H. Gunning, G. Russell Lincoln, Christopher L. Mapes, Phillip J. Mason and Hellene S. Runtagh** are standing for election. All of the nominees have been elected previously by the shareholders, except for Mr. Mason who joined our Board in July 2013. Mr. Mason was elected to the Board upon the recommendation of the Nominating and Corporate Governance Committee after a board search firm sent the Company his credentials.

Each of the nominees has agreed to stand for election and has agreed, in accordance with our majority voting policy, to tender his resignation in the event that he or she fails to receive a majority of the votes cast in his or her favor. If any of the nominees is unable to stand for election, the Board may provide for a lesser number of nominees or designate a substitute. In the latter event, shares represented by proxies solicited by the Directors may be voted for the substitute. We have no reason to believe that any of the nominees will be unable to stand for election.

YOUR BOARD OF DIRECTORS RECOMMENDS A *VOTE FOR THE* ELECTION OF

DAVID H. GUNNING, G. RUSSELL LINCOLN, CHRISTOPHER L. MAPES,

PHILLIP J. MASON AND HELLENE S. RUNTAGH

TO THE CLASS OF 2017

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Annual Meeting Attendance

Directors are expected to attend each annual meeting. All of the Director nominees, as well as the continuing Directors, plan to attend this year s Annual Meeting. At the 2013 Annual Meeting, all of our Directors were in attendance, except for Mr. Mason, who did not join our Board until July 2013.

The following table sets forth biographical information about the Director nominees and the Directors whose terms of office will continue after this Annual Meeting. Except as otherwise indicated, each of the Director nominees and continuing Directors has held the occupation listed below for more than five years.

None of the Director nominees or continuing Directors has any special arrangement or understanding with any other person pursuant to which the Director nominee or continuing Director was or is to be selected as a Director or nominee. There are no family relationships, as defined by SEC rules, among any of our Directors or executive officers. SEC rules define the term family relationship to mean any relationship by blood, marriage or adoption, not more remote than first cousin.

DIRECTOR NOMINEES FOR ELECTION FOR CLASS OF 2017

David H. Gunning, Age 71

Term Expires/Service: 2014 Director since 1987 and Lead Director since April 2013.

Recent Business Experience: Mr. Gunning is the former Vice Chairman of Cliffs Natural Resources, Inc. (an iron ore and coal mining company formerly known as Cleveland-Cliffs Inc), a position he held from 2001 until his retirement in 2007. Prior to that, Mr. Gunning served as Chairman, President and Chief Executive Officer of Capital American Financial Corp. Mr. Gunning is also a lawyer and practiced law for many years as a corporate partner with Jones Day.

Directorships: Mr. Gunning is a member of the Board of Directors of MFS Funds, Inc. (since 2004). Mr. Gunning served on the Boards of Directors of Cliffs Natural Resources, Inc. (2001 to 2007), Portman Mining Ltd. (2005 to 2008), Southwest Gas Corporation (2000 to

2004) and Development Alternatives, Inc. (pre-1993 to May 2013).

Director Qualifications: Mr. Gunning brings to the Board (and its Compensation and Executive Development and Nominating and Corporate Governance Committees) chief executive officer and senior management experience (with public companies), public company board experience and corporate legal skills. Additionally, Mr. Gunning s relatively long tenure as a Director provides the Board with a valuable perspective on Lincoln s challenges within its industry.

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G. Russell Lincoln, Age 67

Term Expires/Service: 2014 Director since 1989.

Recent Business Experience: Mr. Lincoln is President of N.A.S.T. Inc. (a personal investment firm), a position he has held since 1996. Prior to joining N.A.S.T. Inc., Mr. Lincoln served as the Chairman and Chief Executive Officer of Algan, Inc.

Director Qualifications: As an entrepreneurial businessman with experience, including 25 years running a $50 million business, Mr. Lincoln understands business risk and the importance of hands-on management. Mr. Lincoln is the grandson of J. F. Lincoln, who pioneered the use of incentive management, and he appreciates our corporate culture. His leadership role and his investment experience serve Lincoln Electric well as a member of the Audit and Finance Committees of the Board.

Christopher L. Mapes, Age 52

Term Expires/Service: 2014 Director since 2010.

Recent Business Experience: Mr. Mapes is Chairman, President and Chief Executive Officer of Lincoln. Mr. Mapes has served as President and Chief Executive since December 31, 2012. On December 21, 2013, Mr. Mapes was appointed as Chairman of the Board in addition to his other responsibilities. From September 2011 to December 31, 2012, Mr. Mapes served as the Chief Operating Officer of Lincoln. From 2004 to August 2011, Mr. Mapes served as an Executive Vice President of A.O. Smith Corporation (a global manufacturer with a water heating and water treatment technologies business, which has residential, commercial, industrial and consumer applications) and the President of its former Electrical Products unit. Prior to joining A.O. Smith, he was the President, Motor Sales and Marketing of Regal Beloit Corporation (a manufacturer of electrical and mechanical motion control products) from 2003 to 2004.

Directorships: Mr. Mapes is a member of the Board of Directors of The Timken Company (since February 14, 2014).

Director Qualifications: As an experienced executive officer of Lincoln as well as other large, global public companies engaged in manufacturing operations, Mr. Mapes understands the manufacturing industry and the challenges of global growth. He is also familiar with the welding industry generally, given his service to Lincoln as Chief Executive Officer and Chief Operating Officer and that one of his former employers (Superior Essex) has been a supplier to Lincoln. In addition to his business management experience, Mr. Mapes has a law degree.

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Phillip J. Mason, Age 63

Term Expires/Service: 2014 Director since July 2013.

Recent Business Experience: Mr. Mason is the former President of the Europe, Middle East & Africa Sector (EMEA Sector) of Ecolab, Inc. (a leading provider of food safety, public health and infection prevention products and services), a position he held from 2010 until his retirement in 2012. Mr. Mason brings 35 years of international business experience to the Board and its Audit and Finance Committees, including starting, developing and growing businesses abroad in both mature and emerging markets. Prior to leading Ecolab s EMEA Sector, Mr. Mason had responsibility for Ecolab s Asia Pacific and Latin America businesses as President of Ecolab s International Sector from 2005 to 2010 and as Senior Vice President, Strategic Planning in 2004.

Director Qualifications: Mr. Mason has over 35 years of international business experience with experience in establishing businesses in China, South Korea, Southeast Asia, Brazil, India, Russia, Africa and the Middle East. Mr. Mason s executive leadership of an international business sector for a U.S. publicly-held company provides him with extensive international business expertise in a business-to-business environment, including industrial sectors. Additionally, he brings a strong finance and strategic planning background, including merger and acquisition experience, along with significant experience working with and advising boards on diverse issues confronting companies with international operations.

Hellene S. Runtagh, Age 65

Term Expires/Service: 2014 Director since 2001.

Recent Business Experience: Ms. Runtagh is the former President and Chief Executive Officer of the Berwind Group (a diversified pharmaceutical services, industrial manufacturing and real estate company), a position she held in 2001. From 1997 through 2001, Ms. Runtagh was Executive Vice President of Universal Studios (a media and entertainment company). Prior to joining Universal Studios, Ms. Runtagh spent 27 years at General Electric Company (a diversified industrial company) in a variety of leadership positions.

Directorships: Ms. Runtagh has served on the Board of Directors of Harman International Industries, Inc. since 2008 and NeuStar, Inc. since 2006. In addition, Ms. Runtagh was a member of the Board of Directors of IKON Office Solutions Inc. from 2007 to 2008, Avaya Inc. from 2003 to 2007 and Covad Communications Group from 1999 to 2006.

Director Qualifications: Ms. Runtagh has over 30 years of experience in management positions with global companies. Ms. Runtagh s responsibilities in management have ranged from marketing and sales to finance, as well as engineering and manufacturing. Ms. Runtagh s diverse management experience, including growing those businesses while maintaining high corporate governance standards, and her extensive experience as a director of public companies, make her well-positioned for her role as a Director, member of the Compensation and Executive Development Committee (where she is Chair) and member of the Nominating and Corporate Governance Committee.

Class of 2015

Harold L. Adams, Age 74

Term Expires/Service: 2015 Director since 2002.

Recent Business Experience: Mr. Adams has been Chairman Emeritus of RTKL Associates Inc. (an architectural and engineering firm) since 2003, and is the former Chairman, President and Chief Executive Officer of RTKL, a position he held from 1967 to 2003.

Directorships: Mr. Adams has been a member of the Board of Directors of Commercial Metals Company since 2004 and Legg Mason, Inc. since 1988.

Director Qualifications: Mr. Adams served for 36 years as Chairman, President and Chief Executive Officer of an international architectural firm with 14 offices worldwide. Mr. Adams has also served as a leader on U.S. business advisory councils with Korea and China and the Services Policy Advisory Board to the U.S. Trade Negotiator, and is Chairman of the Governor s International Advisory Council for the State of Maryland. In these roles, Mr. Adams worked in every major international market in a myriad of economic climates and cultures. He also supervised the Chief Financial Officer and accounting department, dealing with independent auditors on global financial issues. Mr. Adams has years of experience serving on public company Boards and is an accomplished businessman. Mr. Adams has strong familiarity with Lincoln s history and operational performance having served as its Lead Director from 2004 to April 2013. He continues to serve as a member of the Nominating and Corporate Governance Committee (where he is Chair) and as a member of the Audit Committee.

Curtis E. Espeland, Age 49

Term Expires/Service: 2015 Director since 2012.

Recent Business Experience: Mr. Espeland has been Senior Vice President and Chief Financial Officer of Eastman Chemical Company (a chemical, fiber and plastic manufacturer) since 2008. Prior to his service as Senior Vice President and Chief Financial Officer, Mr. Espeland was Vice President, Finance and Chief Accounting Officer of Eastman Chemical from 2005 to 2008.

Director Qualifications: Mr. Espeland has extensive experience in corporate finance and accounting, having served in various finance and accounting roles, and ultimately as the Chief Financial Officer, at a large publicly-traded company (Eastman Chemical) for the past several years. Mr. Espeland also has significant experience in the areas of mergers and acquisitions, taxation and enterprise risk management. Mr. Espeland also served as an independent auditor at Arthur Andersen LLP having worked in both the United States and abroad (Europe and Australia). Mr. Espeland s extensive accounting and finance experience, the Board has determined, qualifies him as an audit committee financial expert. This expertise makes Mr. Espeland an important member of the Audit Committee and the Finance Committee. In addition, Mr. Espeland s international business experience is a valued asset for our global operations.

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Robert J. Knoll, Age 72

Term Expires/Service: 2015 Director since 2003.

Recent Business Experience: Mr. Knoll is a former Partner of Deloitte & Touche LLP (an accounting firm), a position he held from 1978 to his retirement in 2000. From 1995 to 1999, Mr. Knoll served as National Director of the firm s Accounting and Auditing Professional Practice with oversight responsibility for the firm s accounting and auditing consultation process, SEC practice and risk management process.

Director Qualifications: Mr. Knoll brings a wealth of accounting and auditing experience, with 32 years as a certified public accountant and 22 years as a partner at Deloitte & Touche LLP. Mr. Knoll s experience directing complex audit processes, and his understanding of the operations of international manufacturing companies similar to Lincoln, provides the Board with valuable expertise and, the Board has determined, qualifies Mr. Knoll as an audit committee financial expert. This experience also makes Mr. Knoll a key member of the Audit Committee (where he is Chair) and the Finance Committee.

Class of 2016

Stephen G. Hanks, Age 63

Term Expires/Service: 2016 Director since 2006.

Recent Business Experience: Mr. Hanks spent 30 years with global engineering and construction company Morrison Knudsen Corporation and its successor Washington Group International, Inc., serving the last eight years as President, CEO and a member of its Board of Directors and retiring in January 2008.

Directorships: Mr. Hanks is a member of the Board of Directors of McDermott International, Inc. (since 2009) and The Babcock & Wilcox Company (since July 2010). Mr. Hanks is also a member of the Board of Directors of The Washington Companies, which is privately-owned.

Director Qualifications: Mr. Hanks executive leadership of a U.S. publicly-held company with international reach has provided him with extensive experience dealing with the issues that these companies confront. His diverse professional skill set, including finance (having served as CFO of Morrison Knudsen) and legal competencies (such as enterprise risk management, corporate compliance and legal strategy), make him a valuable member of the Board, the Finance Committee (where he is Chair) and the Compensation and Executive Development Committee. Mr. Hanks experience as a Chief Executive Officer and Chief Financial Officer of a publicly-held company qualifies him as an audit committee financial expert.

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Kathryn Jo Lincoln, Age 59

Term Expires/Service: 2016   Director since 1995.

Recent Business Experiences: Ms. Lincoln is Chair/Chief Investment Officer of the Lincoln Institute of Land Policy (a non-profit educational institution teaching land economics and taxation), a position she has held since 1996. Ms. Lincoln also served as President of the Lincoln Foundation, Inc. (a non-profit foundation that supported the foregoing Institute until the two entities merged in 2006) from 1999 through 2006.

Directorships: Ms. Lincoln is an Advisory Board Member of the Johnson Bank, Arizona Region, a position she has held since 2006, before which she was a Board Member of Johnson Bank Arizona, N.A. beginning in 2001.

