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PART I

Item 1. BUSINESS

As used in Item 1 of this report, the term "Company", except as otherwise indicated by the context, means Lincoln Electric Holdings, Inc., the publicly-held parent of The Lincoln Electric Company, and other Lincoln Electric subsidiaries. The Lincoln Electric Company began operations in 1895 and was incorporated under the laws of the State of Ohio in 1906. During 1998, The Lincoln Electric Company reorganized into a holding company structure and Lincoln Electric Holdings, Inc. became the publicly-held parent of Lincoln Electric subsidiaries worldwide, including The Lincoln Electric Company.

The Company is a full-line manufacturer of welding and cutting products. Welding products include arc welding power sources, wire feeding systems, robotic welding packages, fume extraction equipment, consumable electrodes and fluxes. The Company's welding product offering also includes regulators and torches used in oxy-fuel welding and cutting. Sales of welding products accounted for 99% of the Company's net sales in 2000.

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

The Company's products are sold in both domestic and international markets. In the domestic market, products are sold directly by the Company's own sales organization as well as through distributors and retailers. In the international markets, the Company's products are sold principally by foreign subsidiary companies. The Company also has an international sales organization comprised of Company employees and agents who sell products from the Company's various manufacturing sites to distributors, agents, dealers and product users. The Company has manufacturing facilities located in the United States, Australia, Brazil, Canada, Mexico, England, France, Germany, Indonesia, Ireland, Italy, the Netherlands, Norway, People's Republic of China, Spain, the Philippines, Taiwan and Turkey. See Note G to the consolidated financial statements with respect to geographic area information.

The Company is not dependent on a single customer or a few customers. The loss of any one customer would not have a material adverse effect on its business. The Company's business is not seasonal.

Conditions in the arc welding and cutting industry are highly competitive. The Company believes that it is one of the world's largest manufacturers of consumables and equipment in a field of three or four major competitors and numerous smaller competitors. The Company continues to pursue appropriate strategies to heighten its competitiveness in international markets. Competition in the arc welding and cutting industry is on the basis of price, brand preference, product quality and performance, warranty, delivery, service and technical support. All of these factors have contributed to the Company's position as one of the leaders in the industry.

Virtually all of the Company's products may be classified as standard commercial articles and are manufactured for stock. The Company believes it has a competitive advantage in the market place because of its highly trained technical sales force and the support of its welding research and development staff which allow it to assist the consumers of its products in optimizing their

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welding applications. The Company utilizes this technical expertise to present its Guaranteed Cost Reduction Program to end users in which the Company guarantees that the user will save money in its manufacturing process when it utilizes

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the Company's products. This allows the Company to introduce its products to new users and to establish and maintain very close relationships with its consumers. This close relationship between the technical sales force and the direct consumers, together with its supportive relationship with its distributors, who are particularly interested in handling the broad range of the Company's products, is an important element of the Company's market success and a valuable asset of the Company.

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

The Company's operations are not materially dependent upon patents, licenses, franchises or concessions.

The Company's facilities are subject to environmental regulations. To date, compliance with these environmental regulations has not had a material effect on the Company's earnings.

The Company conducts a significant amount of its business and has a number of operating facilities in countries outside the United States. As a result, the Company is subject to business risks inherent in non-U.S. activities, including political uncertainty, import and export limitations, exchange controls and currency fluctuations. The Company believes risks related to its foreign operations are mitigated due to the political and economic stability of the countries in which its largest foreign operations are located.

Research activities relating to the development of new products and the improvement of existing products in 2000 were all Company-sponsored. These activities were primarily related to the development of new products. Refer to Note A to the consolidated financial statements with respect to total costs of research and development.

The number of persons employed by the Company worldwide at December 31, 2000 was 6,026.

ITEM 2. PROPERTIES

The Company's corporate headquarters and principal United States manufacturing facilities are located in the Cleveland, Ohio area. Total Cleveland area property consists of 227 acres, of which present manufacturing facilities comprises an area of approximately 2,713,000 square feet. Current utilization of existing facilities is high and the Company is adding capacity as necessary.

In addition to the principal facilities in Ohio, the Company operates two other manufacturing locations in the United States and 22 manufacturing locations (including joint ventures) in 17 foreign countries, the locations of which are as follows:

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United States:	Gainesville, Georgia; Monterey Park, California.
Australia:	Sydney.
Brazil:	Sao Paulo.
Canada:	Toronto; Mississauga.
England:	Sheffield.
France:	Grand-Quevilly.
Germany:	Essen.
Indonesia:	Cikarang.
Ireland:	Rathnew.
Italy:	Bologna; Milano; Celle Ligure; Arezzo.
Mexico:	Mexico City; Torreon.
Netherlands:	Nijmegen.
Norway:	Andebu.

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People's Republic of China:	Shanghai.
Philippines:	Manila.
Spain:	Barcelona.
Taiwan:	Tainan.
Turkey:	Istanbul.

All properties relating to the Company's Cleveland, Ohio headquarters and manufacturing facilities are owned outright by the Company. In addition, the Company maintains operating leases for its distribution centers and many sales offices throughout the world. See Note J to the consolidated financial statements with respect to lease commitments. Most of the Company's foreign subsidiaries own manufacturing facilities in the foreign country where they are located. At December 31, 2000, \$10.4 million of indebtedness was secured by property, plant and equipment.

ITEM 3. LEGAL PROCEEDINGS

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

The Company is a defendant in two lawsuits filed against the Company in the Superior Court of California (by a building owner in one case and by insurers in the other) in Los Angeles County arising from alleged property damage claimed to have been discovered after the Northridge earthquake of January 1994. These cases include claims for compensatory damages without specification of amount relating to the sale and use of the E70T-4 category of welding electrode. The Company believes, however, on the basis of tolling and subrogation agreements that plaintiffs do not have a basis for seeking damages beyond the total cost of repair for the buildings in question. In the aggregate those costs are not material. Mediation in these two cases is expected in March 2001. As previously reported, the Company has also been a defendant in 19 other similar cases involving steel-framed buildings in Greater Los Angeles following the Northridge earthquake. Eleven of those cases were voluntarily dismissed, seven were settled and one case was tried to a defense verdict in favor of the Company (which was not appealed). The Company does not intend to report on these claims further.

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The Company is a co-defendant in ten cases involving individual plaintiffs alleging that exposure to manganese contained in the arc welding electrode products caused the plaintiffs to develop a neurological condition known as manganism; the Company received defense verdicts in two of these cases which are being appealed or otherwise challenged by plaintiffs. The plaintiffs seek compensatory and, in most instances, punitive damages, usually for unspecified sums. The Company has been a co-defendant in 28 other similar cases during the last five years. Thirteen of those cases were dismissed, three were tried to defense verdicts in favor of the Company and twelve were settled.

The Company is also a co-defendant in cases alleging asbestos induced illness involving claims by approximately 19,213 plaintiffs. In each instance, the Company is one of a large number of defendants. The asbestos claimants seek compensatory and punitive damages, in most cases for unspecified sums. The Company has been a co-defendant in other similar cases that have been resolved over the last 5 years involving 9,551 claimants. 9,484 of those claims were dismissed, seven were tried to defense verdicts and 60 were decided in favor of the Company following summary judgment motions.

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EXECUTIVE OFFICERS OF THE REGISTRANT

NAME	AGE	POSITION
Anthony A. Massaro	57	Chairman of the Board since 1997; Chief Executive Officer since 1996; President and Chief Operating Officer since 1996
John M. Stropki	50	Executive Vice President, President North America
H. Jay Elliott	59	Senior Vice President, Chief Financial Officer since 1996; Vice President, Chief Financial Officer, a
Frederick G. Stueber	47	Senior Vice President, General Counsel and Secretary since 1995; President, General Counsel and Secretary 1995-1996
James E. Schilling	64	Senior Vice President, Corporate Development since 1998; prior thereto, Senior Vice President, Strategic Management of CBS Corporation (Westinghouse Electric Company prior to 1997) from 1993-1998.
Raymond S. Vogt	59	Vice President, Human Resources since 1996; President, Human Resources, AM International 1995-1996

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the quarter ended December 31, 2000.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

The Company's Common Shares are traded on The Nasdaq Stock Market under the

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symbol "LECO". The number of record holders of Common Shares at December 31, 2000 was 2,539.

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

	2000			1999		
	High	Low	Dividends Declared	High	Low	Dividends Declared
MARCH 31	\$ 24.37	\$ 18.12	\$ 0.14	\$ 23.75	\$ 17.63	\$ 0.12
JUNE 30	22.93	13.75	0.14	23.75	18.25	0.12
SEPTEMBER 30	16.87	11.01	-- *	22.50	18.31	0.12
DECEMBER 31	20.00	12.00	0.29**	22.94	18.88	0.14

Source: The Nasdaq Stock Market

* The Company suspended its regular third quarter dividend, due to its then pending acquisition of Charter plc.

** Due to the lapsed offer of the Charter acquisition, the Company paid its regular third quarter dividend in the fourth quarter.

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ITEM 6. SELECTED FINANCIAL DATA

	2000 -----	Year Ended December 31 -----	
		1999 ----	1998 ----
		(In thousands of dollars, except	
Net sales	\$1,058,601	\$1,086,176	\$1,186,679
Net income	78,092	73,940	93,719
Basic earnings per share	\$ 1.83	\$ 1.63	\$ 1.92
Diluted earnings per share	1.83	1.62	1.91
Cash dividends declared	\$ 0.57	\$ 0.50	\$ 0.42
Total assets	\$ 790,279	\$ 775,399	\$782,906
Long-term debt	\$ 38,550	\$ 47,207	\$ 46,766

The per share amounts presented above reflect the corporate reorganization (see Note B to the consolidated financial statements).

