LINCOLN ELECTRIC HOLDINGS, INC.

2016 ANNUAL REPORT

LINCOLN® ELECTRIC

At Lincoln Electric, we are proud to call ourselves The Welding Experts®. Our global team is defined by a tradition of excellence and a shared passion in developing the industry's most innovative and high-quality welding and cutting solutions each day. We are distinguished by a track record of performance, an unwavering commitment to our employees, and a relentless drive to maximize value for all of our stakeholders.

34%
Vitality Index[1]

27
Technical Application Centers Worldwide

58
Application Engineering Specialists

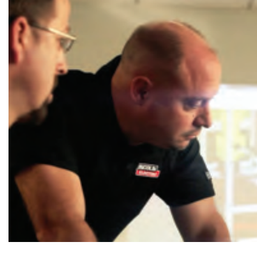
100th
Anniversary of Our Welding School

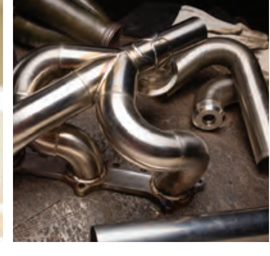
227
Patents Granted in 2016

1,300+
Automation Team

160+
Country Reach

600+
Technical Sales Reps Globally





[1] Vitality Index measures the percent of net sales from products launched within the last five years

2016 FINANCIAL HIGHLIGHTS

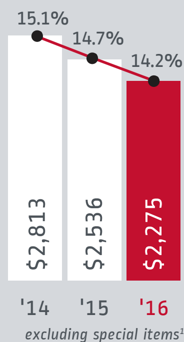
YEARS ENDED DECEMBER 31, (dollars in millions, except per share)	2016	2015	2014
Net Sales	$2,275	$2,536	$2,813
Net Income	198	127	255
Net Income excluding special items[1]	224	260	306
Diluted Earnings per Share	2.91	1.70	3.18
Diluted Earnings per Share excluding special items[1]	3.29	3.48	3.82
Cash Provided by Operations	303	311	402
Cash Dividends per Share of Common Stock[2]	1.28	1.16	0.92
Average Operating Working Capital Ratio[3]	15.6%	17.1%	17.1%
Return on Invested Capital[1]	16.6%	21.1%	22.9%
Current Ratio	2.7	2.5	2.2
Total Assets	$1,943	$1,784	$1,939
Total Equity	712	932	1,286

(1) Net Income excluding special items, Diluted Earnings per Share excluding special items, Return on Invested Capital and Operating Income Margin excluding special items are non-GAAP financial measures that management believes are important to investors to evaluate and compare the Company's financial performance from period to period. Management uses this information in assessing and evaluating the Company's underlying operating performance. Non-GAAP financial measures should be read in conjunction with the GAAP financial measures, as non-GAAP measures are a supplement to, and not a replacement for, GAAP financial measures. Please refer to the reconciliation tables of non-GAAP results to our most closely comparable GAAP results on the "Non-GAAP Financial Measures" page.

(2) Reflects Board-approved annual dividend amounts.

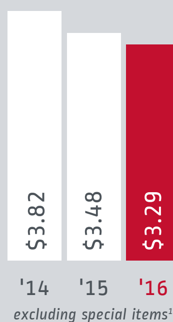
(3) Average Operating Working Capital Ratio is defined as net operating working capital as of period end divided by annualized rolling three months of sales. Net operating working capital is defined as Accounts receivable plus Inventory, less Trade accounts payable.

NET SALES AND OPERATING INCOME MARGIN[1]
($ in millions)



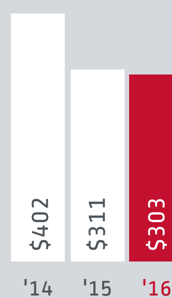
excluding special items[1]

DILUTED EARNINGS[1]
($ per share)

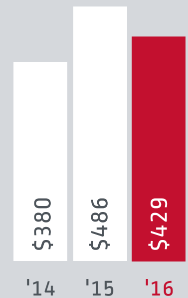


excluding special items[1]

CASH PROVIDED BY OPERATIONS
($ in millions)



CASH RETURNED TO SHAREHOLDERS
($ in millions)
dividends and share repurchases



Dear Fellow Shareholders,

We overcame a challenging 2016 with solid results by leveraging the strength of our people, our Incentive Management System, and by staying focused on making progress in the business—all hallmarks of our 122-year track record.

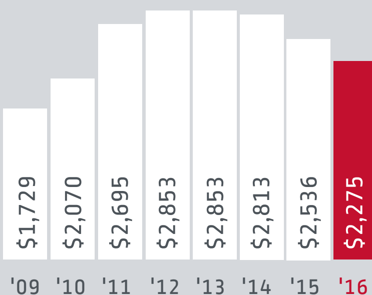
In 2016, we continued to unlock value in the business by staying focused on our '2020 Vision & Strategy' goals of achieving operational excellence and best-in-class financial results. We prioritized operational improvements around safety, simplification and efficiency. Commercially, we continued to standardize our product platforms and invested in innovation to advance our competitive position. We also focused on collaboration following the consolidation of our welding segments from four units to two to maximize resources, efficiency and improve speed-to-market in underdeveloped areas. I am proud of the results our team achieved during a difficult year, and how well we have positioned ourselves for the opportunities ahead.

2016 FINANCIAL PERFORMANCE

2016 marked the third consecutive year of lower revenue, reflecting a protracted downturn in industrials on lower oil and commodity prices and a strong U.S. dollar. While we were pleased to see demand starting to stabilize in the fourth quarter, the slow start to the year resulted in a 10% decline in full year revenue to $2.3 billion—primarily from 10% lower volume.

To mitigate the impact of the down cycle, we continued to manage cautiously—leveraging our Incentive Management System to align productivity with demand, implementing cost reduction actions, and curtailing discretionary spending. Additionally, our global management team incurred a 5% pay reduction to further control costs. These initiatives, coupled with effective price management, improved mix, and continuous improvement, yielded a 150-basis point improvement in our gross profit margin to 34.7%. We were also able to hold our adjusted operating income margin reasonably steady, with only a 50-basis point decline to 14.2%, as compared with 14.7% in the prior year. While volume remained challenged, our adjusted operating margin performance continued to exceed our prior peak performance, reflecting the benefits of the structural changes we have made to our business under our 2020 Strategy. Given the strength of our performance, we anticipate our new peak margin performance to be considerably higher than prior peak levels once conditions improve.