Director Qualifications: Ms. Lincoln s leadership experience with a non-profit education and research institution where she has played a crucial role in strategic planning and asset allocation, as well as her experience with the Chautauqua Institution and an international non-profit organization related to land use/policy, make Ms. Lincoln a valuable contributor to a well-rounded board. Ms. Lincoln serves as a member of the Compensation and Executive Development and Nominating and Corporate Governance Committees. In addition, as a Lincoln family member and long-standing Director of Lincoln Electric, Ms. Lincoln has a keen sense of knowledge about Lincoln Electric and its founding principles.

William E. MacDonald, III, Age 67

Term Expires/Service: 2016   Director since 2007.

Recent Business Experiences: Mr. MacDonald is the former Vice Chairman of National City Corporation (a diversified financial holding company), a position he held from 2001 until his retirement in 2006, where he was responsible for its seven-state regional and national corporate banking businesses, the Risk Management and Credit Administration unit, Capital Markets and the Private Client Group. Mr. MacDonald joined National City in 1968 and, during his tenure, held a number of key management positions, including Senior Executive Vice President of National City Corporation and President and Chief Executive Officer of National City s Ohio bank.

Directorships: Mr. MacDonald was a member of the Board of Directors of American Greetings Corporation from 2007 until September 2013 when the company was privatized. In addition, Mr. MacDonald served on the Board of Directors of MTC Technologies, Inc. from 2002 to 2008 and The Lamson & Sessions Co. from 2006 to 2007 when, in each case, the boards were dismantled as a result of divestitures.

Director Qualifications: Mr. MacDonald brings experience in leading a large corporate organization with over 35,000 employees and structuring complex financing solutions for large and middle-market businesses to the Board and its Compensation and Executive Development and Finance Committees. In addition to his expertise in economic issues, Mr. MacDonald appreciates the human resources and development challenges facing a global, publicly-traded company.

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George H. Walls, Jr., Age 71

Term Expires/Service: 2016 Director since 2003.

Recent Business Experience: General Walls is the former Chief Deputy Auditor of the State of North Carolina, a position he held from 2001 through 2004. General Walls retired from the U.S. Marine Corps in 1993 with the rank of Brigadier General, after nearly 29 years of distinguished service.

Directorships: General Walls has served on the Board of Directors of The PNC Financial Services Group, Inc. since 2006. In addition, he was a member of the Board of Directors of Thomas Industries, Inc. from 2003 to 2005 when the board was dismantled as a result of a divestiture.

Director Qualifications: General Walls brings to the Board substantial financial acumen and experience supervising the audits of various government entities, including the Office of the Governor of North Carolina, all state agencies of North Carolina, all Clerks of Superior Court for North Carolina and all not-for-profit agencies that received state or federal funds during his tenure as Chief Deputy Auditor of the State of North Carolina, which serves him well as a member of the Audit Committee of the Board. General Walls also has significant experience in the leadership, management and ethics of large, complex organizations, aiding him in his services on the Nominating and Corporate Governance Committee of the Board. General Walls is also a National Association of Corporate Directors (NACD) Governance Fellow. In addition, General Walls understands the welding industry and at one point in time had oversight responsibility for the Marine Corps welding school and development program.

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EXECUTIVE BIOGRAPHIES

The biographies of our executive officers are hereby incorporated by reference from our Form 10-K for the fiscal year ended December 31, 2013, filed on February 21, 2014, at page 9.

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DIRECTOR COMMITTEES AND MEETINGS

We have a separately-designated standing Audit Committee established in accordance with SEC rules. We also have standing Compensation and Executive Development, Nominating and Corporate Governance and Finance Committees. Information on the current composition of each Committee, and the number of meetings held by each Committee during 2013, is set forth below.

Director	Audit	Compensation & Executive Development	Nominating & Corporate Governance	Finance
Harold L. Adams			**Chair**	
Curtis E. Espeland				
David H. Gunning (*Lead Director*)				
Stephen G. Hanks				**Chair**
Robert J. Knoll	**Chair**			
G. Russell Lincoln				
Kathryn Jo Lincoln				
William E. MacDonald, III				
Christopher L. Mapes (*Chairman*)				
Phillip J. Mason				
Helene S. Runtagh		**Chair**		
George H. Walls, Jr.				
Number of Meetings 2013	5	6	5	5

Audit Committee

Each of the Directors serving as members of our Audit Committee meets the independence standards set forth in the NASDAQ listing standards and have likewise been determined by the Board to have the financial competency required by the listing standards. In addition, because of the professional training and past employment experience of Messrs. Espeland and Knoll, the Board has determined that they are financially sophisticated Audit Committee Members under the NASDAQ listing standards and qualify as audit committee financial experts in accordance with SEC rules. Shareholders should understand that the designation of Messrs. Espeland and Knoll as audit committee financial experts is an SEC disclosure requirement and that it does not impose upon them any duties, obligations or liabilities that are greater than those generally imposed on them as members of the Audit Committee and the Board.

Principal Responsibilities:

- appoints and determines whether to retain or terminate the independent auditors
- approves all audit engagement fees, terms and services
- approves any non-audit engagements
- reviews and discusses the independent auditors quality control
- reviews and discusses the independence of the auditors, the audit plan, the conduct of the audit and the results of the audit

reviews and discusses with management Lincoln s financial statements and disclosures, its interim financial reports and its earnings press releases

reviews with Lincoln s General Counsel legal matters that might have a significant impact on our financial statements

oversees compliance with our Code of Corporate Conduct and Ethics, including annual reports from compliance officers

reviews with management the appointment, replacement, reassignment or dismissal of the Vice President, Internal Audit, the internal audit charter, internal audit plans and reports

reviews with management the adequacy of internal control over financial reporting

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A copy of this Committee s Charter (i) may be found on our website at www.lincolnelectric.com and (ii) will be made available upon request to our Corporate Secretary.

Compensation and Executive Development Committee

Each of the Directors serving as members of our Compensation and Executive Development Committee meets the independence standards set forth in the Nasdaq listing standards and each of whom is deemed to be (1) an outside Director within the meaning of Section 162(m) of the U.S. Internal Revenue Code, and (2) a non-employee director within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934.

Principal Responsibilities:

- reviews and establishes total compensation of our Chief Executive Officer and other executive officers
- annually assesses the performance of our Chief Executive Officer and other executive officers
- monitors our key management resources, structure, succession planning, development and selection processes and the performance of key executives
- reviews and recommends to the Board, in conjunction with the Nominating and Corporate Governance Committee, the appointment and removal of our elected officers
- administers our employee stock and incentive plans and reviews and makes recommendations to the Board concerning all employee benefit plans
- reviews and recommends to the Board new or amended executive compensation plans

The Committee does not generally delegate any of its authority to other persons, although it has the power to delegate authority. Two exceptions to the foregoing are that the authority to delegate is not permitted with respect to awards under our 2006 Equity and Performance Incentive Plan (EPI Plan) to

any executive officers or any person subject to Code Section 162(m) and the authority to delegate is limited by Section 162(m) under our 2007 MICP, a plan that relates to awards subject to Code Section 162(m). See the Compensation Discussion and Analysis (CD&A) section below for more information on the Committee s role with respect to executive compensation.

During 2013, the Committee adopted amendments to its Charter to reflect new Nasdaq listing requirements related to the independence of its members, as well as its advisors.

A copy of this Committee s Charter (i) may be found on our website at www.lincolnelectric.com and (ii) will be made available upon request to our Corporate Secretary.

Nominating and Corporate Governance Committee

Each of the Directors serving as members of our Nominating and Corporate Governance Committee meet the independence standards set forth in the Nasdaq listing standards.

Principal Responsibilities:

reviews external developments in corporate governance matters, and develops and recommends to the Board corporate governance principles for Lincoln

identifies and evaluates Board member candidates

reviews Director compensation, benefits and expense reimbursement programs

reviews periodically the quality, sufficiency and currency of information furnished to the Board by Lincoln management

reviews and recommends, in conjunction with the Compensation and Executive Development Committee, the appointment and removal of our elected officers

In evaluating Director candidates, including persons nominated by shareholders, the Committee expects that any candidate for election as a Director of Lincoln must have these minimum qualifications:

- demonstrated character, integrity and judgment
- high-level managerial experience or experience dealing with complex problems
- ability to work effectively with others
- sufficient time to devote to the affairs of Lincoln and these specific qualifications
- specialized experience and background that will add to the depth and breadth of the Board
- independence as defined by the Nasdaq listing standards
- financial literacy

In evaluating candidates to recommend to the Board of Directors, in addition to the minimum qualifications discussed above and as stated in our Guidelines on Significant Corporate Governance Issues, the Committee considers whether the candidate enhances the diversity of the Board. Such diversity includes professional background and capabilities, knowledge of specific industries and geographic experience, as well as the more traditional diversity concepts of race, gender and national origin.

The Committee s process for identifying and evaluating nominees for Director includes annually preparing and discussing prospective Director specifications, which serve as the baseline to evaluate candidates. From time-to-time, we have retained an outside firm to help identify candidates, but no such firm was retained during 2013.

Shareholders may nominate one or more persons for election as Director of Lincoln. The process for doing so is set forth above under the caption May I submit a nomination for Director?

See the narrative following the Director compensation table below for specific information on the Committee s involvement in determining Director compensation.

A copy of this Committee s Charter (i) may be found on our website at www.lincolnelectric.com and (ii) will be made available upon request to our Corporate Secretary.

Finance Committee

Principal Responsibilities:

Considers and makes recommendations, as necessary, on matters related to the financial affairs and policies of Lincoln, including:

- financial performance, including comparing our financial performance to budgets and goals capital structure issues, including dividend and share repurchasing policies

financial operations

capital expenditures

strategic planning and financial policy matters, including merger and acquisition activity

pension plan funding and plan investment management performance

A copy of this Committee s Charter (i) may be found on our website at www.lincolnelectric.com and (ii) will be made available upon request to our Corporate Secretary.

Board Meetings

Our Board held five meetings in 2013. During 2013, each of our Directors serving in 2013 attended at least 75% of the total number of full Board meetings as well as meetings of committees on which he or she served (for the period served), except for Mr. Espeland. Mr. Espeland was absent from one Board meeting and one committee meeting due to a family loss and one Board meeting due to professional conflicts.

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CORPORATE GOVERNANCE

Director Independence

Each of the non-employee Director nominees and continuing Directors meets the independence standards set forth in the Nasdaq listing standards, which are reflected in our Director Independence Standards (discussed below). The Nasdaq independence standards include a series of objective tests, such as that the Director is not an employee of Lincoln and has not engaged in various types of business dealings with Lincoln, to determine whether there are any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of the Director. To be considered independent, the Board must affirmatively determine that the director has no material relationship with Lincoln. The Board has adopted Director Independence Standards, which outline the independence standards set forth in the Nasdaq listing standards and outline specific relationships that are deemed to be categorically immaterial for purposes of director independence. The Director Independence Standards are available on our website at www.lincolnelectric.com.

During 2013, the independent Directors met in Executive Session, separate from the management Directors, in conjunction with each of the meetings of the Board. The Lead Director was the presiding Director of these sessions.

Lead Director

The Lead Director is appointed each year by the independent Directors at the organizational meeting of the Board following the Annual Meeting. The Lead Director serves as a liaison between the Chairman of the Board and the independent Directors, and presides over Executive Sessions attended only by independent Directors. The Lead Director consults with the Chairman on the format and adequacy of information the Directors receive and the effectiveness of the Board meeting process and has independent authority to review and approve Board meeting agendas and schedules, as well as the authority to request from our officers any company information deemed desirable by the independent Directors. The Lead Director may also speak on behalf of Lincoln, from time to time, as the Board may decide.

In April 2013, David H. Gunning was elected as the Lead Director for 2013-2014, replacing Harold L. Adams following eleven years of consecutive service as Lead Director.

Board Leadership

On December 20, 2013, John M. Stropki retired from his role as Executive Chairman and as a member of our Board. Our Executive Chairman acted until his retirement as a liaison between our Board and management and offered high-level guidance to our Chief Executive Officer.

On December 21, 2013, Mr. Mapes, the President and Chief Executive Officer, was elected Chairman in addition to his other responsibilities. This action was part of our succession planning for senior leadership. Our Chairman, President and Chief Executive Officer is responsible for planning, formulating and coordinating the development and execution of our corporate strategy, policies, goals and objectives. He is accountable for Lincoln s performance and reports directly to our Board. Our Chairman also:

works closely with our management to develop the company s strategic plan;

works with our management on transactional matters by networking with strategic relationships;

ensures that our Board fulfills its oversight and governance responsibilities;

ensures that our Board sets and implements our goals and strategies;

establishes procedures to govern our Board s work;

ensures that the financial and other decisions of our Board are fully, promptly and properly carried out;

ensures that all members of our Board have opportunities to acquire sufficient knowledge and understanding of our business to enable them to make informed judgments;

presides over meetings of our shareholders; and

provides leadership to our Board and sets the agenda for, and presides over, Board meetings.

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Our Board believes having one individual serve as Chairman and Chief Executive Officer is beneficial to us, as well as consistent with good corporate practices when coupled with a Lead Director. Mr. Mapes dual role enhances his ability to provide direction and insight on strategic initiatives impacting us and our shareholders. The Board also believes the dual role is consistent with good corporate governance practices, noting statements made by some governance commentators (such as the NACD and Conference Board) who have found no reason for a split when a counterbalance, such as a Lead Director, is present.