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

GENERAL

The Company is the world's largest designer and manufacturer of arc welding and cutting products, manufacturing a full line of arc welding equipment, consumable welding products and other welding and cutting products. The Company sold its motor business in May 1999.

On April 26, 2000, the Company made a cash offer in the United Kingdom to purchase all of the outstanding shares of Charter plc, a British industrial holding company. In October 2000, the Company's offer to purchase Charter plc lapsed. As a result, the acquisition was not completed and the Company recorded an additional after-tax charge of \$11,608 (\$0.27 per diluted share) during the fourth quarter of 2000 representing remaining costs associated with the lapsed bid. For the year, the Company recorded total non-recurring charges of \$13,399 (\$8,126 after-tax) in Other income and expense. Of this amount, the quarter ended June 30, 2000 included a net gain of \$10,183 (\$6,273 after-tax) principally related to proceeds received in settlement of a dispute with one of the Company's product liability insurance carriers. In addition, the quarter ended September 30, 2000 included a net charge of \$4,396 (\$2,791 after-tax) principally related to costs of foreign currency options purchased in connection with the lapsed Charter plc bid. During the period in which the Charter acquisition was pending, the Company had suspended dividend payments and its share repurchase program; both were re-instituted in December 2000 upon lapse of the offer.

Consolidated net sales decreased 2.5% from 1999 to \$1,059 million. Excluding the results of the divested motor business, sales in 1999 would have been \$1,064 million, resulting in a year-over-year decrease of 0.5%. Net income increased 5.6% to \$78.1 million or \$1.83 per share (diluted). Excluding charges for costs associated with the lapsed offer to acquire Charter plc, net proceeds received from a product liability insurance carrier in 2000, and the costs related to the disposal of the motor business in 1999, 2000 net income would have been \$86.2 million, a decrease of \$7.5 million from 1999. Excluding non-recurring items in both years, the Company had diluted earnings per share of \$2.02 and \$2.06 in 2000 and 1999, respectively. Earnings per share was positively impacted by the repurchase of 2,178,130 shares in 2000, representing 4.9% of outstanding shares at December 31, 1999.

The Company believes that the high quality of its products, advanced engineering expertise and its strong distributor network, coupled with its large, technically trained sales force, has enabled the Company to continue to be a key participant in the global marketplace.

The Company is one of only a few worldwide broad line manufacturers of both arc welding equipment and consumable products. With highly competitive conditions in the welding industry, the Company will continue to emphasize its status as a single source supplier, which it believes is most capable of meeting the broadest range of its customers' welding needs.

Research and development expenditures were \$16.6 million in 2000, compared with \$15.4 million in 1999. Expenditures were primarily related to the development of new products. The Company believes that over the past three years, expenditures for research and development activities have been adequate to maintain the

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Company's leadership position and to introduce new products at an appropriate rate to sustain future growth.

REORGANIZATION

On May 19, 1998, shareholders approved a reorganization of the capital and corporate structure of The Lincoln Electric Company (the "reorganization"). As a result of the reorganization, a new holding company, Lincoln Electric Holdings, Inc., was created. Each Common Share and each Class A Common Share (non-voting) of The Lincoln Electric Company was converted into two voting common shares of Lincoln Electric Holdings, Inc., which also had the economic effect of a two-for-one stock split. The reorganization also resulted in the authorization of 5,000,000 Preferred Shares, none of which were issued or outstanding at December 31, 2000. The historical share and per share amounts disclosed in the consolidated financial statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations are presented on a consistent basis reflecting the effective two-for-one stock split.

RESULTS OF OPERATIONS

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

(Dollars in millions)	Year ended December 31			
	2000		1999	
	Amount	% of Sales	Amount	% of Sales
Net sales	\$1,058.6	100.0%	\$1,086.2	100.0%
Cost of goods sold	703.5	66.5%	714.4	65.8%
Gross profit	355.1	33.5%	371.8	34.2%
Selling, general & administrative expenses	216.2	20.4%	223.8	20.6%
Loss on disposal of motor business	--	--	32.0	2.9%
Operating income	138.9	13.1%	116.0	10.7%
Interest income	.7	0.1%	1.4	0.1%
Other income (expense)	(10.5)	(1.0%)	2.3	0.2%
Interest expense	(7.4)	(.7%)	(5.5)	(0.5%)
Income before income taxes	121.7	11.5%	114.2	10.5%
Income taxes	43.6	4.1%	40.3	3.7%
Net income	\$ 78.1	7.4%	\$ 73.9	6.8%

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2000 COMPARED TO 1999

Net Sales. Net sales for 2000 declined 2.5% to \$1,058.6 million from \$1,086.2 million in 1999. Excluding the results of the divested motor business, sales in 1999 would have been \$1,064.4 million, a year-over-year decrease of 0.5%. Third-party sales from U.S. operations declined by 5.2% to \$705.1 million from \$744.0 million in 1999. U.S. domestic sales declined 4.9% from 1999. Excluding the results of the divested motor business, third party sales from U.S. operations and U.S. domestic sales declined 2.4% and 1.7%, respectively. The decline was due to lower demand from industrial customers and distributors. U.S. exports were down 8.8% to \$60.2 million in 2000, compared with \$66.0 million in 1999. Non-U.S. third-party sales increased 3.3% to \$353.5 million from \$342.2 million in 1999. Manufacturing capacity expansion in Canada, Mexico and Asia have positively impacted sales for 2000, and the February 2000 acquisition of C.I.F.E. S.r.l. in Italy has contributed to the European sales increase. The strengthening of the U.S. dollar, particularly against the Euro, continued to negatively impact non-U.S. sales during 2000. Non-U.S. and export sales for 2000 amounted to 39.1% of the Company's total sales.

Gross Profit. Gross profit declined to \$355.1 million in 2000 from \$371.8 million in 1999. Gross profit as a percentage of sales was 33.5% in 2000, compared with 34.2% in 1999. Gross profit margins in the U.S. declined slightly due to lower plant utilization and sales volumes. Non-U.S. gross margins were down year-over-year due to a change in sales mix to lower margin products, competitive pricing pressures and lower plant utilization in Europe.

Selling, General and Administrative (SG&A) Expenses. Selling, general and administrative expenses were \$216.2 million in 2000, or 20.4% of sales, as compared to \$223.8 million, or 20.6% of sales in 1999. Included in SG&A expenses are the costs related to the Company's discretionary employee bonus program, net of hospitalization costs. The reduction in SG&A expenses compared to last year were due to lower sales volume, continuing expense reduction efforts and reduced bonus expense, offset in part by increased foreign currency transaction losses. Bonus costs in 2000 were down \$5.6 million from 1999 due to lower achievement versus profitability objectives. The strengthening U.S. dollar reduced SG&A costs for non-U.S. operations by \$7.7 million.

Interest Income. Interest income decreased \$0.7 million, or 50.0%, to \$0.7 million in 2000. The decline reflects reduced levels of cash investments due to capital expenditures and purchases of treasury shares.

Other Income. Other income includes a net charge of \$13.4 million (\$8.1 million after-tax) principally related to the costs associated with the lapsed Charter offer, offset by net proceeds received in settlement of a dispute with one of the Company's product liability insurance carriers.

Interest Expense. Interest expense increased \$1.9 million or 34.5% to \$7.4 million in 2000. The increase in interest expense corresponded to higher debt levels incurred in 2000 to fund share repurchases, the acquisition of C.I.F.E. S.r.l. and a 35% interest in Kuang Tai during the first quarter of 2000.

Income Taxes. Income taxes in 2000 were \$43.6 million on income before income taxes of \$121.7 million, an effective rate of 35.8%, as compared with income taxes of \$40.3 million on income before income taxes of \$114.2 million, or an effective tax rate of 35.3%. The increase in the effective tax rate is due to the current inability to utilize non-U.S. tax loss carryforwards.

Net Income. Net income was \$78.1 million and \$73.9 million in 2000 and 1999, respectively. Excluding the non-recurring items from 2000 and the charges for the motor disposal from 1999, net income would have been \$86.2 million in 2000 and \$93.7 million in 1999. The effect of exchange rate movement on net income was not material for 2000 or 1999.

1999 COMPARED TO 1998

Net Sales. Net sales for 1999 declined 8.5% to \$1,086.2 million from \$1,186.7 million in 1998. Third-party sales from U.S. operations declined by 8.9% to \$744.0 million from \$816.6 million in 1998. U.S. domestic sales declined 6.4% from 1998. Excluding the results of the divested motor business, U.S. sales in 1998 would have been \$762.9 million, reflecting a year-over-year decline of 5.3%. This sales decline was primarily volume-driven. Worldwide economic conditions, particularly in Asia, South America, and the Middle East combined to impact U.S. exports, which were down 28.6% to \$66.0 million in 1999, compared with \$92.5 million in 1998. Non-U.S. third-party sales declined 7.6% to \$342.2 million from \$370.1 million in 1998. Sales declines in the international regions were also primarily volume-driven. The weakening of foreign currencies against the U.S. dollar reduced non-U.S. sales by \$12.2 million or 3.5%, caused principally by the devaluation of the European and Brazilian currencies. Non-U.S. and export sales for 1999 amounted to 37.5% of the Company's total sales.