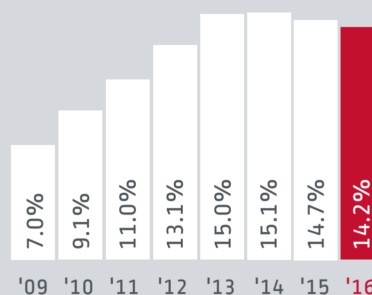
2020 STRATEGY: SALES GROWTH RATE (CAGR)
($ in millions)



2020 GOAL
10% CAGR

2009–2016
6% CAGR
(Excluding Venezuela and Foreign Exchange)

2020 STRATEGY: ADJUSTED OPERATING INCOME MARGIN[1]



2020 GOAL
15%
(Average)

2009–2016
12.4%
(Average)

[1]Definitions and a reconciliation of non-GAAP results to our most closely comparable GAAP results are included on the "Non-GAAP Financial Measures" page.

Our diluted earnings per share (EPS) was $2.91, and, on an adjusted basis, EPS declined 5% to $3.29 versus the prior year reflecting challenged 2016 end markets. Cash flow from operations held relatively steady year-over-year at $303 million and we improved our cash conversion of adjusted net income to 113%. We prioritized our uses of cash towards growth, but also returned $429 million to our shareholders by increasing our dividend payout by 10% and repurchasing $342 million shares. Following a multi-year program, we achieved our targeted capital structure in the fourth quarter. After returning $1.7 billion in cash to shareholders in the last five years, we have achieved an optimized balance sheet, maintained an investment-grade profile, and enjoy ample flexibility to continue to fund growth through the cycle.

DIFFERENTIATED SOLUTIONS

Growth investments remained a priority. Our R&D spend, as a percent of sales, rose to 2% and we maintained a 34% vitality index (percent of sales from new products launched in the last five years) to advance the growth and long-term competitiveness of our portfolio. Additionally, our global development teams did an outstanding job launching over 85 product families that address the demand for specialized metals and alloys, more efficient and durable joining and cutting solutions and the integration of automation in fabrication processes. We also improved customer collaboration and education—an integral way Lincoln partners with customers to unlock value in their operations. In 2016, we expanded our global network of tech centers to 27. At these sites, we perform feasibility tests, showcase our solutions, and train customers on the leading technologies and processes available in welding and cutting.

We also continued to build a foundation for next-generation technologies in a number of areas, such as additive manufacturing, which leverages our automation, laser and specialty consumables capabilities in verticals such as heavy fabrication and aerospace. We showcased a new virtual reality sales tool for automation customers, and continued to augment the internet connectivity of our solutions through a growing portfolio of diagnostic and reporting solutions and online education curriculums.

Acquisitions accounted for over $50 million in sales in 2016 with the addition of Vizient® Manufacturing Solutions in Bettendorf, Iowa, a leading robotic integrator specializing in custom-engineered arc welding robotic systems for general and heavy fabrication applications. With the addition of Vizient, we have reinforced our position as an unparalleled leader in arc welding automation, and have broadened our automation application expertise for a number of key verticals including automotive, heavy fabrication, general fabrication, oil and gas and structural steel.

SAFETY & EFFICIENCY

The Lincoln Business System continues to drive productivity and operational excellence. I am pleased to report that our environmental, health and safety metrics illustrate the benefits of continuous improvement. In 2016, we exceeded our annual safety goal and achieved a 65% improvement in our safety performance as compared with our 2011 base-year. We reduced our carbon footprint with lower greenhouse gas emissions and reduced energy intensity in the business. We also increased our recycling and re-use rates to 93% for eligible materials. With continued capital investment and training, we are confident that we can continue to achieve substantial improvements in our operations and intend to be a leader of sustainability and safety excellence in our communities around the world.

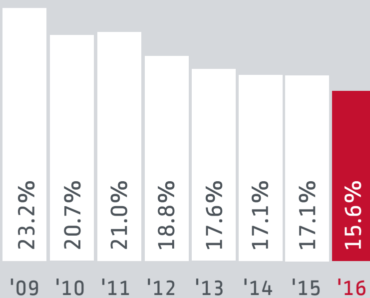
A key driver of our success was in solid operational management. We continued to invest in our Lean journey by deploying hundreds of Lean and Six Sigma projects across our platform to improve safety, speed and efficiency while reducing costs. We also expanded Lean training to enable improvements ahead. A great example of best-in-class operational management is our 2016 record 15.6% average operating working capital ratio, which demonstrates the benefits of these investments and our ability to achieve continuous improvement even in challenging markets. Other key operational initiatives include increased internal supply chain attainment levels through improved order management and demand planning, as well as improved efficiency in logistics, and the automation of certain administrative tasks. These actions have allowed us to redeploy resources while improving working capital efficiency.

ENGAGED

Employee development and community engagement is a core value at Lincoln because it encourages personal excellence and fosters a culture of diversity and inclusion—critical to achieving best-in-class performance. In 2016, we expanded our learning and talent development programs to include a comprehensive online learning portal for professionals, and launched a global Performance and Leadership development program to nurture our future leaders. We also expanded support of employee-based affinity groups with the addition of a Woman's group. This initiative supplements other employee groups such as our Women in STEM group, our Diversity Councils, behavioral

SHAREHOLDER LETTER

2020 STRATEGY: AVERAGE OPERATING WORKING CAPITAL RATIO



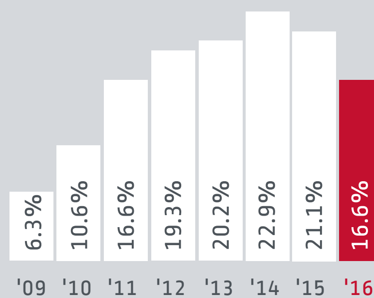
2020 GOAL

15%

2016

15.6%

2020 STRATEGY: RETURN ON INVESTED CAPITAL[1]



2020 GOAL

15%

[Average]

2009–2016

16.7%

[Average]

[1]Definitions and a reconciliation of non-GAAP results to our most closely comparable GAAP results are included on the "Non-GAAP Financial Measures" page.

safety groups such as 'W.E.L.D,' our Wellness team and our longstanding Junior Board and Advisory Board programs.

We also continued to engage in our communities—through local volunteer and sponsorship activities, through executive participation on non-profit boards, and through donations and scholarships. In 2016, we donated over $2.3 million of in-kind gifts and grants to a variety of non-profit organizations with whom we partner to make a difference in our communities.

POSITIVE MOMENTUM INTO 2017

As end markets stabilize, customer sentiment improves and commodity prices rebound, we are well-positioned to capitalize on a recovery and capture momentum in the business in 2017. We remain focused on making progress towards our longer-term 2020 financial and Environmental, Health & Safety goals, while benefiting from near-term opportunities as they present themselves.