As noted above, our Board officially designates a Lead Director. Our Lead Director performs several important functions, including the coordination of the activities of the independent directors, providing input on agendas for Board and committee meetings and facilitating communications between the Chairman and the other members of our Board. The Lead Director works with the Chairman, President and Chief Executive Officer and the other Board members to provide strong, independent oversight of our management and affairs.

Risk Oversight and Assessment

In the ordinary course of business, we face various strategic, operating, compliance and financial risks. Our risk management processes seek to identify and address significant risks. Our Board oversees this enterprise-wide approach, and the Lead Director promotes our Board s engagement in enterprise risk management. Additionally, the Audit Committee reviews major financial risk exposure and the steps management has taken to monitor and control risk. Board oversight includes both leadership initiatives and structured follow up and review. Our Board has integrated its enterprise risk management process with its strategic planning process, refining the distinction between strategic risks and operational risks. Our Board reviews both regularly.

Compensation-Related Risks

We regularly assess risks related to our compensation and benefit programs, including our executive programs, and our Compensation and Executive Development Committee is actively involved in those assessments. In addition, Towers Watson & Co., compensation consultants engaged by management,

has provided a risk assessment of our executive programs in the past. As a result of all these efforts, we do not believe the risks arising from our executive compensation policies and practices are reasonably likely to have a material adverse effect on Lincoln.

Although we have a long history of pay-for-performance and incentive-based compensation, the programs contain many mitigating factors to ensure that our employees are not encouraged to take unnecessary risks. These factors include:

A mixture of programs that provide focus on both short- and long-term goals and that provide a mixture of cash and equity compensation;

Incentives focused primarily on the use of reportable and broad-based financial metrics (such as EBIT, net income growth and ROIC), including a mixture of consolidated and business-specific goals, with no one factor receiving an excessive weighting;

Caps on the maximum payout for cash incentives (currently 160% for the annual bonus and 200% for the cash long-term incentive program);

Stock ownership requirements for executives that encourage a longer-term view of performance;

Well-defined roles for oversight, review and approval of executive compensation, including the Compensation and Executive Development and Finance Committees of the Board and a broad-based group of functions within the organization (including Human Resources, Finance, Audit and Legal); and

A clawback policy that applies to all incentive compensation for officers from 2011 forward.

Guidelines on Significant Corporate Governance Issues

Our Board has adopted Guidelines on Significant Corporate Governance Issues, which we refer to as our Governance Guidelines, to assure good business practices, transparency in financial reporting and the highest level of professional and personal conduct. These guidelines address current developments in the area of corporate governance, including developments in federal securities law, developments related to the Sarbanes-Oxley Act of 2002 and changes in the Nasdaq listing standards. The Governance Guidelines also provide for the

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annual appointment of our Lead Director and contain our majority voting policy with respect to uncontested elections of Directors as discussed below. In addition, the Governance Guidelines specify through an express confidentiality provision that, unless otherwise authorized by the Board, Directors are not to discuss confidential corporate business with third parties, and instead are to refer all inquiries concerning confidential corporate business to the Chief Executive Officer or the Chief Financial Officer.

Majority Voting Policy

Our Governance Guidelines include a majority voting policy that applies in uncontested elections of Directors. The Board has the exclusive power and authority to administer the policy, as well as to repeal the policy, in whole or in part, or to adopt a new policy as it deems appropriate.

Under the policy, in uncontested elections of Directors, any Director who fails to receive a majority of the votes cast in his or her favor would be required to submit his or her resignation to the Board promptly after the certification of the election results. The Nominating and Corporate Governance Committee would then consider each resignation and recommend to the Board whether to accept or reject it. If a Director s tendered resignation is rejected by the Board, the Director will continue to serve for the

remainder of his or her term and until a successor is duly elected. If a Director s tendered resignation is accepted by the Board, then the Board, in its sole discretion, may fill any resulting vacancy or may decrease the size of the Board.

You can access our Governance Guidelines on our website at www.lincolnelectric.com.

Code of Corporate Conduct and Ethics

The Board also has adopted a Code of Corporate Conduct and Ethics to govern our Directors, officers and employees, including the principal executive officers and senior financial officers. We have satisfied, and in the future intend to satisfy, the disclosure requirements of Item 5.05 of Form 8-K regarding an amendment to, or a waiver from, any provision of our Code of Corporate Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and relates to any element of the code of ethics definition as set forth in Item 406(b) of Regulation S-K of the Securities Exchange Act of 1934, by posting such information on our website. You can access the Code of Corporate Conduct and Ethics, and any such amendments or waivers thereto (to date, there have been no such amendments or waivers), on our website at www.lincolnelectric.com.

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DIRECTOR COMPENSATION

The following table details the cash retainers and fees, as well as stock-based compensation in the form of shares of restricted stock, received by our non-employee Directors during 2013.

Director	Fees Earned or Paid in Cash	Stock Awards[1]	All Other Compensation	Total
Harold L. Adams	$ 92,263	$ 89,981	$	$ 182,244
Curtis E. Espeland	80,000[2]	89,981		169,981
David H. Gunning	92,619	89,981		182,600
Stephen G. Hanks	85,119	89,981		175,100
Robert J. Knoll	92,500	89,981		182,481
G. Russell Lincoln	80,000	89,981		169,981
Kathryn Jo Lincoln	80,000	89,981		169,981
William E. MacDonald, III	80,000	89,981		169,981
Phillip J. Mason	34,600	125,448		160,048
Hellene S. Runtagh	90,000	89,981		179,981
George H. Walls, Jr.	80,000[3]	89,981		169,981

1 On December 17, 2013, 1,262 shares of restricted stock were granted to each non-employee Director under our 2006 Stock Plan for Non-Employee Directors. Mr. Mason was granted an additional 582 shares of restricted stock upon joining the Board effective July 26, 2013. The Stock Awards column represents the grant date fair value under Accounting Standards Codification (ASC) Topic No. 718 based on a closing price of $71.30 and $60.94 per share on December 17, 2013 and July 26, 2013, respectively. See the discussion below entitled 2006 Stock Plan for Non-Employee Directors for additional information regarding the plan. Assumptions used in the calculation of these amounts are included in footnote (9) to our audited financial statements for the fiscal year ended December 31, 2013 included in our Annual Report on Form 10-K filed with the SEC on February 21, 2014.

As of December 31, 2013, the aggregate number of shares of restricted stock held by each non-employee Directors was 5,671 shares, except for Mr. Espeland, who joined our Board during 2012, and Mr. Mason, who joined our Board during 2013. Messrs. Espeland and Mason hold 4,459 and 1,844 shares of restricted stock, respectively.

As of December 31, 2013, the aggregate number of unexercised stock options held by each current non-employee Director who has received stock options was as follows: Mr. Gunning (11,000); Mr. Lincoln (11,000); and General Walls (11,000). All of the outstanding stock options were exercisable as of December 31, 2013. Mr. Adams, Mr. Hanks, Mr. Knoll, Ms. Lincoln and Ms. Runtagh do not hold any unexercised stock options. No additional stock options have been granted to the non-employee Directors since 2006. Accordingly, Messrs. Espeland, MacDonald and Mason never received any stock option awards as they were elected to the Board after 2006.

2 All of Mr. Espeland s board fees were deferred under our Non-Employee Director s Deferred Compensation Plan, which is detailed in the narrative below.

3 All of General Walls board fees were deferred under our Non-Employee Directors Deferred Compensation Plan, which is detailed in the narrative below.

General

Based upon the recommendations of the Nominating and Corporate Governance Committee, the Board determines our non-employee Director compensation. The Committee periodically reviews the status of Board compensation in relation to other comparable companies, trends in Board compensation and other factors it

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deems appropriate. The objectives of our non-employee Director compensation programs are to attract highly-qualified and diverse individuals to serve on our Board and to align their interests with those of our shareholders. An employee of Lincoln who also serves as a Director does not receive any additional compensation for serving as a Director, or as a member or chair of a Board committee. Mr. Mapes and Mr. Stropki (prior to his retirement as Executive Chairman) were employee Directors and, accordingly, did not receive compensation for their services as Directors in 2013.

The Committee also administers our Director equity incentive plans, including approval of grants of equity-based awards (currently, restricted stock), and makes recommendations to the Board with respect to equity-based plans for Directors. The Committee does not generally delegate any of its authority to other persons, although it has the power to do so.

Director Compensation Package for 2013

All non-employee Directors receive cash retainers and an annual stock-based award for serving on our Board. Stock-based compensation is provided under our 2006 Stock Plan for Non-Employee Directors. The details of our non-employee Director compensation program, which are unchanged from last year, are provided below.

[1] We do not have separate meeting fees, except that if there are more than 8 full Board or Committee meetings in any given year, Directors will receive $1,500 for each full Board meeting in excess of 8 meetings and Committee members will receive $1,000 for each Committee meeting in excess of 8 meetings.

[2] Beginning in 2010, the restricted stock agreements contain pro-rata vesting of the award upon retirement, as opposed to full vesting as was the case for prior awards. Accordingly, if a Director retires before the restricted stock award vests in full (3 years from the date of the grant), the Director will receive unrestricted shares equal to a portion of the original award calculated based on the Director s length of service during the 3-year term.

[3] The initial award will be pro-rated based on the Director s length of service during the twelve-month period preceding the next regularly-scheduled annual equity grant (which normally occurs in the fourth quarter of each year).

Other Arrangements

We reimburse Directors for reasonable out-of-pocket expenses incurred in connection with attendance at Board meetings, or when traveling in connection with the performance of their services for Lincoln. With respect to the use of private aircraft, we will reimburse the Director for the cost of a first-class ticket (which amount is increased proportionately should other Directors or executives travel on the same flight).

Continuing Education

Directors are reimbursed ($5,000 is used as a guideline) for continuing education expenses (inclusive of travel expenses) for programs each Director may elect. More than a majority of our Directors are certified by the Corporate Directors Institute of the National Association of Corporate Directors (NACD), which offers continuing education programs for both new and experienced Directors.

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Stock Ownership Guidelines

In keeping with the philosophy that Directors interests should be aligned with creating and sustaining shareholder value and as part of its continued focus on best practices with respect to corporate governance, all of our non-employee Directors must adhere to certain stock ownership guidelines. All non-employee Directors are required to accumulate over time a certain number of our common shares equal in value to at least four times the Board s current annual cash retainer of $80,000 (or $320,000). Non-employee Directors have five years to satisfy the stock ownership guidelines, which can be satisfied by holding either (1) shares aggregating the specified dollar amount or (2) 8,179 shares, as set forth below in the table.

Retainer Multiple	Number of Shares
4 x annual retainer ($320,000)	8,179*

* Represents shares equal to $320,000 based on the closing price of $39.12 per share on December 30, 2011.

The Committee will review the guidelines every two and a half years to ensure that the components and values are appropriate. The next review is scheduled for 2014.

Restricted stock awards count towards the stock ownership guidelines; common shares underlying stock options and shares held in another person s name (including a relative) do not. As of December 31, 2013, all of our non-employee Directors had satisfied the above stock ownership guidelines, except for Mr. Espeland who joined the Board during 2012.

2006 Stock Plan for Non-Employee Directors

The 2006 Stock Plan for Non-Employee Directors is the vehicle for the annual and initial grants of stock-based awards as discussed above. During 2013, non-employee Directors received an annual award of shares of restricted stock valued at approximately $90,000. In addition, upon initial election to the Board, non-employee Directors receive an award of restricted stock valued at approximately $90,000, which is pro-rated based on the length of service during the twelve-month period preceding the next regularly-scheduled annual equity grant (which normally occurs in the fourth quarter each year). Mr. Mason received a pro-rated award when he joined our Board in July 2013.

Recipients of shares of restricted stock have all of the rights of a shareholder with respect to the restricted stock, including the right to vote the shares. Under the terms of the awards, shares of restricted stock vest in full three years after the date of grant with accelerated vesting upon a change in control of Lincoln or upon the death or disability of the Director, as well as accelerated vesting of a pro-rata portion of the award upon retirement based on the Director s length of service during the 3-year term. During the period in which the shares remain forfeitable, dividends are paid to the Directors in cash.

No stock options have been granted under the plan since 2006 as the Committee has opted to award restricted stock instead of stock options. With respect to prior awards of stock options, an option becomes exercisable after the optionee has continuously served as a Director for one year from the date of grant, with accelerated vesting upon a change in control of Lincoln or upon the death, disability or retirement of the Director. Once the Director has vested in his or her options, the option may be exercised in whole or in part with respect to 100% of the underlying common shares. Options granted under the plan have a 10-year term.

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Non-Employee Directors Deferred Compensation Plan

Adopted in 1995, this plan allows the non-employee Directors to defer payment of all or a portion of their annual cash compensation. This plan allows each participating non-employee Director to:

- elect to defer a specified dollar amount or a percentage of his or her cash compensation;
- have the deferred amount credited to the Director s account and deemed invested in one or more of the options available under the plan; and
- elect to begin payment of the deferred amounts as of the earlier of termination of services as a Director, death or a date not less than one full calendar year after the year the fees are initially deferred.

The investment elections available under the plan are the same as those available to executives under our Top Hat Plan, which is discussed below in the narrative of the Nonqualified Deferred Compensation Table following the Compensation Discussion and Analysis section. Two Directors, General Walls and Mr. Espeland, elected to defer Board fees under the plan during 2013 as detailed above in the Director Compensation Table.