Gross Profit. Gross profit declined to \$371.8 million in 1999 from \$397.0 million in 1998. Gross profit as a percentage of sales was 34.2% in 1999, compared with 33.4% in 1998. U.S. margins improved due to the divestiture of the motor business, improved manufacturing efficiencies, and lower raw material costs. Gross profit as a percentage of sales fell for the European operations due to lower sales volume, unfavorable manufacturing variances, product mix and downward pricing pressure related to the poor economic environment. Lower sales volume, product mix and price pressure also negatively impacted margins at the Australian operation.

Selling, General and Administrative (SG&A) Expenses. Selling, general and administrative expenses were \$223.8 million in 1999, or 20.6% of sales, as compared to \$249.6 million, or 21.0% of sales in 1998. Included in SG&A expenses are the costs related to the Company's discretionary employee bonus program, net of hospitalization costs. The decrease in SG&A from last year is due to lower sales volume, lower planned R&D spending and lower bonus expense. Lower bonus expense was attributable to lower profitability versus objectives. The strengthening U.S. dollar reduced SG&A costs for non-U.S. operations by \$3.7 million.

Interest Income. Interest income decreased \$2.7 million, or 65.9%, to \$1.4 million in 1999. The decline reflects reduced levels of cash investments due to capital expenditures, purchases of treasury shares, an increase in the shareholder dividend payout and the increased use of lower yielding, non-taxable investments.

Interest Expense. Interest expense decreased \$0.1 million or 1.8% to \$5.5 million in 1999. The decline reflects lower debt levels due to scheduled debt repayments.

Income Taxes. Income taxes in 1999 were \$40.3 million on income before income taxes of \$114.2 million, an effective rate of 35.3%, as compared with income taxes of \$53.4 million in 1998 on income before income taxes of \$147.1 million, or an effective tax rate of 36.3%. The decrease in the effective tax rate is primarily attributable to the corporate reorganization.

Net Income. Net income was \$73.9 million and \$93.7 million in 1999 and 1998,

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respectively. Excluding the charge for the disposal of the motor business, net income for 1999 was \$93.7 million, which was consistent with 1998 results. The effect of exchange rate movements on net income was not material for 1999 or 1998.

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LIQUIDITY AND CAPITAL RESOURCES

During 2000, the Company's debt levels increased 24.8% from \$75.1 million at December 31, 1999 to \$93.7 million at December 31, 2000. Total percent of debt to total capitalization increased to 17.3% at December 31, 2000 from 14.3% at December 31, 1999, as a result of share repurchases. Management anticipates that the Company will be able to satisfy cash requirements for its ongoing businesses for the foreseeable future primarily with cash generated by operations and, if necessary, borrowings under its existing credit facilities.

Cash provided from operations was \$120.8 million in 2000, an increase of \$39.7 million from \$81.1 million in 1999. The primary reason for the increase is the improved management of operating working capital.

Capital expenditures during 2000 were \$34.8 million, a 45.0% decrease from 1999. The decline was largely related to spending on information systems in the U.S. and Europe in 1999. In addition, the Company is no longer expanding plant production capacity as market growth has slowed. During the first quarter of 2000, the Company acquired a 35% interest in Kuang Tai, a Taiwan-based manufacturer of welding wire for \$16.7 million and 100% of C.I.F.E. S.r.l., an Italian-based manufacturer of MIG wire for \$2.5 million, plus assumed debt of \$10.1 million.

The stock repurchase program that began in 1998 has continued to lower the Company's equity base. During 2000, the Company purchased 2,178,130 shares of its common stock on the open market at a cost of \$42.2 million, bringing the total shares purchased to 7,125,380 shares at a cost of \$143.1 million through December 31, 2000. In December 2000, the share repurchase program, which had been suspended on May 2, 2000, was reinstated subsequent to the lapsed Charter plc offer.

A total of \$24.0 million in dividends was paid during 2000. In December 2000, the Company paid a cash dividend of 14 cents per share replacing the regular third quarter dividend. Dividend payments had been suspended earlier in the year due to financing requirements related to the then pending Charter acquisition. Also in December, the fourth quarter dividend was increased from \$0.14 per share to \$0.15 per share. This dividend was paid in January 2001.

NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement, along with its amendments SFAS No. 137 and SFAS No. 138, will become effective for the Company for fiscal year 2001. The Company has evaluated the effects of these Statements on its accounting and reporting policies, and the adoption of the Statement will not have a material impact on the Company's consolidated financial statements.

LITIGATION

The Company, like other manufacturers, is subject from time to time to a variety

of civil and administrative proceedings arising in the ordinary course of business. Such claims and litigation include, without limitation, product liability claims and health, safety and environmental claims. The Company believes it has meritorious defenses to these claims and intends to contest such suits vigorously. All costs associated with these claims, including defense and settlements, have been immaterial to the Company's consolidated financial statements. Based on the Company's historical experience in litigating these claims, including a significant number of dismissals, summary judgments and defense verdicts in many cases and immaterial

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settlement amounts, the Company believes resolution of these claims and proceedings, individually or in the aggregate, will not have a material adverse impact upon the Company's consolidated financial statements.

CERTAIN FACTORS THAT MAY AFFECT FUTURE RESULTS

From time to time, information provided by the Company, statements by its employees or information included in its filings with the Securities and Exchange Commission (including those portions of this Management's Discussion and Analysis that refer to the future) may contain forward-looking statements that are not historical facts. Those statements are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, and the Company's future performance, operating results, financial position and liquidity, are subject to a variety of factors that could materially affect results, including:

- **Competition.** The Company operates in a highly competitive global environment and is subject to a variety of competitive factors such as pricing, the actions and strength of its competitors, and the Company's ability to maintain its position as a recognized leader in welding technology. The intensity of foreign competition is substantially affected by fluctuations in the value of the United States dollar against other currencies. The Company's competitive position could also be adversely affected should new or emerging entrants (particularly where foreign currencies have been significantly devalued) become more active in the arc welding business.
- **International Markets.** The Company's long-term strategy is to increase its share in growing international markets, particularly Asia, Latin America, Central Europe and other developing markets. However, there can be no certainty that the Company will be successful in its expansion efforts. The Company is subject to the currency risks of doing business abroad, and expansion poses challenging demands within the Company's infrastructure.
- **Litigation.** The Company, like other manufacturers, is subject to a variety of lawsuits and potential lawsuits that arise in the ordinary course of business. See Litigation discussion above and Note K to the consolidated financial statements for further discussion of litigation.
- **Cyclicality and Maturity of the Welding and Cutting Industry.** The United States arc welding and cutting industry is both mature and cyclical. The growth of the domestic arc welding and cutting industry has been and continues to be constrained by numerous factors, including the substitution of plastics and other materials in place of fabricated metal parts in many products and structures. Increased offshore production of fabricated steel structures has also decreased the domestic demand for arc welding and

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cutting products in the Company's largest market.

- Operating Factors. The Company is highly dependent on its skilled workforce and efficient production facilities, which could be adversely affected by its labor relations, business interruptions at its domestic facilities and short-term or long-term interruptions in the availability of supplies or raw materials or in transportation of finished goods.
- Research and Development. The Company's continued success depends, in part, on its ability to continue to meet customer welding needs through the introduction of new products and the enhancement of existing product design and performance characteristics. There can be no assurances that new products or product improvements, once developed, will meet with customer acceptance and contribute positively to the operating results of the Company, or that product development will continue at a pace to sustain future growth.

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ITEM 7A. MARKET RISK

The Company's primary financial market risks include fluctuations in currency exchange rates, commodity prices and interest rates. The Company manages these risks by using derivative financial instruments in accordance with established policies and procedures. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes.

The Company enters into forward foreign exchange contracts principally to hedge the currency fluctuations in transactions denominated in foreign currencies, thereby limiting the Company's risk that would otherwise result from changes in exchange rates. During 2000, the principal transactions hedged were intercompany loans and intercompany purchases. The periods of the forward foreign exchange contracts correspond to the periods of the hedged transactions. Gains and losses on forward foreign exchange contracts and the offsetting losses and gains on hedged transactions are reflected in the income statement. At December 31, 2000, the Company had approximately \$28 million notional amount of foreign exchange contracts which primarily hedged recorded balance sheet exposures or intercompany purchases. The potential loss from a hypothetical 10% adverse change in foreign currency rates on the Company's open foreign exchange contracts at December 31, 2000 would not materially affect the Company's financial statements.

From time to time, the Company uses various hedging arrangements to manage the Company's exposure to price risk from commodity purchases. The primary commodity hedged is copper. These hedging arrangements have the effect of locking in for specified periods (at predetermined prices or ranges of prices) the prices the Company will pay for the volume to which the hedge relates. The potential loss from a hypothetical 10% adverse change in commodity prices on the Company's open commodity futures at December 31, 2000, would not materially affect the Company's financial statements.

The fair value of the Company's cash and short-term investment portfolio at December 31, 2000, approximated carrying value due to its short-term duration. Market risk was estimated as the potential decrease in fair value resulting from a hypothetical 10% increase in interest rates for the issues contained in the investment portfolio and was not materially different from the year-end carrying value.

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At December 31, 2000, the fair value of notes payable approximated carrying value due to its short-term maturities. Market risk was estimated as the potential increase in fair value resulting from a hypothetical 10% decrease in the Company's weighted-average short-term borrowing rate at December 31, 2000, and was not materially different from the year-end carrying value.

The Company utilizes an interest rate swap as a hedge to effectively change the characteristics of the interest rate of its 8.73% fixed rate debt without actually changing the debt instrument. The swap involves the exchange of the Company's 8.73% fixed rate debt for a floating rate based on a 3-month LIBOR basket swap plus a spread of 381 basis points. Payments or receipts on the agreement are recorded as adjustments to interest expense. A 1% increase in the 3-month LIBOR basket swap rate would increase the amount paid by approximately \$0.3 million annually. (See Note D to the Consolidated Financial Statements for further discussion of Debt Instruments.)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is submitted in a separate section of this report following the signature page.