In March 2017, we announced that we are in exclusive negotiations to acquire Air Liquide Welding. This proposed transaction would not only bring two complementary businesses together who share the mission of best-in-class welding and cutting solutions—but we will be better positioned to capitalize on growth opportunities in Europe by extending our channel to market for our equipment systems and Harris Products Group solutions. We will also broaden our specialty consumables portfolio with leading technologies and application expertise that serve infrastructure, chemical processing and power generation applications worldwide—three end markets we view as attractive and positioned for growth. We will continue to progress through the customary review and approval process and expect to close the acquisition in the second half of 2017.

On behalf of the board of directors and the employees at Lincoln Electric, thank you for your continued support. We remain passionate about our business, our customers, our communities and our shareholders. It's what defines us as the *Welding Experts®.*

Christopher L. Mapes

Chairman, President and Chief Executive Officer

NON-GAAP FINANCIAL MEASURES //

NON-GAAP FINANCIAL MEASURES

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Net Income, Diluted Earnings per Share excluding special items (Adjusted Diluted Earnings per Share), and Return on Invested Capital are non-GAAP financial measures that management believes are important to investors to evaluate and compare the Company's financial performance from period to period. Management uses this information in assessing and evaluating the Company's underlying operating performance.

ADJUSTED OPERATING INCOME

The following table presents a reconciliation of Operating income as reported to Adjusted operating income for the years ended December 31, 2009 to 2016:

YEAR ENDED DECEMBER 31, *($ in millions)*	2016	2015	2014	2013	2012	2011	2010	2009
Operating income (as reported)	$288.3	$181.7	$373.7	$407.0	$362.1	$296.7	$186.4	$ 93.2
Special items (pre-tax):								
Rationalization and asset impairment charges	–	20.0	30.1	8.5	9.4	0.3	(0.4)	29.9
Venezuela deconsolidation and remeasurement losses	34.3	27.2	21.1	12.2			3.1	
Pension settlement charges	–	142.7						(2.1)
Other	–			0.7	1.4			
Adjusted operating income	$322.6	$371.6	$424.9	$428.4	$372.8	$297.0	$189.2	$121.0
Adjusted operating income margin	14.2%	14.7%	15.1%	15.0%	13.1%	11.0%	9.1%	7.0%

ADJUSTED NET INCOME AND ADJUSTED DILUTED EARNINGS PER SHARE

The following table presents reconciliations of Net income and Diluted earnings per share as reported to Adjusted net income and Adjusted diluted earnings per share for the years ended December 31, 2009 to 2016:

YEAR ENDED DECEMBER 31, *($ in millions except per share amounts)*	2016	2015	2014	2013	2012	2011	2010	2009
Net income (as reported)	$198.4	$127.5	$254.7	$293.8	$257.4	$217.2	$130.2	$48.6
Special items (after-tax):								
Rationalization and asset impairment charges	–	18.2	30.9	7.6	7.4	0.2	(0.9)	23.8
Venezuela deconsolidation and remeasurement losses	33.3	27.2	21.1	12.2			3.6	
Pension settlement charges	–	87.3						(2.1)
Income tax impact from change in tax regulations, audit settlements and other items	(7.2)					(4.8)	(5.1)	
Other	–		(0.8)	(0.4)	0.9		1.8	2.9
Adjusted net income	$224.5	$260.2	$305.9	$313.2	$265.8	$212.6	$129.6	$73.1
Diluted earnings per share as reported	$ 2.91	$ 1.70	$ 3.18	$ 3.54	$ 3.06	$ 2.56	$ 1.53	$0.57
Special items per share	0.38	1.78	0.64	0.23	0.10	(0.05)	(0.01)	0.29
Adjusted diluted earnings per share	$ 3.29	$ 3.48	$ 3.82	$ 3.77	$ 3.16	$ 2.51	$ 1.52	$0.86

RETURN ON INVESTED CAPITAL (ROIC)

The following table presents calculations of ROIC for the years ended December 31, 2009 to 2016:

YEAR ENDED DECEMBER 31, *($ in millions)*	2016	2015	2014	2013	2012	2011	2010	2009
Adjusted net income	$ 224.5	$ 260.2	$ 305.9	$ 313.2	$ 265.8	$ 212.6	$ 129.6	$ 73.1
Plus: Interest expense (after-tax)	11.8	13.5	6.4	1.8	2.6	4.2	4.2	5.3
Less: Interest income (after-tax)	1.3	1.7	1.9	2.0	2.5	1.9	1.5	2.2
Net operating profit after taxes	234.9	272.0	310.5	312.9	265.9	214.8	132.3	76.2
Invested capital	1,417.8	1,287.1	1,356.4	1,549.8	1,378.6	1,296.6	1,247.2	1,209.4
Return on invested capital	16.6%	21.1%	22.9%	20.2%	19.3%	16.6%	10.6%	6.3%

Invested capital is defined as total debt plus total equity.

This page intentionally left blank

FORM 10-K

LINCOLN ELECTRIC : 2016 ANNUAL REPORT

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016 Commission file number 0-1402

LINCOLN ELECTRIC HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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

(216) 481-8100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the common shares held by non-affiliates as of June 30, 2016 was $3,870,351,360 (affiliates, for this purpose, have been deemed to be Directors and Executive Officers of the Company and certain significant shareholders).

The number of shares outstanding of the registrant's common shares as of January 31, 2017 was 65,702,072.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference certain information from the registrant's definitive proxy statement with respect to the registrant's 2017 Annual Meeting of Shareholders.

This page intentionally left blank

PART I

ITEM 1. BUSINESS

General

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

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

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

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

As of December 31, 2016, the Company's business units were aligned into three operating segments. The operating segments consist of Americas Welding, International Welding and The Harris Products Group. The Americas Welding segment includes welding operations in North and South America. The International Welding segment primarily includes welding operations in Europe, Africa, Asia and Australia. The Harris Products Group includes the Company's global cutting, soldering and brazing businesses as well as the retail business in the United States. See Note 5 to the Company's consolidated financial statements for segment and geographic area information, which is incorporated herein by reference.

Customers

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

The Company's major end-user markets include:

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

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

Competition

Conditions in the arc welding and cutting industry are highly competitive. The Company believes it is the world's largest manufacturer of consumables and equipment with relatively few major broad-line competitors worldwide, but numerous smaller competitors in specific geographic markets. The Company continues to pursue strategies to heighten its competitiveness in domestic and international markets, which includes positioning low cost manufacturing facilities in most geographical markets. Competition in the arc welding and cutting industry is based on brand preference, product quality, price, performance, warranty, delivery, service and technical support. The Company believes its performance against these factors has contributed to the Company's position as the leader in the industry.

Most of the Company's products may be classified as standard commercial articles and are manufactured for stock. The Company believes it has a competitive advantage in the marketplace because of its highly trained technical sales force and the support of its welding research and development staff to assist customers in optimizing their welding applications. This allows the Company to introduce its products to new users and to establish and maintain close relationships with its customers. This close relationship between the technical sales force and the direct customers, together with its supportive relationship with its distributors, who are particularly interested in handling the broad range of the Company's products, is an important element of the Company's market success and a valuable asset of the Company.