Directors Charitable Award Program

This program was terminated in 2003, other than for Directors already vested. Upon the death of a vested non-employee Director, we will donate an aggregate of $500,000 (in 10 annual installments) to one or more charitable organizations recommended by the vested Director and approved by Lincoln. This program is funded through insurance policies on the lives of the vested Directors. No premiums were paid during 2013 as the policies were fully-funded as of the end of 2005.

All charitable deductions and the cash surrender value of the policies accrue solely to Lincoln; the vested Directors derive no financial benefit. The current non-employee Directors who are vested in the program are David H. Gunning, G. Russell Lincoln and Kathryn Jo Lincoln.

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RELATED PARTY TRANSACTIONS

Any related party transactions concerning Lincoln and any of its directors or officers (or any of their immediate family members, defined as children, stepchildren, parents, stepparents, spouses, siblings, mothers-in-law, fathers-in-law, sons-in-law, daughters-in-law, brothers-in-law, sisters-in-law and any other persons sharing a household (other than a tenant or employee)), including those that are reportable under Item 404(a) of Regulation S-K of the Securities Exchange Act of 1934, are to be disclosed to and approved by the Chief Compliance Officer, Director of Compliance and the Audit Committee of the Board. We define related party transactions generally as transactions in which the self-interest of the employee, officer or Director may be at odds or conflict with the interests of Lincoln, such as doing business with entities that are or may be controlled or significantly influenced by such persons or their immediate family members. It is our policy to avoid related party transactions; related party transactions involving our officers are generally prohibited. Our related party transaction policies can be found in our Code of Corporate Conduct and Ethics, as well as the Audit Committee Charter, both of which are available on our website.

In February 2014, the Audit Committee considered and approved a related party transaction involving P&R Specialty, Inc., a supplier to Lincoln. Greg D. Blankenship, the brother of George D. Blankenship, is the sole stockholder and President of P&R Specialty, Inc. During 2013, we purchased approximately $2.9 million worth of products from P&R Specialty in ordinary course of business transactions. George D. Blankenship has no ownership interest in or any involvement with P&R Specialty. We believe that the transactions with P&R Specialty were, and are, on terms no less favorable to us than those that could have been obtained from unaffiliated parties.

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AUDIT

AUDIT COMMITTEE REPORT

The Audit Committee consists solely of independent Directors within the meaning of the Nasdaq listing standards. The Audit Committee oversees our financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal control over financial reporting. In fulfilling its oversight responsibilities, the Committee reviewed and discussed with management the audited financial statements in the Annual Report, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Committee discussed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with U.S. generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of our accounting principles and such other matters as are required to be discussed with the Committee under PCAOB Auditing Standards 16, *Communications with Audit Committees*. In addition, the Committee has received from the independent auditors written disclosures regarding the auditors independence required by PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, and has discussed with the independent auditors, the independent auditors independence.

The Committee discussed with our internal and independent auditors the overall scope and plan for their respective audits. The Committee met with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls, and the overall quality of our financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2013 for filing with the SEC. The Committee and the Board have also recommended the selection of our independent auditors for the year ending December 31, 2014 and the ratification thereof by the shareholders.

By the Audit Committee:

Robert J. Knoll, Chair

Harold L. Adams

Curtis E. Espeland

G. Russell Lincoln

Phillip J. Mason

George H. Walls, Jr.

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RATIFICATION OF INDEPENDENT AUDITORS

A proposal will be presented at the Annual Meeting to ratify the appointment of the firm of Ernst & Young LLP as our independent auditors to examine our books of account and other records and our internal control over financial reporting for the fiscal year ending December 31, 2014.

Fees for professional services provided by Ernst & Young LLP as our independent auditors in each of the last two fiscal years, in each of the following categories are:

	2012	2013
Audit Fees	$ 3,011,000	$ 3,059,000
Audit-Related Fees	513,000	282,000
Tax Fees	200,000	131,000
All Other Fees	-	119,000
Total Fees	$ 3,724,000	$ 3,591,000

Audit Fees include fees associated with the annual integrated audit of the financial statements and internal control over financial reporting in 2013 and 2012, the reviews of our quarterly reports on Form 10-Q, statutory audits required for our international subsidiaries and services provided in connection with regulatory filings with the Securities and Exchange Commission. Audit-Related Fees for 2013 and 2012 primarily relate to audit services associated with acquisitions and audits of employee benefit plans. Tax Fees include tax compliance and tax advisory services. All Other Fees include the fees billed for products and services provided other than the services reported under Audit Fees, Audit-Related Fees and Tax Fees; these include fees related to assistance with the Conflict Minerals review.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee has established a policy regarding pre-approval of all audit and non-audit services performed by our independent auditors, including the scope of and fees for such services. Requests for audit services, as defined in the policy, must be approved prior to the performance of such services. Generally, requests for audit-related services, tax services and permitted non-audit services, each as defined in the policy, must be

presented for approval prior to the performance of such services, to the extent known at that time. The Committee has resolved that four specific categories of services, namely audit services, tax advisory services, international tax compliance services and audit-related services related to acquisitions and new accounting pronouncements, are permissible without itemized pre-approval in an amount not to exceed $50,000 for each of the foregoing services (other than international tax compliance, international tax advisory and tax transaction advisory services for which the amount is $100,000). Itemized detail of all such services performed is subsequently provided to the Committee. In addition, our independent auditors are prohibited from providing certain services described in the policy as prohibited services. All of the fees included in Audit-Related Fees, Tax Fees and All Other Fees shown above were pre-approved by the Audit Committee (or included in the $50,000 limit or $100,000 limit, as applicable, for certain services as detailed above).

Generally, requests for independent auditor services are submitted to the Audit Committee by our Executive Vice President, Chief Financial Officer and Treasurer (or other member of our senior financial management) and our independent auditors for consideration at the Audit

Committee s regularly scheduled meetings. Requests for additional services in the categories mentioned above may be approved at subsequent Audit Committee meetings to the extent that none of such services is performed prior to its approval (unless such services are included in the categories of services that fall within the dollar limits detailed above). The Chairman of the Audit Committee is also delegated the authority to approve independent auditor services requests under certain dollar thresholds provided that the pre-approval is reported at the next meeting of the Audit Committee. All requests for independent auditor services must include a description of the services to be provided and the fees for such services.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they so desire and are expected to be available to respond to appropriate shareholder questions. Although ratification of the appointment of the independent auditors is not required by law, the Audit Committee and the Board of Directors believe that shareholders should be given the opportunity to express their views on the

subject. While not binding on the Audit Committee or the Board of Directors, the failure of the shareholders to ratify the appointment of Ernst & Young LLP as our independent auditors would be considered by the Board of Directors in determining whether or not to continue the engagement of Ernst & Young LLP. Ultimately, the Audit Committee retains full discretion and will make all determinations with respect to the appointment of independent auditors, whether or not our shareholders ratify the appointment.

Majority Vote Needed

Ratification requires the affirmative vote of the majority of the shares of Lincoln common stock present or represented and entitled to vote on the matter at the Annual Meeting. Unless otherwise directed, shares represented by proxy will be voted **FOR** ratification of the appointment of Ernst & Young LLP.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT AUDITORS

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

The following describes and analyzes our executive compensation programs and, specifically, how they apply to our named executive officers[1].

2013 Named Executive Officers

Name	Title
Christopher L. Mapes	Chairman, President and Chief Executive Officer
Vincent K. Petrella	Executive Vice President, Chief Financial Officer and Treasurer
George D. Blankenship	Executive Vice President, President, Lincoln Electric North America
Frederick G. Stueber	Executive Vice President, General Counsel and Secretary
Steven B. Hedlund	Senior Vice President, Strategy and Business Development
John M. Stropki	Executive Chairman (through December 20, 2013)

This discussion and analysis contains statements regarding future performance targets and goals. These targets and goals are disclosed in the limited context of our compensation programs and should not be understood to be statements of management s expectations or estimates of results or other guidance. We specifically caution investors not to apply these statements for other contexts.

Executive Summary

Our approach to executive compensation is generally the same as our approach to employee-wide compensation, with a strong belief in pay-for-performance and a long-standing commitment to incentive-based compensation. For example, virtually all domestic welding business employees participate in a bonus program designed to reward both company financial performance and individual contributions. The bonus has been paid every year since the 1930s. In 2013, this broad-based bonus pool was $100.7 million, the average bonus paid was 68.33% of an employee s base pay and the average total cash compensation received (base and bonus) was $80,665. This was a 2.5% decrease from the bonus multiplier in 2012, after a 4.3% increase in the financial metric used for that program.

To maintain our performance-driven culture, we:

Expect our executives to deliver above-market financial results;

Provide systems that tie executive compensation to superior financial performance;

Take action when needed to address specific business challenges; and

Maintain good governance practices in the design and operation of our executive compensation programs, including consideration of the risks associated with those practices.

[1] On December 20, 2013, John M. Stropki retired as Executive Chairman. On December 21, 2013, Christopher L. Mapes was elected Chairman in addition to his other responsibilities.

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2013 Financial Performance Above-Market Financial Results

We have a long track record of delivering increased value to our shareholders and we have typically delivered above-market performance, across various financial metrics over many cycles.

A critical component in assessing our financial results for compensation purposes is our comparison of our financial results to a peer group of companies, to the S&P 400 MidCap Index (in which we participate), to a subset that includes manufacturing companies in the S&P 400 MidCap Index (to obtain a more targeted understanding of performance) and, for certain metrics, to the S&P Composite 500 Stock Index (to obtain a broader understanding of performance). Within these groups, we consider various types of widely-reported financial metrics, each of which is related to our executive compensation programs in some way. These include earnings before interest and taxes (EBIT) growth as adjusted, net income growth, return on invested

capital (ROIC), and 1-year, 3-year and 5-year total shareholder return (TSR). Some of these financial metrics directly impact our executive compensation programs, while others are the closest approximation to the metrics that we use in our programs.

The following tables illustrate Lincoln s financial results for the most recent reporting periods and for the four prior reporting periods[1]. They compare those results to our peer group, S&P 400 Midcap companies, S&P 400 Midcap manufacturing companies and, for TSR, S&P 500 companies. The percentile rankings show the position of Lincoln s financial results compared to the particular group, with a 50th percentile ranking indicating median (or market) performance. Percentiles below 50 indicate below-market performance, while percentiles above 50 indicate above-market performance. Information is based on the most recently available public information (as accumulated by an independent third party), as of January 2014 when the analysis was performed.

[1] Definitions for certain financial ratios and non-GAAP financial measures utilized by the independent third party in the following table differ from those used by Lincoln. Adjusted EBIT, as utilized in the following table, is defined as operating income adjusted for special items as determined by an independent third party. ROIC, as utilized in the following table, is defined as the rolling 12-month net income divided by the sum of long-term debt and total shareholders equity as determined by an independent third party. TSR, as utilized in the following table, is defined as the net stock price change for Lincoln stock (LECO) plus dividends paid over the prescribed period of time.

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Lincoln Peer Comparison

Trailing 12 months (for Lincoln ending):	**September 2009**	**September 2010**	**September 2011**	**September 2012**	**September 2013**	**Calendar 2013**
Lincoln s Adjusted EBIT Growth	**(59%)**	**34%**	**51%**	**37%**	**8%**	**15%**
Percentile Rank to the:						Not Available
Peer Group	13th	62nd	75th	84th	52nd	-
S&P Midcap 400	12th	77th	85th	85th	55th	-
S&P Midcap 400 *Manufacturing*	16th	77th	79th	81st	58th	-

Trailing 12 months (for Lincoln ending):	**September 2009**	**September 2010**	**September 2011**	**September 2012**	**September 2013**	**Calendar 2013**
Lincoln s Net Income Growth	**(82%)**	**159%**	**78%**	**26%**	**6%**	**14%**
Percentile Rank to the:						Not Available
Peer Group	5th	96th	67th	75th	50th	-
S&P Midcap 400	24th	93rd	87th	73rd	52nd	-
S&P Midcap 400 *Manufacturing*	26th	94th	84th	75th	55th	-

Most recently reported calendar year	**2009**	**2010**	**2011**	**2012**	**TTM (for Lincoln ending Sept. 2013)**	**Calendar 2013**
Lincoln s ROIC	**4%**	**11%**	**18%**	**19%**	**19%**	**19%**
Percentile Rank to the:						Not Available
Peer Group	16th	53rd	69th	78th	78th	-
S&P Midcap 400	42nd	69th	89th	91st	91st	-
S&P Midcap 400 *Manufacturing*	37th	64th	90th	92nd	92nd	-

Most recently reported calendar year	**2009**	**2010**	**2011**	**2012**	**2013**	**Trailing 12-months**
Lincoln s 1-Year TSR	**8%**	**25%**	**22%**	**26%**	**49%**	**30%**
Percentile Rank to the:						
Peer Group	17th	10th	89th	58th	78th	76th
S&P Midcap 400	40th	50th	77th	70th	74th	68th
S&P Midcap 400 *Manufacturing*	38th	40th	76th	65th	70th	65th
S&P 500	38th	54th	76th	71st	73rd	62nd

Most recently reported calendar year	**2007-2009**	**2008-2010**	**2009-2011**	**2010-2012**	**2011-2013**	**Trailing 36-months**
Lincoln s 3-Year TSR[1]	**(2%)**	**(1%)**	**18%**	**24%**	**32%**	**28%**
Percentile Rank to the:						
Peer Group	40th	22nd	41st	79th	100th	98th
S&P Midcap 400	56th	41st	55th	78th	89th	89th
S&P Midcap 400 *Manufacturing*	56th	41st	50th	73rd	86th	86th
S&P 500	49th	49th	58th	80th	89th	88th

Most recently reported calendar year	**2005-2009**	**2006-2010**	**2007-2011**	**2008-2012**	**2009-2013**	**Trailing 60-months**

Lincoln s 5-Year TSR[1]	**11%**	**12%**	**7%**	**9%**	**25%**	**30%**
Percentile Rank to the:						
Peer Group	80th	64th	50th	62nd	50th	71st
S&P Midcap 400	81st	79th	66th	68th	73rd	71st
S&P Midcap 400 *Manufacturing*	74th	68th	60th	64th	64th	60th
S&P 500	79th	79th	68th	72nd	73rd	76th

1 Compounded annual growth rate.

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Pay-for-Performance, Objectives and Process

In designing our executive compensation programs, a core philosophy is that our executives should be rewarded when they deliver financial results for the benefit of our shareholders. Therefore, we provide systems that tie executive compensation to superior financial performance. While we have typically delivered above-market financial performance (as described above), our executive compensation has generally been below the competitive market (as described below) this means we have delivered financial results that are superior to the compensation we have paid to executives.