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

None.

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PART III

A definitive proxy statement will be filed pursuant to Regulation 14A of the Securities Exchange Act prior to April 30, 2001. Therefore, information required under this part, unless set forth below, is incorporated herein by reference from such definitive proxy statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

The following consolidated financial statements of the Company are included in a separate section of this report following the signature page:

Consolidated Balance Sheets - December 31, 2000 and 1999

Consolidated Statements of Income - Years ended December 31, 2000, 1999 and 1998

Consolidated Statements of Shareholders' Equity - Years ended December 31, 2000, 1999 and 1998

Consolidated Statements of Cash Flows - Years ended December 31, 2000, 1999 and 1998

Notes to Consolidated Financial Statements - December 31, 2000

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Report of Independent Auditors

(a) (2) Financial Statement Schedules

The following consolidated financial statement schedule of the Company is included in a separate section of this report following the signature page:

Schedule II - Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore, have been omitted.

(a) (3) Exhibits

Exhibit No.	Description
2	Agreement of Merger dated as of May 19, 1998 made by and among Lincoln Electric Merger Co., The Lincoln Electric Company, and Lincoln Electric Holdings, Inc. (filed as Exhibit 2 to Form 8-K of The Lincoln Electric Company dated June 2, 1998, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
3(a)	Restated Articles of Incorporation of Lincoln Electric Holdings, Inc. (filed as Annex B to Form S-4 of Lincoln Electric Holdings, Registration No. 333-50435, filed on April 17, 1998, and incorporated herein by reference and made a part hereof).

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Exhibit No.	Description
3(b)	Amended Code of Regulations of Lincoln Electric Holdings, Inc. (filed as Exhibit 3(b) to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended March 31, 2000, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10(a)	Credit Agreement dated December 20, 1995 among the Company, the Banks listed on the signature page thereof, and Society National Bank, as Agent (filed as Exhibit 4(b) to Form 10-K of The Lincoln Electric Company for the year ended December 31, 1995, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof); as amended by Amendment No. 2 dated May 8, 1998; and as further amended by Amendment No. 3 dated October 23, 1998 (filed as Exhibit 10(b) to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 1998, SEC File No. 0-1402 and incorporated herein by

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reference and made a part hereof).

- 10(b) Lincoln Electric Holdings, Inc. 1998 Stock Option Plan (filed as Annex F to the Registration Statement on Form S-4 of Lincoln Electric Holdings, Inc., Registration No. 333-50435, filed on April 17, 1998, incorporated herein by reference and made a part hereof).

- 10(c) The Lincoln Electric Company 1988 Incentive Equity Plan (filed as Exhibit 28 to the Form S-8 Registration Statement of The Lincoln Electric Company, SEC File No. 33-25209 and incorporated herein by reference and made a part hereof) as adopted and amended by Lincoln Electric Holdings, Inc. pursuant to an Instrument of Adoption and Amendment dated December 29, 1998 (filed as Exhibit 10(d) to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 1998, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).

- 10(d) Form of Indemnification Agreement (filed as Exhibit A to The Lincoln Electric Company 1987 Proxy Statement, SEC File No. 0-1402, and incorporated herein by reference).

- 10(e) The Lincoln Electric Company Supplemental Executive Retirement Plan, as amended (filed as Exhibit 10(c) to Form 10-K of The Lincoln Electric Company for the year ended December 31, 1995, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).

- 10(f) The Lincoln Electric Company Deferred Compensation Plan, as amended (filed as Exhibit 10(d) to Form 10-K of The Lincoln Electric Company for the year ended December 31, 1995, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof); as amended by Amendment No. 4 dated as of January 1, 1998; and as further amended by Amendment No. 5 dated as of January 1, 1998 (filed as Exhibit 10(g) to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 1998, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).

- 10(g) Description of Management Incentive Plan (filed as Exhibit 10(e) to Form 10-K of The Lincoln Electric Company for the year ended December 31, 1995, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).

Exhibit No.

Description

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- 10(h) Description of Long Term Performance Plan (filed as Exhibit 10(f) to Form 10-K of The Lincoln Electric Company for the year ended December 31, 1997, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
- 10(i) Description of Non-Employee Directors' Restricted Stock Plan (filed as Exhibit 10(f) to Form 10-K of The Lincoln Electric Company for the year ended December 31, 1995, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof) as adopted by Lincoln Electric Holdings, Inc. pursuant to an Instrument of Adoption dated December 29, 1998 (filed as Exhibit 10(j) to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 1998, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
- 10(j) The Lincoln Electric Company Non-Employee Directors' Deferred Compensation Plan (filed as Exhibit 10(g) to Form 10-K of The Lincoln Electric Company for the year ended December 31, 1995, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof) as amended by Amendment No. 1 dated as of December 29, 1998 (filed as Exhibit 10(k) to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 1998, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
- 10(k) Letter of Employment between Anthony A. Massaro and Lincoln Electric Holdings, Inc. dated March 7, 2000 (filed as Exhibit 10(k) to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 1999, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
- 10(l) Summary of Employment Agreements (filed as Exhibit 10(l) to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 1999, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
- 10(m) The Lincoln Electric Company Executive Benefit Plan (filed as Exhibit 10(l) to Form 10-K of The Lincoln Electric Company for the year ended December 31, 1997, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
- 10(n) Form of Severance Agreement (as entered into by the Company and the following executive officers: Messrs. Massaro, Stropki, Elliott, Stueber and Vogt) (filed as Exhibit 10 to Form 10-Q of Lincoln Electric Holdings, Inc. for the nine months ended September 30, 1998, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
- 10(o) Form of Amendment 1 to Severance Agreement (as entered into by the Company and the following executive officers: Messrs. Stropki and Stueber) (filed as Exhibit 10(o) to Form 10-K of Lincoln

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Electric Holdings, Inc. for the year ended December 31, 1999, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).

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Exhibit No.	Description
10(p)	Stock Option Plan for Non-employee Directors (filed as Exhibit 10(p) to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended March 31, 2000, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
21	Subsidiaries of the Registrant.
23	Consent of Independent Auditors.
24	Powers of Attorney.
(b)	The Company did not file any reports on Form 8-K during the fourth quarter of 2000.
(c)	The exhibits which are listed under Item 14 (a) (3) are filed in a separate section of the report following the signature pages or incorporated by reference herein.
(d)	The financial statement schedule which is listed under item 14 (a) (2) is filed in a separate section of the report following the signature page.

Upon request, Lincoln Electric Holdings, Inc. will furnish to security holders copies of any exhibit to the Form 10-K report upon payment of a reasonable fee. Any requests should be made in writing to: Mr. H. Jay Elliott, Senior Vice President, Chief Financial Officer and Treasurer, Lincoln Electric Holdings, Inc., 22801 St. Clair Avenue, Cleveland, Ohio 44117; Phone: (216) 481-8100.

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SIGNATURES

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

LINCOLN ELECTRIC HOLDINGS, INC.

(Registrant)

By: /s/ H. JAY ELLIOTT

H. Jay Elliott, Senior Vice President,
Chief Financial Officer and Treasurer

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(principal financial and accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 23, 2001.

/s/ ANTHONY A. MASSARO

Anthony A. Massaro, Chairman of the Board, President and Chief Executive Officer (principal executive officer)

/s/ H. JAY ELLIOTT

H. Jay Elliott, Senior Vice President, Chief Financial Officer and Treasurer (principal financial and accounting officer)

/s/ JOHN M. STROPKI

John M. Stropki, Director of the Company, Executive Vice President, President North America

/s/ HARRY CARLSON

Harry Carlson, Director

/s/ G. RUSSELL LINCOLN

G. Russell Lincoln, Director

/s/ DAVID H. GUNNING

David H. Gunning, Director

/s/ KATHRYN JO LINCOLN

Kathryn Jo Lincoln, Director

/s/ EDWARD E. HOOD, JR

Edward E. Hood, Jr., Director

/s/ HENRY L. MEYER III

Henry L. Meyer III, Director

/s/ PAUL E. LEGO

Paul E. Lego, Director

/s/ FRANK L. STEINGASS

Frank L. Steingass, Director

/s/ DAVID C. LINCOLN

David C. Lincoln, Director

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ANNUAL REPORT ON FORM 10-K

ITEM 8, ITEM 14(a)(1) AND (2) AND ITEM 14(c) AND 14(d)

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FINANCIAL STATEMENT SCHEDULES

CERTAIN EXHIBITS

YEAR ENDED DECEMBER 31, 2000

LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors
Lincoln Electric Holdings, Inc.

We have audited the accompanying consolidated financial statements of Lincoln Electric Holdings, Inc. and subsidiaries listed in the accompanying Index to Financial Statements at Item 14 (a)(1). Our audits also included the financial statement schedule listed in the Index at Item 14 (a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lincoln Electric Holdings, Inc. and subsidiaries at December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

ERNST & YOUNG LLP

Cleveland, Ohio
January 31, 2001

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LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	2000

	(In thousands)
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 11,319
Accounts receivable (less allowances of \$4,708 in 2000; \$3,687 in 1999)	153,253
Inventories	
Raw materials and in-process	82,398
Finished goods	101,775

Deferred income taxes	184,173
Other current assets	25,767
	41,570

TOTAL CURRENT ASSETS	416,082
PROPERTY, PLANT AND EQUIPMENT	
Land	12,564
Buildings	130,632
Machinery and equipment	416,502

	559,698
Less: accumulated depreciation and amortization	290,685

	269,013
OTHER ASSETS	
Goodwill	41,173
Other	64,011

	105,184

TOTAL ASSETS	\$790,279
	=====

SEE NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS.