Raw Materials

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

Patents and Trademarks

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

Environmental Regulations

The Company's facilities are subject to environmental regulations. To date, compliance with these environmental regulations has not had a material adverse effect on the Company's earnings. The Company is ISO 14001 certified at most significant manufacturing facilities in North America and Europe and is progressing towards certification at its remaining facilities worldwide. In addition, the Company is ISO 9001 certified at 38 facilities worldwide.

International Operations

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

Research and Development

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

Employees

The number of persons employed by the Company worldwide at December 31, 2016 was approximately 9,000. See "Part I, Item 1C" for information regarding the Company's executive officers, which is incorporated herein by reference.

Website Access

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

ITEM 1A. RISK FACTORS

From time to time, information we provide, statements by our employees or information included in our filings with the SEC may contain forward-looking statements that are not historical facts. Those statements are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "forecast," "guidance" or words of similar meaning. Actual results may differ materially from such statements due to a variety of factors that could adversely affect the Company's operating results. Forward-looking statements, and our future performance, operating results, financial position and liquidity, are subject to a variety of factors that could materially affect results, including those risks described below. Forward-looking statements made in this report speak only as of the date of the statement, and, except as required by law, we undertake no obligation to update those statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

In the ordinary course of our business, we face various strategic, operating, compliance and financial risks. These risks could have a material impact on our business, financial condition, operating results and cash flows. Our Enterprise Risk Management ("ERM") process seeks to identify and address significant risks. Our ERM process is a company-wide initiative that is designed with the intent of prioritizing risks and allocating appropriate resources to address such risks. We use the integrated risk framework of the Committee of Sponsoring Organizations to assess, manage and monitor risks.

Management has identified and prioritized critical risks based on the severity and likelihood of each risk and assigned an executive to address each major identified risk area and lead action plans to monitor and mitigate risks, where possible. Our Board of Directors provides oversight of the ERM process and systematically reviews identified critical risks. The Audit Committee also reviews major financial risk exposures and the steps management has taken to monitor and control them.

Our goal is to pro-actively manage risks in a structured approach and in conjunction with the strategic planning process, with the intent to preserve and enhance shareholder value. However, these and other risks and uncertainties could cause our results to vary materially from recent results or from our anticipated future results. The risk factors and uncertainties described below, together with information incorporated by reference or otherwise included elsewhere in this Annual Report on Form 10-K, should be carefully considered. Additional risks and uncertainties of which we are currently unaware or that we currently believe to be immaterial may also adversely affect our business.

General economic and market conditions may adversely affect our financial condition, results of operations and access to capital markets.

Our operating results are sensitive to changes in general economic conditions. Recessionary economic cycles, higher interest rates, inflation, higher labor costs, trade barriers in the world markets, financial turmoil related to sovereign debt and changes in tax laws or trade laws or other economic factors affecting the countries and industries in which we do business could adversely affect demand for our products. An adverse change in demand could impact our results of operations, collection of accounts receivable and our expected cash flow generation from current and acquired businesses, which may adversely impact our financial condition and access to capital markets.

Economic and supply disruptions associated with events beyond our control, such as war, acts of terror, political unrest, pandemic, labor disputes or natural disasters could adversely affect our supply chain and distribution channels or result in loss of sales and customers.

Our facilities and operations, and the facilities and operations of our suppliers and customers, could be disrupted by events beyond our control, such as war, political unrest, pandemic, labor disputes or natural disasters. Any such disruption could cause delays in the production and distribution of our products and the loss of sales and customers. Insurance proceeds may not adequately compensate the Company for the losses.

Availability of and volatility in energy costs or raw material prices may adversely affect our performance.

In the normal course of business, we are exposed to market risks related to the availability of and price fluctuations in the purchase of energy and commodities used in the manufacture of our products (primarily steel, brass, copper, silver, aluminum alloys, electronic components, electricity and natural gas). The availability and prices for energy costs and raw materials, including steel, nonferrous metals and chemicals, are subject to volatility and are influenced by worldwide economic conditions, speculative action, world supply and demand balances, inventory levels, availability of substitute materials, currency exchange rates, our competitors' production costs, anticipated or perceived shortages and other factors.

Increases in the cost of raw materials and components may adversely affect our profitability if we are unable to pass along to our customers these cost increases in the form of price increases or otherwise reduce our cost of goods sold. Although most of the raw materials and components used in our products are commercially available from a number of sources and in adequate supply, any disruption in the availability of such raw materials and components, our inability to timely or otherwise obtain substitutes for such items, or any deterioration in our relationships with or the financial viability of our suppliers could adversely affect our business.

We are a co-defendant in litigation alleging asbestos induced illness. Liabilities relating to such litigation could reduce our profitability and impair our financial condition.

As of December 31, 2016, we were a co-defendant in cases alleging asbestos induced illness involving claims by approximately 5,954 plaintiffs. In each instance, we are one of a large number of defendants. The asbestos claimants allege that exposure to asbestos contained in welding consumables caused the plaintiffs to develop adverse pulmonary diseases, including mesothelioma and other lung cancers.

Since January 1, 1995, we have been a co-defendant in asbestos cases that have been resolved as follows: 52,281 of those claims were dismissed, 22 were tried to defense verdicts, seven were tried to plaintiff verdicts (one of which was vacated on appeal), one was resolved by agreement for an immaterial amount and 768 were decided in favor of the Company following summary judgment motions.

The long-term impact of the asbestos loss contingency, in the aggregate, on operating results, operating cash flows and access to capital markets is difficult to assess, particularly since claims are in many different stages of development and we benefit significantly from cost-sharing with co-defendants and insurance carriers. While we intend to contest these lawsuits vigorously, and believe we have applicable insurance relating to these claims, there are several risks and uncertainties that may affect our liability for personal injury claims relating to exposure to asbestos, including the future impact of changing cost sharing arrangements or a change in our overall trial experience.

Asbestos use in welding consumables in the U.S. ceased in 1981.

We may incur material losses and costs as a result of product liability claims that may be brought against us.

Our business exposes us to potential product liability risks that are inherent in the design, manufacture, sale and application of our products and the products of third-party suppliers that we utilize or resell. Our products are used in a variety of applications, including infrastructure projects such as oil and gas pipelines and platforms, buildings, bridges and power generation facilities, the manufacture of transportation and heavy equipment and machinery and various other construction projects. We face risk of exposure to product liability claims in the event that accidents or failures on these projects result, or are alleged to result, in bodily injury or property damage. Further, our products are designed for use in specific applications, and if a product is used inappropriately, personal injury or property damage may result.