To assess pay-for-performance, we evaluate the relationship between total direct realizable pay for the named executive officers and our financial performance. This allows us to understand the degree of alignment between total compensation delivered for the prior three fiscal years and our financial performance, both relative to peers. Because we believe that trend information is an important component of our analysis, we have relied both on current and historical comparisons to assess pay-for-performance for 2013. This analysis is performed by management s compensation consultant, Towers Watson & Co., with review and comment provided to the Compensation and Executive Development Committee (the Committee) by its independent consultant, Hay Group, Inc.

Financial performance is a composite of reported adjusted EBIT growth, net income growth, ROIC and TSR (the composite). To better understand a key financial metric, however, we also consider financial performance by exclusively looking at total shareholder return. Total direct realizable pay is the sum of the following components (using comparable components from the peer group):

- Base pay for the applicable three-year period;
- Actual annual bonus paid during the three-year period;
- The value of any in-the-money stock options granted over the relevant three-year period (for Lincoln, this is based on the closing price of Lincoln common stock as of the most recent fiscal year-end);
- The value of restricted shares and restricted stock units (RSUs) (which were awarded in place of restricted stock beginning in 2011) granted over the three-year period (for Lincoln, this is based on the closing price of Lincoln common stock as of the most recent fiscal year-end); and
- The value of long-term performance units/shares over the relevant three-year period (for Lincoln, this includes payments under our cash long-term incentive program (Cash LTIP) during the three-year cycle and pro-rata amounts, at target, for awards that are mid-cycle).

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As the charts below demonstrate, our financial performance results were above peer group results between 2010 and 2012, with our overall composite financial performance at the 80th percentile and our total shareholder return at the 77th percentile. We strive to have our total direct realizable compensation relatively aligned with the percentile of our financial performance to incent our key talent. However, for the same period, total direct realizable compensation was below this benchmark at the 57th percentile for the named executive officers. Therefore, we paid below our compensation targets for well above market financial performance. We believe the charts below demonstrate an appropriate relationship between our compensation programs and company financial performance.

Lincoln Electric Pay for Performance

Composite Financial Comparison

Lincoln Electric Pay for Performance

3-Year TSR Comparison

Information for the above charts is based on the most recently available data as of December 2013 when the analysis was performed.

2013 Executive Compensation Actions

During 2013, financial results were similar to those displayed during 2012, which allowed us to maintain and not revert from our core philosophies on executive compensation. Key 2013 actions and results include:

- 2013 base pay increases for officers that were 8%, on average (excluding Mr. Mapes who transitioned to the CEO role during 2013).

- Annual bonuses for officers that were, on average, 13% above target amounts as result of the strong financial and individual results delivered for 2013.

- Cash LTIP payments made to the officers for the 2011 to 2013 cycle that were 71% above target amounts.

- The split of our MIP bonus pool into two bonus groups the Executive Management Incentive Program (EMIP) and the Management Incentive Program (MIP) with the EMIP consisting of the same components as previously reported for the officer sub-group of the MIP but now consisting exclusively of officer participants, including all of our executive officers and NEOs. While this action was taken during 2013, the presentation of annual bonus information for 2013 throughout this document refers to the MIP as the EMIP change does not take effect until 2014.

- Amendments to all outstanding restricted stock and RSU awards to provide for the potential of full accelerated vesting of the one award that falls closest to an EMIP or MIP participant s retirement date (as opposed to the normal pro-rata vesting). If the individual retires on or after July 1st of the third year of the 3-year performance cycle applicable to the particular restricted stock or RSU award and if it is determined that the performance objectives have been met to provide for full accelerated vesting for active employees, the retired participant will now also participate in that full vesting.

- A special executive retention award of RSUs made to two officers, including Mr. Hedlund. The awards vest ratably over seven years, commencing at age 55.

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Good Governance Practices

In addition to our emphasis on above-market financial performance and pay-for-performance, we design our executive compensation programs to be current with best practices and good corporate governance. We also consider the risks associated with any particular program, design or compensation decision. We believe these assessments result in sustained, long-term shareholder value. Some of those governance practices are described in the Compensation-Related Risks section above. Other such practices include:

- Annual reviews of market competitiveness and the relationship of compensation to financial performance;
- Independent compensation consultants and legal advisors, retained directly by the Committee, to provide input and recommendations on our executive compensation programs;
- No multi-year guarantees for compensation increases, including base pay, and no guaranteed bonuses;
- The elimination of full vesting of equity awards upon retirement (vesting was changed to pro-rata) this change also applied to Board equity awards;
- No repricing or replacement of underwater stock options without prior shareholder approval;
- No dividend or dividend equivalents paid while executive restricted stock or RSUs are unvested;
- No equity awards and other long-term incentive compensation included in the pension calculation of our SERP;
- No new participants added to our SERP since 2005;
- No new grants of prior (or additional) years of service under our SERP (Mr. Stueber is the only current executive who has received a grant of prior service, which was awarded to him over eighteen years ago);
- Change in control arrangements that do not provide for tax gross-ups, no longer provide for additional retirement service in the SERP, are limited to three times base pay and bonus (for the Chairman, President and CEO and with other executives receiving payments of only two or one times base pay and bonus) and mainly provide for payments only upon a double (not single) trigger;
- No tax gross-up payments or tax reimbursements on compensation and benefits, other than tax equalization benefits that are available to all employees who are on international assignment and modest gross-up payments on employee relocation benefits (and which are a standard component of a U.S. company s expatriate program and/or relocation benefits);

Modest perquisites, consisting of financial planning (for which imputed income is charged), an annual physical examination and reimbursement of club dues (for which, if not used exclusively for business purposes, imputed income is charged);

A broad clawback policy that applies to all recent incentive awards for officers;

Stock ownership requirements for our officers and Board of Directors, with a mid-cycle review to ensure they remain appropriate; and

The prohibition on hedging activities, such as cashless collars, forward sales, equity swaps and other similar arrangements. In addition, our insider trading policy was amended during 2012 to prohibit the pledging of Lincoln stock on a going-forward basis.

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Our Compensation Philosophy

Core Principles

Our executive compensation programs consist of four main components: (1) base pay, (2) annual bonus (MIP, EMIP for 2014), (3) long-term incentives and (4) benefits/perquisites, all of which are discussed in more detail below. Base pay is targeted at the 45th percentile of the competitive market (below market), while target total cash compensation (which includes an annual bonus that incorporates aggressive financial targets) is set at the 65th percentile of the market (above market). Long-term incentive compensation is set at the 50th percentile (at market), and is generally divided equally among three programs: (1) stock options (for U.S. and Canadian-payrolled employees), (2) RSUs, and (3) a Cash LTIP. Although not targeted to a specific competitive level, we believe our benefits, taken as a whole, are at the market median and our executive perquisites are below the market median.

We place the greatest emphasis on programs that reward financial and individual performance while striking a balance between different programs that reward both short-term and long-term financial performance. We believe that this structure is the most effective way to attract, motivate and retain exceptional employees. We use a variety of financial

metrics in the operation of our programs (namely earnings before interest, taxes and bonus (EBITB), adjusted net income growth, average operating working capital to sales (AOWC/Sales), return on invested capital (ROIC) and share price appreciation) and we use a mixture of consolidated and business-specific financial goals, with no one factor receiving an excessive weighting.*

We use base pay and benefits to deliver a level of predictable compensation since our compensation programs are heavily weighted toward variable compensation. Therefore, fixed components, such as base pay, are generally set below the competitive market for each position, while incentive-based compensation, such as annual bonuses, are set above the competitive market and require above market financial performance. However, because annual bonuses (MIP, EMIP for 2014) reward short-term operating performance and are paid in cash, our long-term incentive compensation programs are weighted more heavily toward rewards for share price appreciation. In addition, individual performance plays a key role in determining the amount of compensation delivered to an individual in many of our programs, with our philosophy being that the best performers should receive the greatest rewards.

The following is a summary of our executive compensation and how each component fits within our core principles:

* Please refer to Appendix B for definitions of certain financial metrics.

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The Roles of the Committee, External Advisors and Management

The Committee, which consists solely of non-employee Directors, has primary responsibility for reviewing, establishing and monitoring all elements of our executive compensation programs. The Committee is advised by independent executive compensation consultants and independent legal counsel. Management provides recommendations and analysis to the Committee, and is supported in those efforts by its own executive compensation consultant.

The Committee

To set the levels of compensation for executive management, the Committee conducts an annual review of competitive market compensation, executive compensation trends, business needs, individual performance and our financial performance to peers. Based on these factors and, with input from its independent, executive compensation consultant, Hay Group, the Committee approves the design of our executive compensation programs.

The Committee regularly involves the full Board in its responsibilities. It establishes and then conducts a full Board review, in executive session, of the annual performance for the Chairman, President and CEO and his goals and objectives for the upcoming year. It relies on the full Board s input when establishing annual compensation amounts for the Chairman, President and CEO. In addition, the Committee, with Board involvement, establishes procedures and conducts succession planning for the Chief Executive Officer and other executive management positions.

Chief Executive Officer and Management

Our management (particularly the Chief Executive Officer, the Chief Financial Officer and the Chief Human Resources Officer) provides recommendations to the Committee relative to the philosophies underlying our compensation programs, components of these programs and levels of compensation. Specifically, the Chief Executive Officer recommends the compensation for the other executive management positions and provides the Committee with assessments of their individual performance, both of which are subject to Committee review. Relative to compensation setting, the Committee reviews the Chief Executive Officer s recommendations and discusses them with their independent, executive compensation consultant to ensure the compensation recommendations are in line with our program s stated philosophies and are reasonable when compared to our competitive market. Relative to individual performance assessments, which are based on achievement of various financial and leadership objectives set by the Chief Executive Officer, the Committee reviews specific performance components and makes suggestions for modifications where warranted.

External Advisors

The Committee receives assistance and advice from its independent executive compensation consultants at Hay Group, which has been retained by the Committee since the end of 2009. The Chair of the Committee selected Hay Group from a pool of compensation consultants after interviewing the firms. Management and at least one other member of the Committee also interviewed the firms. Hay Group advises on matters including competitive compensation analysis, executive compensation trends and plan design, peer group company configuration, competitive financial performance and financial target setting. The Committee, however, is not bound by the input, advice or recommendations of its consultant. While some of the analysis and data collection may be prepared initially by management (or its consultant), all work is reviewed by Hay Group, who discusses their findings directly with the Committee.

Hay Group reports directly to the Chairperson of the Committee and meets with the Committee in executive session without the participation of management. Considering all relevant factors, as required by the compensation consultant independence standards set forth in applicable SEC rules and Nasdaq listing standards, we are not aware of any conflict of interest that has been raised by the work performed by Hay Group.

In addition, since 2010, the Committee has retained the services of independent legal counsel to provide input on various matters. We are not aware of any conflict of interest related to the work performed by independent legal counsel, considering all factors required by Nasdaq listing standards.

Towers Watson & Co. provides executive compensation and other services directly to management. For executive compensation, Towers Watson performs the data analysis on competitive compensation, competitive financial performance and financial target setting. That analysis is provided to the Committee s consultant to allow them to comment upon the findings and any recommendations being made by management.

Our Methodologies

Selection of Compensation Elements

As part of its annual review, the Committee evaluates whether changes in the philosophy or structure are warranted in light of emerging trends, business needs and/or financial performance. The Committee then uses competitive market data, performance assessments and management recommendations to set the pay components along the targets described above (for example, 45^{th} percentile for base pay). Actual pay for the executive management will generally fall within a range of these targets (plus or minus 20%). Absent significant increases due to promotion, increases for break-through individual performance or significant changes in the competitive market data, pay increases are generally in line with national trends.

Market Comparison Data

We collect competitive market compensation data from multiple, nationally-published surveys, from proxy data for a peer group of companies and from proxy data for companies in the S&P Midcap 400 Index. All competitive market compensation data is statistically determined (through regression analysis) to approximate our revenue size. Survey data is also aged to approximate more current data.