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Notes payable to banks
Trade accounts payable
Accrued employee compensation and benefits
Accrued expenses
Taxes, including income taxes
Dividend payable
Other current liabilities
Current portion of long-term debt

TOTAL CURRENT LIABILITIES

Long-term debt, less current portion
Deferred income taxes
Other long-term liabilities

SHAREHOLDERS' EQUITY

Preferred Shares, without par value - at stated capital amount:
Authorized - 5,000,000 shares in 2000 and 1999;
Issued and Outstanding - none
Common Shares, without par value - at stated capital amount:
Authorized - 120,000,000 shares in 2000 and 1999;
Issued - 49,282,306 shares in 2000 and 49,283,950 shares in 1999;
Outstanding - 42,338,803 shares in 2000 and 44,483,366 shares in 1999
Additional paid-in capital
Retained earnings
Accumulated other comprehensive income
Treasury shares, at cost - 6,943,503 shares in 2000 and 4,800,584 in 1999

TOTAL SHAREHOLDERS' EQUITY

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

SEE NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS.

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	2000 ----	1999 ----
	(In thousands of dollars)	
Net sales	\$1,058,601	\$1,058,601
Cost of goods sold	703,503	703,503
Gross profit	355,098	355,098
Selling, general & administrative expenses	216,217	216,217
Loss on disposal of motor business	---	---
Operating income	138,881	138,881
Other income (expense):		
Interest income	732	732
Other income (expense)	(10,553)	(10,553)
Interest expense	(7,383)	(7,383)
	(17,204)	(17,204)
Income before income taxes	121,677	121,677
Income taxes	43,585	43,585
Net income	\$ 78,092	\$ 78,092
Basic earnings per share	\$ 1.83	\$ 1.83
Diluted earnings per share	\$ 1.83	\$ 1.83

SEE NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS.

LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands of dollars, except per share data)	Common Shares	Class A Common Shares	Additional Paid Capital

BALANCE, JANUARY 1, 1998	\$2,154	\$ 2,768	\$ 103,722

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Comprehensive income:			
Net income			
Currency translation adjustment			
Total comprehensive income			
Cash dividends declared -			
\$0.42 per share			
Net shares issued under certain benefit plans	2	4	1,698
Purchase of shares for treasury			
Conversion of Class A Common Shares to Common Shares	2,772	(2,772)	(779)

BALANCE, DECEMBER 31, 1998	4,928	-	104,641
Comprehensive income:			
Net income			
Minimum pension liability adjustment			
Currency translation adjustment			
Total comprehensive income			
Cash dividends declared -			
\$0.50 per share			
Net shares issued under certain benefit plans			250
Purchase of shares for treasury			

BALANCE, DECEMBER 31, 1999	4,928	-	104,891
Comprehensive income:			
Net income			
Minimum pension liability adjustment			
Currency translation adjustment			
Total comprehensive income			
Cash dividends declared -			
\$0.57 per share			
Net shares issued under certain benefit plans			2
Purchase of shares for treasury			

BALANCE, DECEMBER 31, 2000	\$ 4,928	\$ -	\$ 104,893

(In thousands of dollars, except per share data)	Accumulated Other Comprehensive Income	Treasury Shares

BALANCE, JANUARY 1, 1998	\$ (31,112)	\$ -
Comprehensive income:		
Net income		
Currency translation adjustment	2,861	
Total comprehensive income		
Cash dividends declared -		
\$0.42 per share		
Net shares issued under certain benefit plans		1,155
Purchase of shares for treasury		(23,823)
Conversion of Class A Common Shares to Common Shares		

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BALANCE, DECEMBER 31, 1998	(28,251)	(22,668)
Comprehensive income:		
Net income		
Minimum pension liability adjustment	(792)	
Currency translation adjustment	(14,481)	
Total comprehensive income		
Cash dividends declared -		
\$0.50 per share		
Net shares issued under certain benefit plans		1,530
Purchase of shares for treasury		(77,105)
BALANCE, DECEMBER 31, 1999	(43,524)	(98,243)
Comprehensive income:		
Net income		
Minimum pension liability adjustment	(429)	
Currency translation adjustment	(16,035)	
Total comprehensive income		
Cash dividends declared -		
\$0.57 per share		
Net shares issued under certain benefit plans		645
Purchase of shares for treasury		(42,205)
BALANCE, DECEMBER 31, 2000	\$ (59,988)	\$ (139,803)

SEE NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS.

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LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year 2000 ----- (In th
OPERATING ACTIVITIES	
Net income	\$ 78,092
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	34,712
Deferred income taxes	(2,286)
(Gain) loss on sale of fixed assets and motor business	(520)
Changes in operating assets and liabilities net of effects from acquisitions:	
Decrease (increase) in accounts receivable	1,905

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Decrease (increase) in inventories	6,005
(Increase) in other current assets	(8,845)
(Decrease) increase in accounts payable	(4,963)
Increase (decrease) in other current liabilities	12,030
Gross change in other long-term assets and liabilities	(3,342)
Other, net	8,046

NET CASH PROVIDED BY OPERATING ACTIVITIES	120,834
INVESTING ACTIVITIES	
Capital expenditures	(34,800)
Acquisitions of businesses and equity investments	(18,903)
Purchases of marketable securities and other investments	--
Proceeds from sale of marketable securities	6
Proceeds from sale of fixed assets and businesses	1,627

NET CASH (USED) BY INVESTING ACTIVITIES	(52,070)
FINANCING ACTIVITIES	
Proceeds from short-term borrowings	47,046
Payments on short-term borrowings	(48,972)
Notes payable to banks - net	29,270
Proceeds from long-term borrowings	54,294
Payments on long-term borrowings	(80,266)
Purchase of shares for treasury	(41,560)
Cash dividends paid	(24,034)
Other	(442)

NET CASH (USED) BY FINANCING ACTIVITIES	(64,664)
Effect of exchange rate changes on cash and cash equivalents	(1,456)

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,644
Cash and cash equivalents at beginning of year	8,675

CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 11,319
	=====

SEE NOTES TO THESE CONSOLIDATED FINANCIAL STATEMENTS.

LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (In
thousands of dollars except share and per share data)

December 31, 2000

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of Lincoln Electric Holdings, Inc. and its wholly-owned and majority-owned subsidiaries (the "Company") after elimination of all significant intercompany accounts, transactions and profits. Minority ownership interest in

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consolidated subsidiaries, which is not material, is recorded in Other long-term liabilities.

CASH EQUIVALENTS AND MARKETABLE SECURITIES: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments with maturities between three and twelve months are considered to be marketable securities classified as held-to-maturity. Marketable securities are carried at cost, with realized gains and losses recorded to income.

INVENTORIES: Inventories are valued at the lower of cost or market. For domestic inventories, cost is determined principally by the last-in, first-out (LIFO) method, and for non-U.S. inventories, cost is determined by the first-in, first-out (FIFO) method. At December 31, 2000 and 1999, approximately 59% and 64%, respectively, of total inventories were valued using the LIFO method. The excess of current cost over LIFO cost amounted to \$39,746 at December 31, 2000 and \$40,365 at December 31, 1999.

EQUITY INVESTMENTS: Investments in businesses in which the Company holds between a 20% and 50% ownership interest are accounted for using the equity method of accounting. Under the equity method, the investment is carried at cost plus the Company's proportionate share of the net income or loss of the business since the date of acquisition.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment are stated at cost and include improvements which significantly extend the useful lives of existing plant and equipment. Depreciation and amortization are computed by both accelerated and straight-line methods over useful lives ranging from 3 to 20 years for machinery, tools and equipment, and up to 50 years for buildings. Net gains or losses related to asset dispositions are recognized in earnings in the period in which dispositions occur.

GOODWILL: The excess of the purchase price over the fair value of net assets acquired is amortized on a straight-line basis over periods not exceeding 40 years. Amounts are stated net of accumulated amortization of \$12,552 and \$11,163 in 2000 and 1999, respectively.

LONG-LIVED ASSETS: The carrying value of long-lived assets is reviewed if facts and circumstances indicate a potential impairment of carrying value may have occurred utilizing relevant cash flow and profitability information. Impairment losses are recorded when the undiscounted cash flows estimated to be generated by those assets are less than the assets carrying amounts.

REVENUE RECOGNITION: The Company recognizes revenue at the time of product shipment.

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LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

DISTRIBUTION COSTS: Distribution costs, including warehousing and freight related to product shipments, is included in Cost of goods sold.

TRANSLATION OF FOREIGN CURRENCIES: Asset and liability accounts are translated into U.S. dollars using exchange rates in effect at the date of the consolidated balance sheet; revenue and expense accounts are translated at monthly exchange

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rates. Translation adjustments are reflected as a component of shareholders' equity. For subsidiaries operating in highly inflationary economies, both historical and current exchange rates are used in translating balance sheet accounts, and translation adjustments are included in net income.

Transaction gains and losses are included in Selling, general & administrative expenses and were not material.

FINANCIAL INSTRUMENTS: The Company, on a limited basis, uses forward exchange contracts to hedge exposure to exchange rate fluctuations on certain intercompany loans, purchase and sales transactions and other intercompany commitments. Contracts are written on a short-term basis and are not held for trading or speculation purposes. Gains and losses on all forward exchange contracts are recognized in the consolidated statements of income.