The occurrence of defects in or failures of our products, or the misuse of our products in specific applications, could cause termination of customer contracts, increased costs and losses to us, our customers and other end users. We cannot be assured that we will not experience any material product liability losses in the future or that we will not incur significant costs to defend those claims. Further, we cannot be assured that our product liability insurance coverage will be adequate for any liabilities that we may ultimately incur or that product liability insurance will continue to be available on terms acceptable to us. Even if we are successful defending such claims or product liability coverage is adequate, claims of this nature could cause customers to lose confidence in our products and our company. Warranty claims are not generally covered by insurance and we may incur significant warranty costs in the future for which we would not be reimbursed.

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

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

We may not be able to complete our acquisition or divestiture strategies, successfully integrate acquired businesses and in certain cases we may be required to retain liabilities for certain matters.

Part of our business strategy is to pursue targeted business acquisition opportunities, including foreign investment opportunities. We cannot be certain that we will be successful in pursuing potential acquisition candidates or that the consequences of any acquisition would be beneficial to us. Future acquisitions may expose us to unexpected liabilities and involve the expenditure of significant funds and management time. Further, we may not be able to successfully integrate an acquired business with our existing businesses or recognize the expected benefits from any completed acquisition.

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

Additionally, from time to time we may identify assets for strategic divestitures that would increase capital resources available for other activities and create organizational and operational efficiencies. Various factors could materially affect our ability to dispose of such assets or complete announced divestitures, including the receipt of approvals of governmental agencies or third parties and the availability of purchasers willing to acquire the interests or purchase the assets on terms and at prices acceptable to us.

Sellers typically retain certain liabilities or indemnify buyers for certain matters. The magnitude of any such retained liability or indemnification obligation may be difficult to quantify at the time of the transaction and ultimately may be material. Also, as is typical in divestitures, third parties may be unwilling to release us from guarantees or other credit support provided prior to the sale of the divested assets. As a result, after a divestiture, we may remain secondarily liable for the obligations guaranteed or supported to the extent that the buyer of the assets fails to perform these obligations.

If we cannot continue to develop, manufacture and market products that meet customer demands, continue to enforce the intellectual property rights on which our business depends or if third parties assert that we violate their intellectual property rights, our revenues, gross margins and results of operations may suffer.

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

We rely upon patent, trademark, copyright and trade secret laws in the United States and similar laws in foreign countries, as well as agreements with our employees, customers, suppliers and other third parties, to establish and maintain our intellectual property rights. However, any of our intellectual property rights could be challenged, invalidated or circumvented, or our intellectual property rights may not be sufficient to provide a competitive advantage. Further, the laws and their application in certain foreign countries do not protect our proprietary rights to the same extent as U.S. laws. Accordingly, in certain countries, we may be unable to protect our proprietary rights against unauthorized third-party copying or use, which could impact our competitive position.

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

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

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

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

We conduct our sales and distribution operations on a worldwide basis and maintain manufacturing facilities in a number of foreign countries, which subjects us to risks associated with doing business outside the United States.

As a growing global enterprise, the share of sales and profits we derive from our international operations and exports from the United States is significant. This trend increases our exposure to the performance of many developing economies in addition to the developed economies outside of the United States. If international economies were to experience significant slowdowns, it could adversely affect our financial condition, results of operations and cash flows. There are a number of risks in doing business internationally, which may impede our ability to achieve our strategic objectives relating to our foreign operations, including:

- Political and economic uncertainty and social turmoil;
- Corporate governance and management challenges in consideration of the numerous U.S. and foreign laws and regulations, including regulations relating to import-export control, technology transfer restrictions, repatriation of earnings and funds, exchange controls, labor regulations, nationalization, tariffs, anti-boycott provisions and anti-bribery laws (such as the Foreign Corrupt Practices Act and the Organization for Economic Cooperation and Development Convention);
- International terrorism and hostilities;
- Changes in the global regulatory environment, including revised or newly created laws, regulations or standards relating to the Company, our products or the markets in which we operate; and
- Significant fluctuations in relative currency values; in particular, an increase in the value of the U.S. dollar against foreign currencies could have an adverse effect on our profitability and financial condition, as well as the imposition of exchange controls, currency devaluations and hyperinflation.

Our operations depend on maintaining a skilled workforce, and any interruption in our workforce could negatively impact our results of operations and financial condition.

Our success depends in part on the efforts and abilities of our management team and key employees. Their skills, experience and industry knowledge significantly benefit our operations and performance. Our future success will also depend on our ability to identify, attract and retain highly qualified managerial and technical (including research and development) personnel. Competition for these individuals is intense, and we may not succeed in identifying, attracting or retaining qualified personnel. With our strategy to expand internationally into developing markets, we may incur additional risks as some developing economies lack a sufficiently trained labor pool.

Any interruption of our workforce, including interruptions due to unionization efforts, changes in labor relations or shortages of appropriately skilled individuals could impact our results of operations and financial condition.

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

The performance of the financial markets and interest rates impact our funding obligations under our defined benefit pension plans. Significant changes in discount rates, decreases in the fair value of plan assets and investment losses on plan assets may increase our benefit obligations and adversely impact our results of operations, shareholders' equity and cash flows through our annual measurement of plan assets and liabilities. During the fourth quarter 2016, the Company made amendments to freeze all benefit accruals under the Lincoln Electric Retirement Annuity Program and the domestic Supplemental Executive Retirement Plan, effective December 31, 2016 and November 30, 2016, respectively. For further details on the plan freeze and a discussion regarding how the financial statements have been affected, refer to Note 11 to the Company's consolidated financial statements.

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

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

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

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

The conduct and management of our business relies extensively on information technology systems, which contain confidential information related to our customers, suppliers and employees and other proprietary business information. We maintain some of these systems and are also dependent on a number of critical corporate infrastructure services provided by third parties relating to, among other things, human resources, electronic communication services and finance functions. If these systems are damaged, cease to function properly or are subject to a significant cyber security breach, we may suffer an interruption in our ability to manage and operate the business and our results of operations and financial condition could be adversely affected. Furthermore, a security breach could result in unfavorable publicity, damage to our reputation, loss of our trade secrets and other competitive information, allegations by our customers that we have not performed our contractual obligations, litigation by affected parties and fines and other sanctions resulting from any related breaches of data privacy regulations. Any of these could have an adverse effect on our results of operations and financial condition.

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

We are subject to increasingly complex environmental regulations affecting international manufacturers, including those related to air and water emissions, waste management and climate change. Some environmental laws impose strict, retroactive and joint and several liability for the remediation of the release of hazardous substances, even for conduct that was lawful at the time it occurred, or for the conduct of or conditions caused by prior operators, predecessors or third parties. Failure to comply with environmental laws could expose us to penalties or clean-up costs, civil or criminal liability and sanctions on certain of our activities, as well as damage to property or natural resources. These liabilities, sanctions, damages and remediation efforts related to any non-compliance with such laws and regulations could negatively impact our ability to conduct our operations and our financial condition and results of operations. In addition, there can be no assurances that we will not be adversely affected by costs, liabilities or claims with respect to existing or subsequently acquired operations or under present laws and regulations or those that may be adopted or imposed in the future.