Peer Group

We use a peer group of companies that consists of 29 publicly-traded industrial corporations that are headquartered in the United States, that serve a number of different market segments and that have significant foreign operations. These are companies for which Lincoln competes for talent and for shareholder investment.

In addition, we only select companies with solid historical financial results and we remove companies from the peer group when their financial performance falls below an acceptable level. The Committee conducts an annual review of our peer group. During 2013, we removed Cooper Industries from the peer group, due to the completion of its merger with and into Eaton Corp., and we added Colfax Corporation, which is now the owner of one of our direct competitors.

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For 2013, our peer group was comprised of the following companies:

AGCO Corp	Deere & Co	IDEX Corp.	Regal Beloit Corporation
Ametek Inc	Donaldson Co	Illinois Tool Works	Rockwell Automation
Carlisle Companies Inc.	Dover Corp	ITT Corp	Roper Industries
Caterpillar Inc	Dresser-Rand Group Inc.	Kennametal Inc	SPX Corp
CLARCOR Inc	Eaton Corp	Nordson Corporation	The Toro Company
Colfax Corporation	Emerson Electric	Paccar Inc	
Crane Company	Flowserve Corporation	Pall Corp	
Cummins Inc	Graco Inc	Parker-Hannifin Corp	

Compensation Structure

Business Needs. The Committee s independent, compensation consultants assist in presenting information about emerging trends in executive compensation, along with Committee members own reading and study. These trends are considered in light of our compensation philosophies and various business needs. Business needs that are evaluated can include: talent attraction or retention strategies, growth expectations, strategic programs, cost-containment initiatives, management development needs and our company culture. No single factor guides whether changes will be made. Instead, the Committee uses a holistic approach, considering a variety of factors.

Individual Performance. Individual past performance is a significant factor in determining annual changes (up or down) to pay components. In addition, the annual bonus includes an individual performance component in determining the percentage of target to be paid (described below). Individual performance is measured against how well an executive achieves objectives established for him or her at the beginning of the year. For the past three years, performance ratings for the annual bonus have ranged from 95 to 130.

Pay-for-Performance Review. In determining whether changes will be made to the existing philosophy or structure and before setting compensation levels for the upcoming year, the Committee conducts its annual assessment of Lincoln s financial performance and pay-for-performance (both of which are described above). These reviews are used to evaluate whether executive pay levels are properly aligned with our financial performance.

In setting 2013 compensation (which was done in the fourth quarter of 2012), the Committee reviewed the composite financial performance for Lincoln (which included EBIT growth, adjusted net income growth, ROIC and 3-year TSR) versus those same metrics for the peer group companies, and it compared the level of total direct realizable pay for our named executive officers versus similar individuals in the peer group companies. The period used for this analysis was 2009 to 2011, the most recent full fiscal years available. The Committee also reviewed reported EBIT growth, adjusted net income growth, ROIC and 1-year and 3-year TSR for Lincoln, the peer group and companies in the S&P Midcap 400 Index. These metrics are similar to the financial components used by the Committee in determining our incentive compensation, but they are not all identical. Given the unavailability of certain metrics that we use in our programs, we have selected publicly-available financial metrics that are a close approximation to the ones we use.

Overall, the Committee noted that in both longer historical periods and the most recently completed fiscal year, pay levels were generally at or lower than the financial performance delivered. Taken as a whole, the Committee used this information to conclude that no significant changes were needed to our overall executive compensation philosophies for 2013.

Timing of Compensation Determinations and Payouts

Base pay levels, annual bonus targets and long-term incentive awards (which include stock options (for US and Canadian-payrolled employees), RSUs and a Cash LTIP) are set at the end of the prior year at a regularly-scheduled Committee meeting. Payout amounts for the annual bonus and the cash long-term incentive plan are determined after year-end, at the first available Committee meeting of the following year (normally in February) or a subsequent special meeting (normally in March), once final financial results are available.

Elements of Executive Compensation

Each compensation component for our named executive officers is described below, with specific actions noted that were taken during 2013. For 2013 compensation amounts, please refer to the Summary Compensation Table and other accompanying tables below.

Base Pay

Base compensation is provided to our executives to compensate them for their time and proficiency in their positions, as well as the value of their job relative to other positions at Lincoln. Base salaries are set based on the executive s experience, expertise, level of responsibility, leadership qualities, individual accomplishments and other factors. That being said, we aim to set base salaries at approximately the 45th percentile of the market (slightly below market) in keeping with our philosophy that greater emphasis should be placed on variable compensation.

2013 and 2014 Base Pay

Base salary increases have been moderate for the past several years. On average, for 2013, base salaries for the named executive officers were slightly above the 45th percentile target, with an average increase of 7% (excluding Mr. Mapes). Mr. Mapes base pay for 2013 was increased by 57% to reflect his transition to Chief Executive Officer; however, even with this base pay adjustment, Mr. Mapes was still below the 45th percentile. Base pay for Mr. Stopki, former Executive Chairman, was unchanged for 2013.

For 2014, the average base pay increase for the named executive officers was 6% (which includes Mr. Mapes, whose base pay for 2014 was increased by 10% to reflect his transition to Chairman in addition to his other responsibilities).

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Annual Bonus (MIP; EMIP for 2014)
and Total Cash Compensation

The Executive Management Incentive Plan (EMIP) provides named executive officers with an opportunity to receive an annual cash bonus. In December 2013, in order to more clearly align our executive groups with the types of long-term incentives, benefits and perquisites to which they are eligible, the EMIP was created exclusively for officers (with the MIP continuing for non-officer executives). There are currently 17 individuals who participate in the EMIP, including all of our named executive officers. Our MIP group now includes 14 individuals. The components of the EMIP bonus are the same as those applicable to the former, broader MIP group. We believe that, given base pay is below market, annual cash bonus opportunities should be above average to balance some of the risk associated with greater variable compensation. However, we also believe that above-market pay should only be available for superior individual and financial performance. Therefore, we target total cash compensation (base and bonus target) at the 65th percentile of the market, but use a structure that provides payments of above-average bonuses only where the individual s performance, that of the entire company and that of his or her particular business unit warrant it. Financial performance goals are also set above market.

For 2013, 31 individuals participated in the MIP worldwide. For 2014, there are 17 participants in the EMIP, with one new individual added.

Annual Bonus (MIP) Matrix

The percentage of target bonus actually paid is based upon a matrix that takes into account financial performance and an executive s individual performance. If either of these factors is not met, the percentage of target bonus paid is reduced, with the potential that no bonus will be paid. If either of these factors exceeds expectations, the percentage paid can be above the target amount, but only up to a maximum of 160% of target. The 2013 MIP matrix is as follows (which is unchanged from last year s MIP matrix):

2013 MIP Matrix

	Financial Performance										
Individual Performance Rating	50%	60%	70%	80%	90%	100%	110%	120%	130%	140%	150%
	Percentage Payout										
130	0	60%	80%	100%	115%	120%	125%	135%	140%	150%	160%
120	0	45%	70%	90%	110%	115%	120%	130%	135%	145%	150%
110	0	30%	55%	80%	105%	110%	115%	125%	130%	135%	140%
100	0	15%	40%	65%	95%	100%	110%	120%	125%	130%	135%
95	0	0	25%	45%	75%	90%	100%	110%	115%	120%	125%
90	0	0	0	25%	40%	70%	85%	90%	100%	105%	110%
85	0	0	0	0	25%	40%	65%	70%	80%	90%	95%
80	0	0	0	0	0	25%	40%	50%	60%	70%	80%
75	0	0	0	0	0	0	25%	30%	40%	50%	60%
70	0	0	0	0	0	0	5%	10%	25%	30%	40%
65	0	0	0	0	0	0	0	0	0	0	0

The 2014 EMIP matrix will be the same as presented above.

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Occasionally, the Committee approves MIP (or EMIP for 2014) payments outside of the strict application of this matrix, either through positive or negative discretion. There were no such adjustments made for the 2013 MIP payments for any named executive officer.

Annual Bonus (MIP) Financial Metrics

A portion of the MIP (and EMIP for 2014) financial component is based upon achievement of company consolidated financial results and another portion may be attributable to regional/business unit financial results, depending upon the individual s span of responsibility. The following is a summary of the financial components used for 2013 for the named executive officers:

2013 Annual Bonus (MIP) Financial Metrics Used

	Consolidated Results	Business Unit Results
Christopher L. Mapes - Corporate role	100%	-
Vincent K. Petrella - Corporate role	100%	-
George D. Blankenship - Business unit leader	50%	50% North America
Frederick G. Stueber - Corporate role	100%	-
Steven B. Hedlund - Corporate role	100%	-
John M. Stropki - Corporate role	100%	-

By varying the financial metrics used based upon areas of responsibility, it is possible that certain participants will receive a higher percentage of target bonus while others will receive a lower percentage of target where the business unit performance for one participant is better than the business unit performance for the other. This is a key component of our pay-for-performance and incentive-based philosophies. For 2013, consolidated and most business units results were nearly at or below budgets. 2013 MIP payouts for our officers ranged from 16% below to 25% above targets, with an average payout of 13% above the target amounts.

EBITB. One of the MIP (EMIP for 2014) financial metrics is the achievement of earnings before interest, taxes and the broad-based bonus referred to above (EBITB) as compared to budget. Since 2011, this metric accounts for 75% of the MIP financial component. EBITB to budget has been used as the financial metric for the MIP since its inception in 1997 because it is an important indicator of profitability. Budgets for the consolidated company and the various business units are set aggressively (based on the local and global economic climate), at the beginning of the year, are reviewed by the Finance Committee of the Board and are approved by the full Board. The following is a summary of historical results:

Historical EBITB to Budget[1]

	Consolidated Results	Business Unit Results
Average	101%	94%
Highest Level	141%[2]	162%[2]
Lowest Level	67%	4%

[1] Since the inception of the MIP in 1997.

[2] Capped, at the time, at 120%.

When performance goals are set, we believe that there is an equal probability of achieving EBITB to budget in any year, although the cyclical nature of our business may increase the probability in some years and decrease it in others. For 2013, the consolidated EBITB budget was set at $545.7 million and actual performance, as adjusted, measured at budgeted exchange rates, was $527.6 million.

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AOWC/Sales. Since 2007, a second MIP (EMIP for 2014) financial metric, namely the achievement of budget for average operating working capital (AOWC) as compared to sales (AOWC/Sales), has been used as a reflection of our commitment to improving cash flow. Since 2011, AOWC/Sales accounts for 25% of the MIP financial component. The following is a summary of historical results:

Historical AOWC/Sales to Budget[1]

	Consolidated Results	Business Unit Results
Average	102%	93%
Highest Level	111%	123%
Lowest Level	88%	54%

[1] For the 7-year period ending 2013.

Like EBITB, we believe that there is an equal probability of achieving AOWC/Sales in any given year, although the cyclical nature of our business may increase the probability in some years and decrease it in others. For 2013, the consolidated AOWC/Sales budget was set at 24.7% and actual performance, excluding businesses acquired during the year, was 23.3%.

2013 Annual Bonus (MIP) and Total Cash Compensation

The 2013 MIP (EMIP for 2014) annual bonus targets for the named executive officers were established according to the principles discussed above. For 2013, target bonuses increased for the named executive officers by 11% if you exclude Mr. Mapes, whose target was doubled as he transitioned to the CEO role. The 2013 MIP targets for the named executive officers placed their total cash compensation (base and bonus targets), on average, below the broad-based survey group 65th percentile.

For 2013, actual MIP payments (as reported in the Summary Compensation Table) were above the amounts paid in 2012 for four of the six named executive officers and above 2013 target amounts for all of the named executive officers. On average, 2013 MIP payments for the named executive officers were 6% higher, excluding Mr. Mapes and Mr. Stropki, than the 2012 MIP payments and 17% above 2013 target amounts for all named executive officers. These bonus payments resulted in total cash compensation (base and actual MIP (bonus)) for the group that was, on average, slightly above the 65th percentile of the market.

In approving the 2013 MIP payments, the Committee assessed our EBIT growth for the most recent trailing twelve-month period and the four prior periods (EBIT growth being the closest publicly-available financial comparison for our EBITB to budget metric). The Committee also evaluated our ROIC for the first three quarters of 2013 and the four prior fiscal years (ROIC being the closest publicly-available financial comparison for our AOWC/Sales metric), all as reported above. The Committee noted that our financial performance compared to our peer group and companies in the S&P Midcap 400 Index was, in general, slightly above those groups for EBIT and net income growth and substantially above those groups for ROIC and total shareholder return in the most recent period, which resulted in an improvement in 2013 MIP officer payouts relative to 2012.

2014 Annual Bonus (EMIP) and Total Cash Compensation

EMIP targets for the named executive officers for 2014, established at the end of 2013, are set forth in the Grants of Plan-Based Awards Table below. The 2014 bonus targets reflect an increase from the 2013 target amounts of, on average, 2%, for the named executive officers (excluding Mr. Stropki who retired at the end of 2013). The Committee established these bonus targets, in consultation with Hay Group, based on our compensation philosophies, as well as competitive market data. The 2014 EMIP targets for the entire EMIP group (17 individuals, including the named executive officers) place total compensation (base and target bonus) for the group, on average, slightly above the survey group 65th percentile.