RESEARCH AND DEVELOPMENT: Research and development costs, which are expensed as incurred, were \$16,604 in 2000, \$15,403 in 1999 and \$17,719 in 1998.

ESTIMATES: The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions in certain circumstances that affect the amounts reported in the accompanying consolidated financial statements and notes. Actual results could differ from these estimates.

EARNINGS PER SHARE: The following table sets forth the computation of basic and diluted earnings per share (dollars and shares in thousands, except per share amounts).

	2000 -----	1999 -----	1998 -----
Numerator:			
Net income	\$ 78,092 =====	\$ 73,940 =====	\$ 93,719 =====
Denominator:			
Denominator for basic earnings per share - Weighted-average shares outstanding	42,670	45,445	48,935
Effect of dilutive securities - Employee stock options	20 -----	130 -----	135 -----
Denominator for diluted earnings per share - Adjusted weighted-average shares outstanding	42,690 =====	45,575 =====	49,070 =====
Basic earnings per share	\$1.83	\$1.63	\$1.92
Diluted earnings per share	\$1.83	\$1.62	\$1.91

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

NEW ACCOUNTING PRONOUNCEMENT: The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement, along with its amendments SFAS No. 137 and SFAS No. 138, will become effective for the Company for fiscal year 2001. The Company has evaluated the effect of these Statements and the adoption of the Statement will not have a material impact on the Company's consolidated financial statements.

OTHER: Included in Selling, general & administrative expenses are the costs related to the Company's discretionary employee bonus, net of hospitalization costs, of \$54,509 in 2000, \$60,074 in 1999 and \$76,491 in 1998.

NOTE B - SHAREHOLDERS' EQUITY

In 1999, the Board of Directors authorized an additional share repurchase program of up to 5,000,000 shares of the Company's outstanding Common Shares to satisfy obligations under its stock option plans. This share repurchase program is in addition to the 5,000,000 shares authorized for repurchase by the Board of Directors in September 1998. In May 2000, the Company suspended the share repurchase program, pending the outcome of the proposed Charter plc acquisition (see Note H), but re-instituted the program in December 2000 subsequent to the lapse of the offer. In 2000, the Company purchased 2,178,130 shares at an average cost of \$19.38 per share bringing the total shares purchased through December 31, 2000 to 7,125,380 at an average cost of \$20.09 per share.

On May 19, 1998, shareholders approved a reorganization of the capital and corporate structure of The Lincoln Electric Company (the "reorganization"). As a result of the reorganization, a new holding company, Lincoln Electric Holdings, Inc., was created. Each Common Share and each Class A Common Share (non-voting) of The Lincoln Electric Company was converted into two voting common shares of Lincoln Electric Holdings, Inc., which also had the economic effect of a two-for-one stock split. The reorganization also resulted in the authorization of 5,000,000 Preferred Shares, none of which were issued or outstanding at December 31, 2000 or 1999. The Preferred Shares were authorized to provide the Company flexibility in future financing or acquisitions, and to render more difficult or discourage an attempt by another person or entity to obtain control of the Company. The Company's Articles of Incorporation allow the Board of Directors the discretion to issue one or more series of Preferred Shares with terms that meet the needs of a particular transaction. Each issuance of Preferred Shares may have distinct dividend rights, conversion rights and liquidation preferences.

LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE C - STOCK PLANS

The 1998 Stock Option Plan ("Stock Option Plan") was adopted by the shareholders to replace The Lincoln Electric Company 1988 Incentive Equity Plan ("Incentive Equity Plan") which expired in May 1998. The Stock Option Plan provides for the grant of options for 5,000,000 shares of Company stock to key employees over a

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ten-year period. The following table summarizes the option activity for the three years ended December 31, 2000 under both the Stock Option Plan and the Incentive Equity Plan:

	2000		1999		Opt
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	
Balance, beginning of year	1,567,334	\$18.13	1,186,530	\$17.27	1,0
Options granted	787,375	\$13.60	459,100	\$19.88	2
Options exercised	(29,876)	\$14.08	(78,296)	\$15.26	(14
Options canceled	(106,040)	\$14.36	--	--	(
Balance, end of year	2,218,793	\$16.76	1,567,334	\$18.13	1,1
Exercisable at end of year	1,065,512	\$17.82	864,405	\$16.30	6

During 1996, options for 335,180 shares were granted to employees in settlement of a lawsuit over performance awards relating to prior years. Exercise prices are \$15.00 and \$17.00 per share. These options are exercisable over five- and ten-year periods and are fully vested, non-qualified and non-transferable. At December 31, 2000 and 1999, there were 169,982 and 202,198, respectively, of these options outstanding.

All other options granted under both the Stock Option Plan and the Incentive Equity Plan are outstanding for a term of ten years from the date of grant. The majority of the options granted under both plans vest ratably over a period of three years from the grant date. The exercise prices of all options were equal to the fair market value of the Company's shares at the date of grant. As permitted under Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS 123"), the Company has continued to record stock-based compensation in accordance with the intrinsic value method established by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. Under the intrinsic value method, compensation expense is measured as the excess, if any, of the market price at the date of grant over the exercise price of the options. Accordingly, no compensation expense was recognized upon the award of these stock options.

SFAS 123 requires pro forma disclosure of the effect on net income and earnings per share when applying the fair value method of valuing stock-based compensation. The following table sets forth the pro forma disclosure of net income and earnings per share using the Black-Scholes option pricing model. For purposes of this pro forma disclosure, the estimated fair value of the options is amortized ratably over the vesting periods.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE C - STOCK PLANS - (CONTINUED)

	2000		1999		Pro Forma
	Pro Forma	Reported	Pro Forma	Reported	
Net income	\$76,413	\$ 78,092	\$72,513	\$ 73,940	\$ 92,7
Basic earnings per share	1.79	1.83	1.60	1.63	1.
Diluted earnings per share	1.79	1.83	1.59	1.62	1.
Weighted-average fair value of options granted during the year	5.59	--	7.83	--	8.

In estimating the fair value of options granted, an expected option life of ten years was used. The other weighted-average assumptions were as follows:

	2000	1999	1998
Expected volatility	42.60%	34.90%	30.80%
Dividend yield	2.90%	2.72%	2.16%
Risk-free interest rate	5.17%	6.41%	4.66%

The Stock Option Plan for Non-Employee Directors ("Directors Stock Option Plan") was adopted in May 2000 to replace The Lincoln Non-Employee Directors Restricted Stock Plan, which was terminated. The Directors Stock Option Plan provides for the grant of stock options for the purchase of up to an aggregate of 500,000 Common Shares. Options issued under the Directors Stock Option Plan were 18,000 in 2000. Shares issued in connection with The Lincoln Non-Employee Directors' Restricted Stock Plan were 5,335 in 2000, 5,174 in 1999 and 5,654 in 1998. In 2000, 1,644 shares were forfeited under the service requirements of the plan.

At December 31, 2000, there were 3,958,825 shares of common stock available for future grant under all plans, and the weighted-average remaining contractual life of outstanding options was 8.1 years. The price range of all outstanding options was \$13.50 to \$22.38.

The 1995 Lincoln Stock Purchase Plan provides employees the ability to purchase open market shares on a commission-free basis up to a limit of ten thousand dollars annually. Under this plan, there were 26,559 shares purchased in 2000, 18,313 shares purchased in 1999 and 7,619 shares purchased in 1998.

NOTE D - SHORT-TERM AND LONG-TERM DEBT

At December 31, 2000 and 1999, long-term debt consisted of the following:

	2000
8.73% Senior Note due 2003 (three equal annual principal payments remaining)	\$28,125
Credit Agreement, interest at 6.35% in 1999	-

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Foreign borrowings, interest at 1.5% to 12.4% (3.0% to 12.4% in 1999)	14,430
Other borrowings due through 2023, interest at 2.0% to 6.2%	8,588

	51,143
Less current portion	12,593

Total	\$38,550
	=====

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LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE D - SHORT-TERM AND LONG-TERM DEBT - (CONTINUED)

The Company's \$200 million unsecured, multi-currency Credit Agreement expires June 30, 2002. The terms of the Credit Agreement provide for annual extensions. The interest rate on outstanding borrowings is determined based upon defined leverage rates for the pricing options selected. The interest rate can range from the London Interbank Offered Rate ("LIBOR") plus 0.165% to LIBOR plus 0.25% depending upon the defined leverage rate. The agreement also provides for a facility fee ranging from 0.085% to 0.15% per annum based upon the daily aggregate amount of the commitment. The Credit Agreement and the 8.73% Senior Note due in 2003 contain financial covenants which require the same interest coverage and funded debt-to-capital ratios.

At December 31, 2000, the Company had no borrowings under short-term credit lines in the United States, with uncommitted borrowing capacity of \$35,000. Short-term borrowings of foreign subsidiaries were \$42,549 and \$6,425 at December 31, 2000 and 1999, at weighted-average interest rates of 7.4% and 6.8%, respectively. Uncommitted additional borrowing capacity of foreign subsidiaries was \$13,878 at December 31, 2000.

In August 1997, the Company entered into an interest rate swap agreement to convert its fixed rate 8.73% Senior Note due 2003 to a floating rate based on a 3-month LIBOR basket swap plus a spread of 381 basis points. The agreement caps the floating rate, including the spread, at 10%. The floating rate in effect at December 31, 2000 was 9.55%. The arrangement provides for the receipt or payment of interest, on a quarterly basis, through the loan expiration date. The notional value of the agreement, which decreases in future years with annual debt payments on the Senior Note, was \$28,125 at December 31, 2000. Net receipts or payments under the agreement are recognized as an adjustment to interest expense.