Changes in environmental laws or regulations could result in higher expenses and payments, and uncertainty relating to environmental laws or regulations may also affect how we conduct our operations and structure our investments and could limit our ability to enforce our rights. Changes in environmental and climate change laws or regulations, including laws relating to greenhouse gas emissions, could subject us to additional costs and restrictions, including increased energy and raw material costs. If environmental laws or regulations are either changed or adopted and impose significant operational restrictions and compliance requirements upon us or our products, they could negatively impact our business, capital expenditures, results of operations, financial condition and competitive position.

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

We also face increasing complexity in our products design and procurement operations as we adjust to new and future requirements relating to the design, production and labeling of our products that are sold worldwide in multiple jurisdictions. The ultimate costs under environmental laws and the timing of these costs are difficult to predict.

We may incur additional restructuring charges as we continue to contemplate rationalization actions in an effort to optimize our cost structure and may not achieve the anticipated savings and benefits of these actions.

The Company did not implement any new rationalization plans in 2016. For more information regarding prior period rationalization plans, refer to the rationalization and asset impairment related disclosure under Note 6 to the Company's consolidated financial statements. We may take additional actions in the future to further optimize our cost structure and improve the efficiency of our operations, which will reduce our profitability in the periods incurred. As a result of these actions, we will likely continue to incur charges, which may include but are not be limited to asset impairments, employee severance costs, charges for pension and other postretirement contractual benefits and pension settlements, any of which could be significant, and could adversely affect our financial condition and results of operations. In addition, we may not realize anticipated savings or benefits from past or future rationalization plans in full or in part or within the time periods we expect. Failure to realize anticipated savings or benefits from our cost reduction actions could have a material adverse effect on our business, financial condition, liquidity, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. EXECUTIVE OFFICERS OF THE REGISTRANT

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Position
Christopher L. Mapes	55	Chairman of the Board effective December 21, 2013. President and Chief Executive Officer effective December 31, 2012; Chief Operating Officer from September 1, 2011 to December 31, 2012; Director since February 2010. Prior to his service with the Company, Mr. Mapes was an Executive Vice President of A.O. Smith Corporation (a global manufacturer with a water heating and water treatment technologies business), a position he held from 2004 through August 2011, and the President of its former Electrical Products unit, a position he held from September 2004 through August 2011.
Vincent K. Petrella	56	Executive Vice President, Chief Financial Officer and Treasurer since February 19, 2014; Senior Vice President, Chief Financial Officer and Treasurer from October 7, 2005 to February 19, 2014.
Frederick G. Stueber	63	Executive Vice President, General Counsel and Secretary since February 19, 2014; Senior Vice President, General Counsel and Secretary from 1996 to February 19, 2014.
George D. Blankenship	54	Executive Vice President, President, Americas Welding since February 18, 2016; Executive Vice President, President, Lincoln Electric North America from February 19, 2014 to February 18, 2016; Senior Vice President; President, Lincoln Electric North America from July 30, 2009 to February 19, 2014; Senior Vice President, Global Engineering from October 7, 2005 to July 30, 2009; Senior Vice President; President, Lincoln Cleveland of The Lincoln Electric Company from January 8, 2008 to July 30, 2009; Senior Vice President, U.S. Operations of The Lincoln Electric Company from October 7, 2005 to January 8, 2008.
Gabriel Bruno	49	Executive Vice President, Chief Human Resources Officer since July 1, 2016; Executive Vice President, Chief Human Resources Officer and Chief Information Officer from February 18, 2016 to July 1, 2016; Executive Vice President, Chief Information Officer and Interim Chief Human Resources Officer from March 7, 2015 to February 18, 2016; Executive Vice President, Chief Information Officer since February 19, 2014; Vice President, Chief Information Officer from May 1, 2012 to February 19, 2014; Vice President, Corporate Controller from 2005 to May 1, 2012.
Michele R. Kuhrt	50	Executive Vice President, Chief Information Officer since July 1, 2016; Senior Vice President, Tax from 2006 to July 1, 2016.
Geoffrey P. Allman	46	Senior Vice President, Corporate Controller since January 14, 2014; Corporate Controller from July 1, 2012 to January 14, 2014; Director, Regional Finance North America from October 1, 2009 to June 30, 2012.
Thomas A. Flohn	56	Senior Vice President, President, Asia Pacific Region since February 19, 2014; Vice President, Regional President, Lincoln Electric Asia Pacific Region from November 4, 2013 to January 14, 2014. Vice President; President, Lincoln Electric Europe, Middle East & Africa (EMEA) from July 1, 2010 to November 4, 2013; Vice President; President, Lincoln Asia Pacific from January 1, 2005 to June 30, 2010.
Mathias Hallmann	54	Senior Vice President, President, International Welding since February 9, 2016; Senior Vice President, President, LE Europe from February 19, 2014 to February 9, 2016; Vice President; President, Lincoln Electric Europe from November 4, 2013 to February 19, 2014. Prior to his service with the Company, Mr. Hallmann was Chief Executive Officer of Bohler Welding Holding GmbH (a leading manufacturer and provider of auxiliary materials and consumables for industrial welding and soldering applications) from December 2008 to March 2012, and its Chief Operating Officer from April 2008 to November 2008.
Steven B. Hedlund	50	Senior Vice President and President, Global Automation since January 22, 2015; Senior Vice President, Strategy & Business Development from February 19, 2014 to January 22, 2015; Vice President, Strategy and Business Development from September 15, 2008 to February 19, 2014. Prior to his service with the Company, Mr. Hedlund was the Vice President, Growth and Innovations with Master Lock, LLC (a security products company) from June 1, 2005 to July 1, 2008.
David J. Nangle	60	Senior Vice President, President, Harris Products Group since February 19, 2014; Vice President, Group President of Brazing, Cutting and Retail Subsidiaries from January 12, 2006 to February 19, 2014.