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Long-Term Incentives

We believe that long-term incentive opportunities should be provided to focus rewards on factors that deliver long-term sustainability for us and should be established at the median (or 50th percentile) of the market. We have targeted the median of the market, in keeping with our pay-for-performance philosophy, because we believe that superior long-term financial growth itself should be the main driver of above-market long-term incentive compensation. We also believe that different financial metrics help drive long-term performance. Therefore, we have established a structure for long-term incentives that combines several different long-term metrics, with the greatest emphasis placed on share appreciation and non-cash awards.

Our long-term incentive program is made up of three components: (1) stock options (for U.S. and Canadian-payrolled employees), (2) RSUs (before 2011, restricted stock) and (3) a cash long-term incentive program. The value of each is weighted equally. This provides an even balance with respect to the different attributes and timing associated with each type of award. Annual awards of all three components are made to EMIP participants. The stock option and RSU awards for 2013 (made in the fourth quarter of 2012) and stock option and RSU awards for 2014 (made in the fourth quarter of 2013) were made under our EPI Plan. For 2013 and 2014 awards, 17 individuals were eligible to receive all three components, including, for both years, all of the named executive officers.

Equity Incentives

Stock Options. Recognizing that equity awards are a valuable compensation tool, we extend stock options to senior managers and also make available certain one-time stock option grants to significant contributors, regardless of their position within Lincoln. The Committee has also set aside a pool of stock options that may be awarded throughout the year, at regularly-scheduled meetings, to non-executive employees who demonstrate break-through performance. Approximately 68% of the stock options covered by the awards made during 2013 were made to employees other than our named executive officers. A total of 314 employees (including our named executive officers) received stock options during 2013. Recipients of stock options for 2014 (made in late 2013) were U.S. and Canadian-payrolled employees. Previously, under our program, stock options were awarded to employees worldwide regardless of location. During 2011, the

Committee determined that RSUs would replace stock option awards for most non-U.S-payrolled employees in order to provide Lincoln with the ability to deduct the compensation for tax purposes (as stock option compensation outside of the U.S. is generally not deductible). Stock options for senior managers (including the named executive officers) vest ratably over a three-year period. Stock options for significant contributors vest after two years of service.

Restricted Stock Units. All EMIP and MIP participants (including the named executive officers) receive an annual RSU award. As is the case with respect to stock options, the Committee may award RSUs throughout the year, at regularly-scheduled meetings, to non-executive employees who demonstrate break-through performance. A total of 163 employees (including our named executive officers) received RSUs for 2013 and 143 employees (including our named executive officers) received RSUs for 2014. The restricted stock

and RSU awards for officers and MIP participants (key non-officers) vest after five years of service. However, vesting may be accelerated (to three years) if we meet or exceed the financial targets under the Cash LTIP for the applicable period (if the payout percentage relative to each financial metric is 100% or higher).

During 2013, we amended our outstanding RSU agreements (and legacy restricted stock agreements) to provide for the potential of full accelerated vesting of the one award that falls closest to an EMIP or MIP participant s retirement date (as opposed to the normal pro-rata vesting). If the individual retires on or after July 1st of the third year of the 3-year performance cycle applicable to the particular restricted stock or RSU award and if it is determined by the Committee that the performance objectives have been met to provide for full accelerated vesting for active employees, the retired participant will now also participate in that full vesting.

The restricted stock and RSU awards for non-MIP and non-EMIP participants vest after either three or five years of service, based upon their position within the organization, but are not eligible for accelerated vesting under the Cash LTIP. The vesting schedule for restricted stock and RSU awards, as well as other components of the program, is explained in more detail below in the footnotes to the Grants of Plan-Based Awards table.

Valuation of Equity Awards. Stock option and restricted stock/RSU awards are based on assumed values. These assumed values consider a historical average of the stock price and are calculated approximately two weeks before the actual award. This allows us to recommend specific share awards at the time of grant, which is required under the terms of our EPI Plan. These valuations are different from the values shown in the Summary Compensation Table, which are calculated based on a grant date fair value (not a historical average). However, certain procedures exist (such as the timing for calculating theoretical values) which allow for a closer correlation in the assumed values of the equity awards and the accounting values disclosed on the Summary Compensation Table.

Normal Cycle and Out-of-Cycle Equity Awards. The Committee has sole discretion in awarding stock options and restricted stock/RSU awards and does not delegate its authority to management, nor does

management select or influence the award dates. The date used for awards is the date of a regularly-scheduled Committee meeting which is fixed well in advance and generally occurs at the same time each year.

Occasionally, the Committee may approve limited, out-of-cycle special awards for specific business purposes or in connection with employee promotions or the hiring of new employees. In addition, the Committee has set aside a pool of equity awards to make quarterly grants to non-executive employees who demonstrate break-through performance throughout the year. During 2013, Mr. Hedlund received an award of 6,410 RSUs as a special executive retention award. There are no other currently outstanding special one-time grants of equity compensation for the named executive officers other than a special award of 60,000 stock options granted to Mr. Stropki in 2004 upon his appointment as Chief Executive Officer, a 2008 award of restricted stock and stock options to Mr. Hedlund in connection with his hiring, a special award made to Mr. Blankenship during 2009 in connection with his promotion, an award of approximately $200,000 worth of restricted stock to Mr. Stropki in 2010 as consideration for his agreement to modify his 2007-2009 restricted stock agreements, an award of 66,604 RSUs and 38,153 stock options made to Mr. Mapes in connection with his employment commencement and appointment as Chief Operating Officer during 2011, and the 2012 award of 33,161 RSUs to Mr. Mapes as a special retirement replacement and executive retention award in connection with his appointment as President and Chief Executive Officer as detailed above.

Cash Incentives

A cash long-term incentive plan, or Cash LTIP, has been in place for officers (EMIP participants for 2014) since 1997. The plan is designed to offer reward opportunities leveraged to the long-term performance of Lincoln and to provide line-of-sight for plan participants by tying rewards to operating performance. Target amounts for the plan are set each year at the beginning of a three-year performance cycle. Because awards are made each year and because each award relates to a three-year performance cycle, three different cycles will be running at any point in time. The percentage of the target amount actually paid at the end of the applicable three-year cycle will be based upon achievement of three-year company performance against pre-established performance thresholds. Each plan has six to seven performance thresholds with

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percentage payouts attributable to those thresholds ranging from 0% to 200% of target. The Committee retains discretion to modify payments to any participant, to modify targets and/or to modify the performance thresholds (up or down).

Performance Measures. Since its inception, the Cash LTIP has used a performance measure of growth in adjusted net income over the three-year cycle. Beginning in 2009, the Committee added a second metric of ROIC and gave these two financial metrics a 50/50 weighting. The adjusted net income metric is an absolute metric. For the 2011 to 2013 performance cycle, the growth in adjusted net income over the three-year cycle is based on growth above $121,893,000 (which was the adjusted net income for 2010 when the 2011 to 2013 performance cycle was set). As the table below demonstrates, to pay 100% of target, adjusted net income growth over the three-year cycle must be at or above 35% of $121,893,000.

From time to time, the Committee has considered and approved certain limited adjustments to reported net income (both positive and negative) in determining achievement of the performance measured against the thresholds. Each adjustment is reviewed in detail before it is made. The types of adjustments the Committee has considered include: rationalization charges, certain asset impairment charges, the gains and losses on certain transactions including the disposals of certain assets and other special items. To the extent an adjustment relates to restructuring or rationalization charges that are intended to improve organizational efficiency, a corresponding charge (equal to the adjustment) is amortized against future years adjusted net income until that adjustment is fully offset against the intended savings (generally this amortization occurs over a three-year period).

The ROIC metric for the 2011 to 2013 performance cycle is a relative value that is derived based on our performance as compared to our proxy peer group (as opposed to an absolute value).

Performance Thresholds. In setting the performance thresholds for a new three-year period, the factors that the Committee may consider include, but are not limited to, internal, external and macro-economic factors. Performance thresholds are set aggressively (based on the economic climate). For the 2011 to 2013 cycle, because the performance thresholds were exceeded, payouts were made at 171% of target for 18 eligible officers (including all of the named executive officers). Payments under the plan have been made in nine out of the fourteen completed three-year cycles. The following is a summary of all prior fourteen full cycles and the most recently completed cycle (2011 to 2013):

2011 Cash LTIP

(2011 to 2013 Cycle)

	% of Target Paid after 3-Year Cycle	Growth in Net Income over 3-Year Cycle	3-Year Average ROIC
	0%	Less than 10%	Less than 40th
Threshold	25%	10%	40th Percentile
	50%	20%	50th Percentile
Target	**100%**	**35%**	**60th Percentile**
	150%	50%	75th Percentile
Maximum	200%	70%	90th Percentile
Payment History	Actual 2011 - 2013 Cash LTIP Payment Made = 171%[1]		

* **The 2011-2013 adjusted net income growth base amount was $121,893,000**

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	Summary for All Prior 3-Year Cycles				Ranges for All Prior 3-Year Cycles			
	Average Growth in Net Income over 3-Year Cycle	Average % of Target Paid after 3-Year Cycle	ROIC over 3-Year Cycle	Average % of Target Paid after 3-Year Cycle	Range of Growth in Net Income			Range of ROIC Thresholds
	Less than 8%	0%	Less than 40th	0%	Less than 0%	to	Less than 15%	Less than 40th
Threshold	8%	37%	40th Percentile	25%	0%	to	15%	40th Percentile
	14%	63%	50th Percentile	50%	3%	to	21%	50th Percentile
Target	**21%**	**100%**	**60th Percentile**	**100%**	**6%**	**to**	**35%**	**60th Percentile**
	26%	127%	75th Percentile	150%	9%	to	50%	75th Percentile
Maximum	38%	162%	90th Percentile	200%	15%	to	70%	90th Percentile
Payment History	Average % of Net Income Target in all Prior Cycles = 96.4%		Average % of ROIC Target in all Prior Cycles[2] =121.9%		Range of Prior Cash LTIP Net Income Component = 0% to 200% of Target			Range of Prior Cash LTIP ROIC Component = 87.6% to 142.0% of Target

1 Calculated using the 50-50 Net Income to ROIC weighting.
2 As the ROIC component was first used in the 2009 Cash LTIP cycle, there have only been three prior cycles of data for analysis.

Comparing the historical performance thresholds to past net income performance, we believe there is a 50-55% probability of achieving the adjusted net income growth thresholds for a 100% payout when initially determining the target growth for any cycle. For the 2011 to 2013 plan cycle, ROIC is used but is measured based on our performance compared to our peer group. In other words, this metric is based on a relative value (to the peer group), instead of an absolute target (as is the case with the growth in adjusted net income).

Timing for Setting Performance Measure and Performance Thresholds. Although Cash LTIP target amounts are set at the end of the prior year, the performance measure and the performance thresholds are generally set at the beginning of the first fiscal year. This timing allows the Committee to see our final financial results for the prior year and allows for more current macro-economic projections to be used.

2013 Long-Term Incentives

In evaluating 2013 long-term incentive compensation (at the end of 2012), the Committee reviewed 2011 and 2012 pay levels versus the competitive targets. Overall, the Committee concluded that long-term incentives for the named executive officers were generally below our 50th percentile target (excluding Mr. Stropki who was in an Executive Chairman role for 2013) when compared to both survey and proxy data after each named executive officer received an increase in the value of their 2013 stock option, RSU and Cash LTIP target awards. All of these awards are subject to our Recovery of Funds Policy, which is

discussed below. The total value of the three awards placed the named executive officers long-term incentive compensation, on average, below the peer group and S&P Midcap 400 50th percentile. Named executive officers received, on average, a 16% increase in the assumed value of their 2013 long-term incentive awards over 2012 levels, except for Mr. Stropki who did not receive an increase in his target and except for Mr. Mapes who transitioned to CEO and received a larger increase.

Legacy Restricted Stock. Prior to 2011, our officers (including the named executive officers who were officers at the time) received annual awards of restricted stock. Accordingly, each of the named executive officers holds a certain amount of Lincoln restricted stock, except for Mr. Mapes who formerly held restricted stock in connection with prior awards as a non-employee Director but that restricted stock has vested. As detailed above, during 2011, we replaced the use of restricted stock awards with RSUs. The 2009 restricted stock awards, granted at the end of 2008, vested during 2013 in accordance with the normal five-year vesting schedule. The 2010 restricted stock awards, granted at the end of 2009, vested in March 2013 since both financial performance targets for the 2010 to 2012 Cash LTIP were met.

Restricted Stock Units (RSUs). Since 2011, we award RSUs to officers as opposed to restricted stock. The RSU awards are generally subject to the same terms and vesting requirements as our restricted stock awards. The value of the 2013 RSU awards to our named executive officers was calculated using the same methodology as previously used for our restricted stock awards. During 2013, a portion of the RSU awards granted to Mr. Mapes during 2011 and 2012 vested in accordance with their terms.

Cash LTIP. Payouts were made for the 2011 to 2013 Cash LTIP. The current plan cycle contains two metrics, each with 50% weighting. Lincoln s adjusted net income growth over the three-year period was 131.7%, which generated a 100% payout for this metric (after applying a 50% weighting). Lincoln s three-year average return on invested capital (ROIC) as compared to its peer group was at the 72.6 percentile, which generated a 71% payout for this metric (after applying a 50% weighting). With both metrics combined, the payout for the 2011 to 2013 Cash LTIP was at 171% of the target amounts.