Maturities of long-term debt for the five years succeeding December 31, 2000 are \$12,593 in 2001, \$14,399 in 2002, \$13,674 in 2003, \$4,039 in 2004, \$1,178 in 2005 and \$5,260 thereafter. Total interest paid was \$6,957 in 2000, \$5,534 in 1999 and \$5,593 in 1998.

NOTE E - INCOME TAXES

The components of income before income taxes are as follows:

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	2000	1999	1998
	-----	-----	-----
U.S.	\$105,181	\$91,236	\$123,586
Non-U.S.	16,496	23,015	23,478
	-----	-----	-----
Total	\$121,677	\$114,251	\$147,064
	=====	=====	=====

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LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE E - INCOME TAXES - (CONTINUED)

Components of income tax expense (benefit) are as follows:

	2000	1999	1998
	-----	-----	-----
Current:			
Federal	\$32,159	\$28,620	\$26,724
Non-U.S.	9,278	4,838	9,020
State and local	3,866	5,991	7,402
	-----	-----	-----
	45,303	39,449	43,146
Deferred:			
Federal	333	(2,463)	11,016
Non-U.S.	(2,051)	3,325	(817)
	-----	-----	-----
	(1,718)	862	10,199
	-----	-----	-----
Total	\$43,585	\$40,311	\$53,345
	=====	=====	=====

The differences between total income tax expense and the amount computed by applying the statutory Federal income tax rate to income before income taxes were as follows:

	2000	1999	1998
	-----	-----	-----
Statutory rate of 35% applied to pre-tax income	\$42,587	\$39,988	\$51,146
Effect of state and local income taxes, net of Federal tax benefit	2,513	3,894	4,020
Taxes in excess of (less than) the U.S. tax rate on non-U.S. earnings, including utilization of tax loss carryforwards and losses with no benefit	1,454	218	(1,460)
Foreign sales corporation	(1,437)	(1,460)	(1,460)
Other - net	(1,532)	(2,329)	(2,329)
	-----	-----	-----
Total	\$43,585	\$40,311	\$53,345

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Effective tax rate	=====	=====
	35.8%	35.3%
	=====	=====

Total income tax payments, net of refunds, were \$35,699 in 2000, \$34,361 in 1999 and \$44,432 in 1998.

At December 31, 2000, certain non-U.S. subsidiaries had tax loss carryforwards of approximately \$54,072 that expire in various years from 2001 through 2010, except for \$24,717 for which there is no expiration date.

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LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE E - INCOME TAXES - (CONTINUED)

Significant components of deferred tax assets and liabilities at December 31, 2000 and 1999, were as follows:

	2000	1999
	-----	-----
Deferred tax assets:		
Tax loss and credit carryforwards	\$ 19,140	\$ 17,849
State income taxes	2,765	2,614
Inventory	7,566	7,081
Other accruals	17,996	15,509
Employee benefits	7,131	5,194
Pension obligations	5,013	3,633
Other	13,199	14,075
	-----	-----
	72,810	65,955
Valuation allowance	(16,093)	(16,623)
	-----	-----
	56,717	49,332
Deferred tax liabilities:		
Property, plant and equipment	(22,902)	(24,101)
Pension obligations	(11,920)	(10,748)
Other	(25,091)	(19,943)
	-----	-----
	(59,913)	(54,792)
	-----	-----
Total	\$ (3,196)	\$ (5,460)
	=====	=====

The Company does not provide deferred income taxes on unremitted earnings of non-U.S. subsidiaries, as such funds are deemed permanently reinvested in properties, plant and working capital. It is not practicable to calculate the deferred taxes associated with the remittance of these investments.

NOTE F - RETIREMENT ANNUITY AND GUARANTEED CONTINUOUS EMPLOYMENT PLANS

The Company and its subsidiaries maintain a number of defined benefit and defined contribution plans to provide retirement benefits for employees in the

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United States as well as employees outside the U.S. These plans are maintained and contributions are made in accordance with the Employee Retirement Income Security Act of 1974, local statutory law or as determined by the Board of Directors. The plans generally provide benefits based upon years of service and compensation. Pension plans are funded except for a supplemental executive retirement plan for certain key employees. Substantially all U.S. employees are covered under a 401(k) savings plan in which they may invest 1% or more of eligible compensation, limited to maximum amounts as determined by the Internal Revenue Service. As the result of a revision made to the plan in the fourth quarter of 2000, the plan provides for Company matching contributions of 35% of the first 6% of employee compensation contributed to the plan. This was an increase over the 25% of the first 6% of employee compensation contributed to the plan under the original plan document. The plan includes a feature in which participants could elect to receive an annual Company contribution of 2% of their base pay in exchange for forfeiting accelerated benefits under the pension plan.

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LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE F - RETIREMENT ANNUITY AND GUARANTEED CONTINUOUS EMPLOYMENT PLANS -
(CONTINUED)

The changes in the pension plans' benefit obligations were as follows:

	2000	1999
	----	----
Obligation at January 1	\$423,132	\$438,704
Service cost	12,321	13,955
Interest cost	31,077	29,618
Participant contributions	397	476
Plan amendments	278	492
Actuarial loss (gain)	8,918	(39,620)
Benefit payments	(25,453)	(21,171)
Currency translation	(5,036)	678
	-----	-----
Obligation at December 31	\$445,634	\$423,132
	=====	=====

The changes in the fair values of the pension plans' assets were as follows:

	2000	1999
	----	----
Plan assets at January 1	\$475,811	\$431,161
Actual return on plan assets	491	59,680
Employer contributions	7,223	4,736
Participant contributions	397	476
Benefit payments	(25,453)	(21,171)
Currency translation	(5,772)	929
	-----	-----
Plan assets at December 31	\$452,697	\$475,811
	=====	=====

The funded status of the pension plans at December 31, 2000 and 1999 was as follows:

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	2000	1999
	----	----
Plan assets in excess of projected benefit obligations	\$ 7,064	\$ 52,679
Unrecognized net loss (gain)	5,320	(44,604)
Unrecognized prior service cost	9,673	10,696
Unrecognized transition assets, net	(1,313)	(1,830)
	-----	-----
Prepaid pension expense recognized in the balance sheet	\$ 20,744	\$ 16,941
	=====	=====

The prepaid pension expense recognized in the consolidated balance sheets was composed of:

	2000	1999
	----	----
Prepaid pension cost	\$ 30,685	\$ 26,279
Accrued pension liability	(13,055)	(12,010)
Intangible asset	1,893	1,880
Other comprehensive income	1,221	792
	-----	-----
Prepaid pension expense recognized in the balance sheet	\$ 20,744	\$ 16,941
	=====	=====

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LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE F - RETIREMENT ANNUITY AND GUARANTEED CONTINUOUS EMPLOYMENT PLANS -
(CONTINUED)

A domestic non-qualified pension plan comprised the largest portion of the pension plans in which the accumulated benefit obligation (ABO) exceeded plan assets at December 31, 2000 and 1999. The aggregate ABO of such plans at December 31, 2000 and 1999 was \$12,316 and \$11,998, respectively; the aggregate fair value of plan assets was \$0 at December 31, 2000 and 1999.

A summary of the components of total pension expense was as follows:

	2000	1999
	----	----
Service cost - benefits earned during the year	\$ 12,321	\$ 13,955
Interest cost on projected benefit obligation	31,077	29,618
Expected return on plan assets	(40,733)	(37,148)
Amortization of transition asset	(436)	(453)
Amortization of prior service cost	1,177	1,272
Amortization of net (gain) loss	(209)	347
	-----	-----
Net pension cost of defined benefit plans	3,197	7,591

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Settlement, curtailments and special termination benefits	--	--
Defined contribution plans	2,040	2,393
	-----	-----
Total pension expense	\$ 5,237	\$ 9,984
	=====	=====

Weighted-average assumptions used in accounting for the defined benefit plans as of December 31, 2000 and 1999 were as follows:

	2000	1999
	----	----
Discount rate	7.4%	7.6%
Rate of increase in compensation	4.9%	4.9%
Expected return on plan assets	8.9%	8.9%

U.S. plan assets consist of fixed income and equity securities. Non-U.S. plan assets are invested in non-U.S. insurance contracts and non-U.S. equity and fixed income securities. The company does not have, and does not provide for, any postretirement or postemployment benefits other than pensions.