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

ITEM 2. PROPERTIES

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

The Company has 47 manufacturing facilities, including operations and joint ventures in 19 countries, the significant locations (grouped by operating segment) of which are as follows:

Americas Welding:	
United States	Cleveland and Fort Loramie, Ohio; San Diego and Anaheim, California; Reno, Nevada; Ladson, South Carolina; Chattanooga, Tennessee; Detroit, Michigan; Fort Collins, Colorado; Bettendorf, Iowa.
Brazil	Guarulhos; Indaiatuba.
Canada	Toronto; Mississauga; Hamilton.
Columbia	Bogota.
Mexico	Mexico City; Torreon.
Venezuela	Maracay.
International Welding:	
Australia	Newcastle.
China	Shanghai; Nanjing; Zhengzhou; Luan County.
France	Grand-Quevilly.
Germany	Essen.
India	Chennai.
Indonesia	Cikarang.
Italy	Corsalone.
Netherlands	Nijmegen.
Poland	Bielawa; Dzierzoniow.
Portugal	Lisbon.
Russia	Mtsensk.
Turkey	Istanbul.
United Kingdom	Sheffield and Chertsey, England; Port Talbot, Wales.
The Harris Products Group:	
United States	Mason, Ohio; Gainesville, Georgia.
Brazil	Sao Paulo.
Poland	Dzierzoniow.

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

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

ITEM 3. LEGAL PROCEEDINGS

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

As of December 31, 2016, the Company was a co-defendant in cases alleging asbestos induced illness involving claims by approximately 5,954 plaintiffs, which is a net decrease of 169 claims from those previously reported. In each instance, the Company is one of a large number of defendants. The asbestos claimants seek compensatory and punitive damages, in most cases for unspecified sums. Since January 1, 1995, the Company has been a co-defendant in other similar cases that have been resolved as follows: 52,281 of those claims were dismissed, 22 were tried to defense verdicts, seven were tried to plaintiff verdicts (one of which was vacated on appeal), one was resolved by agreement for an immaterial amount and 768 were decided in favor of the Company following summary judgment motions.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

The Company's common shares are traded on The NASDAQ Global Select Market under the symbol "LECO." The number of record holders of common shares at December 31, 2016 was 1,712.

The total amount of dividends paid in 2016 was $87.3 million. During 2016, dividends were paid on January 15, April 15, July 15 and October 14.

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

	2016			2015		
	Stock Price		Dividends Declared	Stock Price		Dividends Declared
	High	Low		High	Low	
First quarter	$ 60.24	$ 45.54	$ 0.32	$ 72.50	$ 63.90	$ 0.29
Second quarter	64.79	56.02	0.32	71.15	60.85	0.29
Third quarter	65.33	57.40	0.32	62.94	51.74	0.29
Fourth quarter	80.57	61.04	0.35	62.95	49.71	0.32

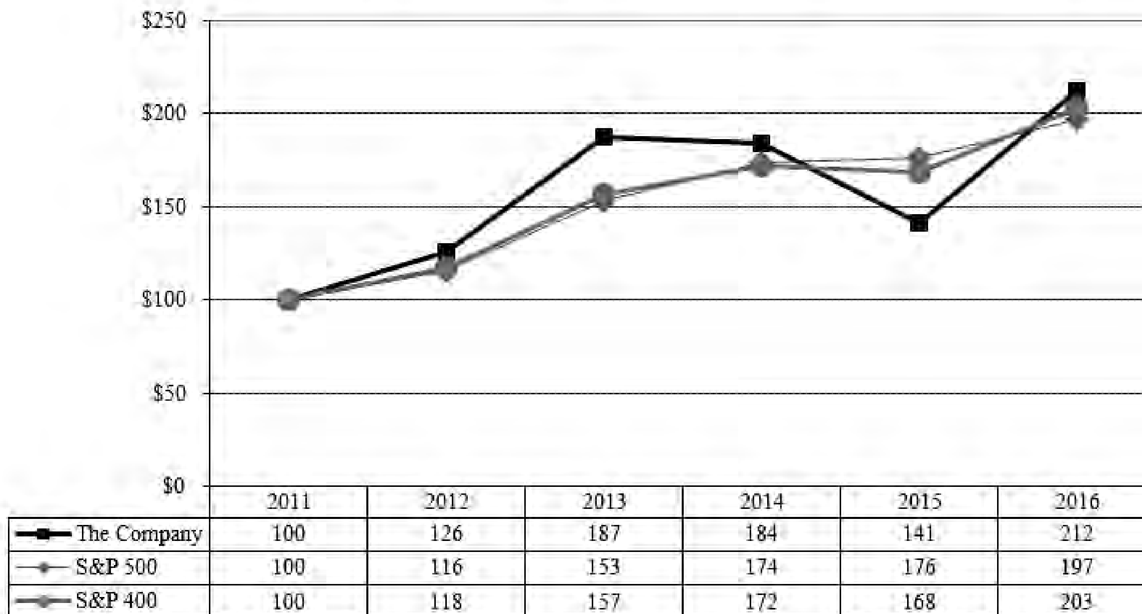
Issuer purchases of equity securities for the fourth quarter 2016 were:

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (2)
October 1-31, 2016	500,577	$ 62.92	500,577	9,220,474
November 1-30, 2016	331,263 (1)	65.68	330,595	8,889,879
December 1-31, 2016	1,958 (1)	78.75	1,404	8,888,475
Total	833,798	64.06	832,576	

(1) The above share repurchases include the surrender of the Company's common shares in connection with the vesting of restricted awards.

(2) On April 20, 2016, the Company announced that the Board of Directors authorized a new share repurchase program, which increased the total number of the Company’s common shares authorized to be repurchased to 55 million shares. Total shares purchased through the share repurchase program were 46.1 million shares at a cost of $1.6 billion for a weighted average cost of $35.56 per share through December 31, 2016.

The following line graph compares the yearly percentage change in the cumulative total shareholder return on the Company's common stock against the cumulative total return of the S&P Composite 500 Stock Index ("S&P 500") and the S&P 400 MidCap Index ("S&P 400") for the five-year calendar period commencing January 1, 2012 and ending December 31, 2016. This graph assumes that $100 was invested on December 31, 2011 in each of the Company's common shares, the S&P 500 and the S&P 400. A peer-group index for the welding industry, in general, is not readily available because the industry is comprised of a large number of privately held competitors and competitors that are smaller parts of large publicly traded companies.



	2011	2012	2013	2014	2015	2016
The Company	100	126	187	184	141	212
S&P 500	100	116	153	174	176	197
S&P 400	100	118	157	172	168	203

ITEM 6. SELECTED FINANCIAL DATA

(Dollars in thousands, except per share amounts)

	Year Ended December 31,				
	2016 (1)	2015 (2)	2014 (3)	2013 (4)	2012 (5)
Net sales	$ 2,274,614	$ 2,535,791	$ 2,813,324	$ 2,852,671	$ 2,853,367
Net income	198,399	127,478	254,686	293,780	257,411
Basic earnings per share	2.94	1.72	3.22	3.58	3.10
Diluted earnings per share	2.91	1.70	3.18	3.54	3.06
Cash dividends declared per share	1.31	1.19	0.98	0.83	0.71
Total assets	1,943,437	1,784,171	1,939,215	2,151,867	2,089,863
Long-term debt, less current portion	703,704	350,347	2,488	3,791	1,599

(1) Results for 2016 include a loss of $34,348 ($33,251 after-tax) on the deconsolidation of the Company's Venezuelan subsidiary, partially offset by a $7,196 income tax valuation allowance reversal related to a legal entity change to realign the Company’s tax structure. Long-term debt includes the issuance in 2016 of additional Senior Unsecured Notes in the aggregate principal amount of $350,000 through a private placement.