2014 Long-Term Incentives (Stock Options, RSUs and Cash LTIP)

In setting 2014 compensation, at the end of 2013, the Committee reviewed 2012 and 2013 pay levels versus the competitive targets. Overall, the Committee concluded that long-term incentives for the named executive officers were generally below our 50th percentile target when compared to both survey and proxy data. Therefore, each named executive officer (except for Mr. Stropki, who retired in 2013) received an increase in the value of their 2014 stock option, RSU and Cash LTIP target awards (amounts for each are reported in the Summary Compensation Table and Grants of Plan-Based Awards Table). Named executive officers received, on average, an 8% increase in the assumed value of their 2014 long-term incentive awards over 2013 levels. The increases were fairly modest based on the Committee s understanding of trends in long-term incentive compensation.

Other Arrangements, Policies or Practices

Overview of Benefits

We intend to provide a competitive group of benefits for all of our employees targeted at the 50th percentile of the market. Some aspects of our benefit programs are considered non-traditional due to their relationship with our pay-for-performance and incentive-based philosophies. For example, the premiums for Lincoln-provided medical coverage are 100% paid by employees, including the named executive officers, on a pre-tax basis. Premiums for dental coverage, which is a voluntary benefit, are also 100% paid by employees. Life insurance coverage paid fully by Lincoln is set at $10,000 per employee, including the named executive officers, although employees may purchase additional insurance at their own cost. The named executive officers participate in this same cost-sharing approach.

We attempt to balance our various non-traditional programs (such as those with a significant portion of the cost borne by the employee) with more traditional programs. As a result, we place the greatest emphasis with our benefit programs on the delivery of retirement benefits to our employees. This allows us to reward long-term service with us which, we believe, is not addressed in our other compensation and benefit programs. The value our retirement benefits are intended to deliver a retirement benefits package that is, when viewed in isolation, above the market median. Because some of our other benefits might be viewed as less than competitive and because our retirement benefits are above the competitive market, we believe that our overall benefit structure is at the 50th percentile of the market.

We also provide accidental death and dismemberment benefits to officers, due to the significant amount of travel required in their jobs. Under this program, the premiums of which are paid by Lincoln, a participant s beneficiary

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would receive a payment of five times annual total cash compensation up to a maximum of $3,000,000 for executive officers and $2,000,000 for other officers upon an officer s accidental death. The policy also provides dismemberment benefits of up to 100% of the death benefit in the event an officer is permanently and totally disabled as a result of an accident, and it provides for medical evacuation coverage as a result of an accident.

Retirement Programs

Retirement benefits are provided to our named executive officers through the following programs:

The Lincoln Electric Company Retirement Annuity Program, or RAP, has been in effect since 1936 and applies to all eligible domestic welding business employees hired before 2006. Effective January 1, 2006, new employees are no longer eligible to participate in the RAP but became eligible for FSP Plus benefits described below. The retirement benefits under the RAP for the named executive officers are estimated in the Pension Benefits Table below. Effective July 1, 2012, the RAP was amended to add a lump-sum distribution option where participants can elect to receive a lump-sum distribution paid out either in full upon retirement or paid out over five years. Mr. Mapes is not a participant in the RAP but became a participant in the FSP Plus benefits as of September 1, 2012 upon meeting the eligibility requirements. Similarly, Mr. Hedlund is not a participant in the RAP but became a participant in our FSP Plus benefits as of October 1, 2009 upon meeting eligibility requirements.

The Supplemental Executive Retirement Plan, or SERP, has been in effect since 1994 but has been closed to new participants since 2005. The purpose of the SERP is, in part, to make up for limitations imposed by the U.S. Internal Revenue Code on payments under tax-qualified retirement plans, and, primarily, to provide an aggregate competitive retirement benefit for SERP participants in line with our overall 50th percentile objective. Participation in the SERP is limited to individuals approved by the Committee. As of December 31, 2013, there were 7 active participants in the SERP. Compensation covered by the SERP is the same as shown in the salary and bonus columns of the Summary Compensation Table below. Certain terms of the SERP may be modified as to individual participants, upon action by the Committee. Except with respect to the increase of Mr. Stropki s annual SERP benefit limit (in 2004) and the award of additional prior service to Mr. Stueber (in 1995), as described below, there have been no modifications to the terms of the SERP for the named executive officers. Mr. Mapes and Mr. Hedlund do not participate in the SERP as they were hired after 2005.

A qualified 401(k) savings plan, formally known as The Lincoln Electric Company Employee Savings 401(k) Plan, was established in 1994 and applies to all eligible domestic welding business employees. For 2013, all of the named executive officers deferred amounts under the 401(k) plan. Historically, we have matched participant contributions (other than catch-up contributions) at 35% up to the first 6% of pay (base and bonus) contributed.

We also provide additional 401(k) plan contributions under a program we refer to as the Financial Security Plan (FSP) for those participants, including the named executive officers, who made an election to adopt this program in 1997 (in which case they receive an annual FSP contribution of 2% of base pay) or who made an election to adopt a revised program in 2006, which we refer to as the FSP Plus program, in which case they receive an annual FSP Plus contribution as follows:

After service of...	Lincoln will contribute...
1 year	4% of base pay
5 years	5% of base pay
10 years	6% of base pay
15 years	7% of base pay
20 years	8% of base pay
25 years	10% of base pay

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In exchange for the FSP or FSP Plus benefits, participants elected to forfeit certain future benefits under the RAP.

A supplemental deferred compensation plan, or Top Hat Plan, is designed to allow participants to defer their current income on a pre-tax basis and to receive a tax-deferred return on those deferrals. There are no company contributions or match. Participation in the Top Hat Plan is limited to individuals approved by the Committee. As of December 31, 2013, there were 13 active employee participants in the Top Hat Plan.

More information on these programs can be found below in the Retirement and Other Post-Employment Benefits section.

Perquisites

We offer limited perquisites. Occasionally, we will provide perquisites to officers or MIP participants to meet specific business needs. For example, because we believe in the importance of maintaining the health of all of our employees, including the named executive officers, we pay for an annual physical for officers/EMIP participants who are age 45 and for certain participants below that age on an *ad hoc* basis. We grandfathered current MIP participants in the executive physical program, but not new MIP participants. We also make available financial planning services to certain officers.

However, the cost of these financial planning services is included in the income of the participants. The physical and financial planning programs are optional programs. To assist us in conducting business meetings and/or entertainment, we pay the cost of certain club dues for some officers. Although these officers may derive some personal benefit from their use, club memberships are used extensively for business purposes, all personal expenses are borne entirely by the executive and the club dues are included in the income of the participants. Initiation fees for club memberships are paid by the executive.

Change in Control Arrangements

We have entered into change in control agreements with all of our named executive officers. The agreements are designed generally to assure continued management in the event of a change in control of Lincoln.

The change in control arrangements are operative only if a change in control occurs and payments are only made if the officer s employment is terminated (or if the officer terminates employment due to certain adverse employment changes). The

agreements provide our named executive officers with the potential for continued employment following a change in control, which help retain these executives and provide for management continuity in the event of an actual or threatened change in control of Lincoln and also help ensure that our executives interests remain aligned with shareholders interests during a time when their continued employment may be in jeopardy. For a more detailed discussion of our change in control agreements, see Termination and Change in Control Arrangements below. Outside of these change in control agreements, we do not maintain written employment or other severance agreements.

Recovery of Funds Policy

We have adopted a Recovery of Funds Policy (clawback policy) consistent with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). Our policy is more extensive than what Dodd-Frank requires and is applicable to all of our officers (currently, 17 individuals), including our named executive officers. The policy will apply in the event that there is an accounting restatement involving our financial statements due to material noncompliance with the financial reporting requirements under the U.S. federal securities laws. The policy applies to both current and former officers and covers incentive compensation received by the officers in the 3-year period prior to the restatement. Awards of incentive compensation would include annual bonus payments, stock option awards, restricted stock awards, RSUs and Cash LTIP awards beginning in 2011, unless Dodd-Frank regulations provide otherwise. Under the policy, in the event of an accounting restatement of our financial statements, the Committee would review all incentive compensation received during the 3-year covered period and would seek recovery of the amount of incentive compensation paid in excess

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of what would have been paid if the accounts had been properly stated. We believe that this policy is in the best interests of Lincoln and its shareholders.

Anti-Hedging/Pledging Policy

Consistent with our philosophy to encourage long-term investment in our common stock, our directors and executive officers are prohibited from engaging

in any speculative or hedging transactions involving our common stock, including buying or selling puts or calls, short sales or margin purchases. In addition, during 2012, we amended our insider trading policy to prohibit future pledging of Lincoln securities by our executive officers and directors. There are no pledges of Lincoln common stock in place for any of our directors or executive officers.

Share Ownership

As with the Directors, in keeping with our philosophy that officers should maintain an equity interest in Lincoln and based on our view that such ownership is a component of good corporate governance, we initially adopted stock ownership guidelines for officers in 2006 and increased the guidelines in 2012. The revised guidelines were proposed based on a review of our peer group and corporate governance best practices. Under the current guidelines, officers of Lincoln are required to own and hold a certain number of our common shares, currently at the levels set forth in the table below:

Executive Group	Ownership Guideline
Chief Executive Officer[1]	5 times base salary
Management Committee Members[2]	3 times base salary
Other Officers[3]	2 times base salary

1 Mr. Mapes.

2 Includes Messrs. Petrella, Blankenship, Stueber and Hedlund, as well as five other officers.

3 Includes other EMIP participants.

Officers have five years to satisfy the stock ownership guidelines, which can be satisfied either by holding (1) shares aggregating the dollar amount specified above (valued at the then current stock price), or (2) that number of shares needed to satisfy the ownership guidelines tied to the base salaries in effect on January 1, 2012 divided by the closing price of a common share on December 31, 2011 ($39.12). Restricted stock and RSU awards will count towards the stock ownership guidelines; common shares underlying stock options and shares held in another person s name (including a relative) will not. As of December 31, 2013, most of our officers met the stock ownership guidelines.

The Committee intends to review the guidelines during 2014 (mid-way through the five-year cycle) to ensure that they remain at appropriate levels.

Deductibility of Compensation

Our general philosophy is to qualify future compensation for tax deductibility under Section 162(m) of the U.S. Internal Revenue Code, wherever appropriate, recognizing that, under certain circumstances, the limitations may be exceeded. Qualification is sought to the extent practicable and only to the extent that it is consistent with our overall compensation objectives.

Our 2007 Management Incentive Compensation Plan, as amended (2007 MICP), contains performance measures that were last approved by our shareholders in 2012 and provides us with flexibility to grant performance-based awards under the plan that are fully deductible under Section 162(m).

In addition, our current equity compensation plan for employees, the EPI Plan contains performance measures that were last approved by our shareholders in 2011, which provides us with flexibility to grant performance-based equity awards under the plan that are fully deductible under Section 162(m).

All of the compensation paid to the named executive officers during 2013 was tax deductible by Lincoln for federal income tax purposes, except for a portion of the compensation paid to Messrs. Blankenship and Stueber.

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2013 SUMMARY COMPENSATION TABLE

The narrative, table and footnotes below describe the total compensation paid to our Chief Executive Officer and Chief Financial Officer during 2013, as well as the three next highest paid executive officers during 2013, and up to two additional individuals if they would have otherwise been included if they had been serving as an executive officer as of December 31, 2013 the named executive officers . Mr. Stropki, who retired on December 20, 2013, is listed as an additional individual as he fits this category. The components of compensation reported in this table are described below. For information on the role of each component within the total compensation package, see the summary below and refer to the descriptions under the Compensation Discussion and Analysis section above.

Summary of 2013 Compensation Elements

The base and annual bonus target amounts shown below were set for 2013 at the end of 2012. The actual bonus paid was based on 2013 financial and personal performance and was determined in February 2014 (after full year financial results were available). Stock options and RSU awards reported below were made in the fourth quarter of 2013 and are evaluated as 2014 awards, since they relate to performance in 2014 and beyond. Any Cash LTIP payments reported below would have been set at the end of 2010, would have related to 2011 to 2013 financial performance and would have been approved in March 2014 (after full year financial results were available). Given the different timing for setting and measuring our compensation components, the competitive market data, compensation trends, business needs, individual performance, individual role and Lincoln financial performance

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to peers evaluated by the Committee to set the long-term incentive amounts reported in the footnotes to the Summary Compensation Table and the Grants of Plan-Based Awards Table will be different from those same components used to evaluate and set the base and bonus amounts reported in the Summary Compensation Table.

2013 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Stock Awards ($)[1]	Option Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)[3]	Change in Pension and Nonqualified Deferred Compensation Earnings ($)[4]	All Other Compensation ($)[5]	Total ($)
Christopher L. Mapes[6]	2013	$ 800,000[6]	$ 764,336	$ 801,088	$ 1,974,971[6]	$-	$ 40,814	$ 4,381,209
Chairman, President and Chief	2012	510,000	2,346,821	755,407	894,801	-	43,590	4,550,619
Executive Officer	2011	170,000	2,526,855	758,805	253,311	-	3,038	3,712,009
Vincent K. Petrella	2013	435,000[7]	233,151	244,474	841,929[7]	3,477	33,249	1,791,280
Executive Vice President, Chief	2012	409,000	256,319	264,424	815,120	435,306	34,151	2,214,320
Financial Officer and Treasurer	2011	395,000	219,344	233,695	783,061	551,566		