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

LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE G - SEGMENT INFORMATION

The Company's primary business is the design, manufacture and sale, in the U.S. and international markets of arc, cutting and other welding products. The Company manages its operations by geographic location, and has three reportable segments: the United States, Europe and all other foreign countries. Each operating unit is managed separately because each faces a distinct economic environment, a different customer base, and a varying level of competition and market sophistication. Segment performance and resource allocation is measured based on income before interest and income taxes. The accounting policies of the reportable segments are the same as those described in Note A - Significant Accounting Policies. Financial information for the reportable segments follows:

	United States	Europe	Other Countries	Eli
	-----	-----	-----	-----
2000:				
Net sales to unaffiliated customers	\$705,086	\$185,340	\$168,175	\$

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Inter-segment sales	70,146	12,108	21,936	(
	-----	-----	-----	---
Total	\$775,232	\$197,448	\$190,111	\$(
	=====	=====	=====	==
Income before interest and income taxes	\$109,202	\$9,571	\$8,574	
Interest income				
Interest expense				
Income before income taxes				
Total assets	\$507,826	\$184,703	\$189,253	\$
Capital expenditures	20,742	3,545	10,425	
Depreciation and amortization	23,806	6,191	5,381	
1999:				
Net sales to unaffiliated customers	\$744,035	\$186,615	\$155,526	\$
Inter-segment sales	62,439	9,668	16,378	
	-----	-----	-----	---
Total	\$806,474	\$196,283	\$171,904	\$(
	=====	=====	=====	==
Income before interest and income taxes	\$ 99,870	\$ 10,599	\$ 8,090	\$
Interest income				
Interest expense				
Income before income taxes				
Total assets	\$543,948	\$164,978	\$140,064	\$
Capital expenditures	38,996	7,045	19,008	
Depreciation and amortization	18,645	6,847	4,255	

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LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE G - SEGMENT INFORMATION - (CONTINUED)

	United States	Europe	Other Countries	Eli
	-----	-----	-----	---
1998:				
Net sales to unaffiliated customers	\$816,562	\$208,782	\$161,335	\$
Inter-segment sales	69,586	9,775	12,030	
	-----	-----	-----	---
Total	\$886,148	\$218,557	\$173,365	\$(
	=====	=====	=====	==
Income before interest and income taxes	\$125,693	\$14,935	\$10,191	

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Interest income
Interest expense

Income before income taxes

Total assets	\$542,462	\$186,666	\$119,344	
Capital expenditures	52,632	11,109	19,542	
Depreciation and amortization	18,431	6,704	3,485	

The United States segment for 2000 included a net charge of \$13,399 for costs associated with the lapsed Charter plc offer, net of proceeds from settlement of a dispute with one of the Company's product liability insurance carriers. The United States segment for 1999 included a \$32,015 charge related to the sale of the motor business. See Note H for further information.

Inter-segment sales between reportable segments are accounted for at prices comparable to normal, customer sales and are eliminated in consolidation. Export sales (excluding intercompany sales) from the United States were \$60,223 in 2000, \$66,019 in 1999 and \$92,461 in 1998. No individual customer comprised more than 10% of the Company's total revenues for the three years ended December 31, 2000.

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

	2000	1999	1998
	-----	-----	-----
Revenues:			
United States	\$ 644,863	\$ 678,017	\$ 724,101
Foreign countries	413,738	408,159	462,578
	-----	-----	-----
Total	\$1,058,601	\$1,086,176	\$1,186,679
	=====	=====	=====
Property, plant and equipment:			
United States	\$ 172,838	\$ 176,256	\$ 174,188
Foreign countries	99,706	99,494	89,375
Eliminations	(3,531)	(4,960)	(3,772)
	-----	-----	-----
Total	\$ 269,013	\$ 270,790	\$ 259,791
	=====	=====	=====

Revenues derived from customers and property, plant and equipment in any individual foreign country were not material for disclosure.

LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE H - ACQUISITIONS AND DIVESTITURE

On April 26, 2000, the Company made a cash offer in the United Kingdom to purchase all of the outstanding shares of Charter plc, a British industrial holding company. In October 2000, the Company's offer to purchase Charter plc lapsed. As a result, the acquisition was not completed and the Company recorded

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an additional after-tax charge of \$11,608 (\$0.27 per diluted share) during the fourth quarter of 2000 representing remaining costs associated with the lapsed bid. For the year, the Company recorded total non-recurring charges of \$13,399 (\$8,126 after-tax) in Other income and expense. Of this amount, the quarter ended June 30, 2000 included a net gain of \$10,183 (\$6,273 after-tax) principally related to proceeds received in settlement of a dispute with one of the Company's product liability insurance carriers. In addition, the quarter ended September 30, 2000 included a net charge of \$4,396 (\$2,791 after-tax) principally related to costs of foreign currency options purchased in connection with the lapsed Charter plc bid. During the period in which the Charter acquisition was pending, the Company had suspended dividend payments and its share repurchase program; both were re-instituted in December 2000 upon lapse of the offer.

During the first quarter of 2000, the Company acquired a 35% equity interest in Kuang Tai, a Taiwan-based manufacturer of welding wire for \$16.7 million and 100% of C.I.F.E. S.r.l., an Italian-based manufacturer of MIG wire for \$2.5 million, plus assumed debt of \$10.1 million, which was accounted for as a purchase.

On May 28, 1999 the Company sold its motor business to Regal-Beloit, Inc. The Company recorded a pre-tax charge of \$32,015 (\$19,721 after-tax, or \$0.43 per diluted share) reflecting the loss on the sale of motor business assets. The results of operations from the motor business were not material to the Company for the years ended December 31, 1999 and 1998.

NOTE I - FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company has various financial instruments, including cash, cash equivalents, marketable securities, short- and long-term debt, forward contracts and an interest rate swap. The Company has determined the estimated fair value of these financial instruments by using available market information and appropriate valuation methodologies that require judgment.

The Company enters into forward exchange contracts to hedge foreign currency transactions on a continuing basis for periods consistent with its committed exposures. This hedging minimizes the impact of foreign exchange rate movements on the Company's operating results. The total notional value of forward currency exchange contracts was \$28,312 at December 31, 2000 and \$50,030 at December 31, 1999, which approximated fair value.

The carrying amounts and estimated fair value of the Company's significant financial instruments at December 31, 2000 and 1999 were as follows:

	December 31, 2000		December
	Carrying Amounts	Fair Value	Carrying Amounts
Cash and cash equivalents	\$ 11,319	\$ 11,319	\$ 8,675
Notes payable to banks	42,549	42,549	16,425
Long-term debt (including current portion)	51,143	51,286	58,710
Interest rate swap agreements payable	--	234	--

LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE J - OPERATING LEASES

The Company leases sales offices, warehouses and distribution centers, office equipment and data processing equipment. Such leases, some of which are noncancelable and, in many cases, include renewals, expire at various dates. The Company pays most maintenance, insurance and taxes relating to leased assets. Rental expense was \$8,931 in 2000, \$8,902 in 1999 and \$7,297 in 1998.

At December 31, 2000, total minimum lease payments for noncancelable operating leases were \$6,740 in 2001, \$5,000 in 2002, \$3,795 in 2003, \$2,213 in 2004, \$1,653 in 2005 and \$1,302 thereafter.

NOTE K - CONTINGENCIES

The Company is subject, from time to time, to a variety of civil and administrative proceedings arising out of its normal operations, including, without limitation, product liability claims and health, safety and environmental claims. The Company believes it has meritorious defenses to these claims and intends to contest such suits vigorously. All costs associated with these claims, including defense and settlements, have been immaterial to the Company's consolidated financial statements. Based on the Company's historical experience in litigating these claims, including a significant number of dismissals, summary judgments and defense verdicts in many cases and immaterial settlement amounts, the Company believes resolution of these claims and proceedings, individually or in the aggregate, will not have a material adverse impact upon the Company's consolidated financial statements.

NOTE L - QUARTERLY FINANCIAL DATA (UNAUDITED)

	2000 ----	MAR 31 -----	JUN 30 -----	SEP 30 -----	DEC 31 -----
Net sales		\$281,804	\$274,238	\$ 251,198	\$ 251,300
Gross profit		96,115	91,973	81,151	85,800
Income before income taxes		38,373	46,268	24,682	12,300
Net income		24,398	29,358	15,675	8,600
Basic earnings per share		\$ 0.56	\$ 0.69	\$ 0.37	\$ 0.00
Diluted earnings per share		\$ 0.56	\$ 0.69	\$ 0.37	\$ 0.00
	1999 ----	MAR 31 -----	JUN 30 -----	SEP 30 -----	DEC 31 -----
Net sales		\$282,868	\$273,498	\$ 265,937	\$ 263,800
Gross profit		96,567	93,588	91,233	90,300
Income before income taxes		5,661	36,376	36,411	35,800
Net income		4,307	23,335	23,303	22,900
Basic earnings per share		\$ 0.09	\$ 0.51	\$ 0.52	\$ 0.00
Diluted earnings per share		\$ 0.09	\$ 0.51	\$ 0.51	\$ 0.00

LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

NOTE L - QUARTERLY FINANCIAL DATA (UNAUDITED) - (CONTINUED)

The quarter-ended June 30, 2000 includes a net gain of \$10,183 (\$6,273 after-tax) principally related to proceeds received in settlement of a dispute with one of the Company's product liability insurance carriers.

The quarter-ended September 30, 2000 includes a net charge of \$4,396 (\$2,791 after-tax) principally related to costs of foreign currency options purchased in connection with the lapsed Charter plc bid.

The quarter-end December 31, 2000 includes \$19,186 (\$11,608 after-tax) related to costs associated with the lapsed Charter plc bid.

The quarter-ended March 31, 1999 includes a \$32,015 pre-tax charge (\$19,721 after-tax or \$0.43 per diluted share) related to the sale of the motor business. See Note H for further information.

The quarterly earnings per share (EPS) amounts are each calculated independently. Therefore, the sum of the quarterly EPS amounts may not equal the annual totals due to share transactions that occurred during the years presented.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

LINCOLN ELECTRIC HOLDINGS, INC. AND SUBSIDIARIES

(In thousands of dollars)

Description	Balance at beginning of period	Additions		(2) Deductions
		Charged to costs and expenses	(1) Charged to other accounts (describe)	
Allowance for doubtful accounts:				
Year ended December 31, 2000	\$3,687	\$2,332	\$ (192)	\$1,119
Year ended December 31, 1999	\$3,563	\$927	\$ (289)	\$514

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Year ended December 31, 1998	\$3,071	\$794	\$(12)	\$290
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(1) -- Currency translation adjustment.

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