(2) Results for 2015 include $13,719 ($11,943 after-tax) of rationalization charges and non-cash net impairment charges of $6,239 ($6,239 after-tax). Results also include pension settlement charges of $142,738 ($87,310 after-tax) and charges of $27,214 ($27,214 after-tax) related to Venezuelan remeasurement losses. Long-term debt includes the issuance of Senior Unsecured Notes in 2015 in the aggregate principal amount of $350,000 through a private placement.

(3) Results for 2014 include $32,742 ($32,706 after-tax) of non-cash asset impairment charges partially offset by gains of $3,930 ($2,754 after-tax) related to the sale of assets. Associated with the impairment of long-lived assets is an offsetting special item of $805 representing portions attributable to non-controlling interests. Results also include charges of $21,133 ($21,133 after-tax) related to Venezuelan remeasurement losses.

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

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

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

(Dollars in thousands, except per share amounts)

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

General

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

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

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

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

The Company's major end-user markets include:

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

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

During the first quarter of 2016, the Company realigned its organizational and leadership structure. The new structure allows for further integration of operational and product development processes across regions and to support growth strategies. In accordance with this organizational change, beginning with quarterly reporting for the three months ended March 31, 2016, the Company reported three operating segments as follows: Americas Welding, International Welding, and The Harris Products Group. All prior period results have been revised to reflect the realigned segment structure. Refer to Note 5 to the Company's consolidated financial statements for segment and geographic area information.

As further described in Note 1 to the consolidated financial statements, effective June 30, 2016, the Company determined that it no longer had control of its subsidiary in Venezuela as a result of restrictive exchange controls and Venezuelan operating restrictions that have significantly impacted the ability to make key operational decisions. As a result, the Company deconsolidated its subsidiary in Venezuela effective June 30, 2016 and began reporting the results under the cost method of accounting. Beginning July 1, 2016, the Company no longer includes the results of the Venezuelan subsidiary in its consolidated financial statements.

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

The Company's facilities are subject to environmental regulations. To date, compliance with these environmental regulations has not had a material adverse effect on the Company's earnings. The Company is ISO 14001 certified at most significant manufacturing facilities in North America and Europe and is progressing towards certification at its remaining facilities worldwide. In addition, the Company is ISO 9001 certified at 38 facilities worldwide.

Key Indicators

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

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

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

Results of Operations

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

	Year Ended December 31,							
	2016		2015		2014		Increase (Decrease) Actual vs. Prior Year	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	2016 vs. 2015	2015 vs. 2014
Net sales	$ 2,274,614		$ 2,535,791		$ 2,813,324		(10.3%)	(9.9%)
Cost of goods sold	1,485,316		1,694,647		1,864,027		(12.4%)	(9.1%)
Gross profit	789,298	34.7%	841,144	33.2%	949,297	33.7%	(6.2%)	(11.4%)
Selling, general & administrative expenses	466,676	20.5%	496,748	19.6%	545,497	19.4%	(6.1%)	(8.9%)
Rationalization and asset impairment charges	—		19,958		30,053		(100.0%)	(33.6%)
Pension settlement charges	—		142,738		—		(100.0%)	100.0%
Loss on deconsolidation of Venezuelan subsidiary	34,348		—		—		100.0%	—
Operating income	288,274	12.7%	181,700	7.2%	373,747	13.3%	58.7%	(51.4%)
Interest income	2,092		2,714		3,093		(22.9%)	(12.3%)
Equity earnings in affiliates	2,928		3,015		5,412		(2.9%)	(44.3%)
Other income	3,173		4,182		3,995		(24.1%)	4.7%
Interest expense	(19,079)		(21,824)		(10,434)		12.6%	(109.2%)
Income before income taxes	277,388	12.2%	169,787	6.7%	375,813	13.4%	63.4%	(54.8%)
Income taxes	79,015		42,375		121,933		86.5%	(65.2%)
Effective tax rate	28.5%		25.0%		32.4%			
Net income including non-controlling interests	198,373		127,412		253,880		55.7%	(49.8%)
Non-controlling interests in subsidiaries' loss	(26)		(66)		(806)		60.6%	91.8%
Net income	$ 198,399	8.7%	$ 127,478	5.0%	$ 254,686	9.1%	55.6%	(49.9%)
Diluted earnings per share	$ 2.91		$ 1.70		$ 3.18			

Net Sales:

The following table summarizes the impacts of volume, acquisitions, price and foreign currency exchange rates on Net sales for the twelve months ended December 31, 2016 on a consolidated basis:

		Change in Net Sales due to:				
	Net Sales 2015	Volume	Acquisitions	Price	Foreign Exchange	Net Sales 2016
Lincoln Electric Holdings, Inc.	$ 2,535,791	$ (247,661)	$ 51,454	$ 259,692	$ (324,662)	$ 2,274,614
Lincoln Electric Holdings, Inc. (excluding Venezuela)	2,451,129	(189,983)	51,454	(16,386)	(32,413)	2,263,801
% Change						
Lincoln Electric Holdings, Inc.		(9.8%)	2.0%	10.2%	(12.8%)	(10.3%)
Lincoln Electric Holdings, Inc. (excluding Venezuela)		(7.8%)	2.1%	(0.7%)	(1.3%)	(7.6%)

Sales volumes decreased as a result of softer demand associated with the current economic environment and weakness in oil & gas and U.S. export markets. Product pricing increased from prior year levels, reflecting the highly inflationary environment in Venezuela impacting results in the first six months of 2016. Net sales for 2016 include $10,813 in sales from the Company's Venezuelan operations compared with $84,662 in sales from the Company's Venezuelan operations in 2015. The increase in net

sales from acquisitions was driven by acquired companies within Americas Welding. The decrease in foreign exchange is due to a stronger U.S. dollar, as well as the highly inflationary environment in Venezuela impacting the first six months of 2016.

The following table summarizes the impacts of volume, acquisitions, price and foreign currency exchange rates on Net sales for the twelve months ended December 31, 2015 on a consolidated basis:

		Change in Net Sales due to:				
	Net Sales 2014	Volume	Acquisitions	Price	Foreign Exchange	Net Sales 2015
Lincoln Electric Holdings, Inc.	$ 2,813,324	$ (224,009)	$ 62,628	$ 111,167	$ (227,319)	$ 2,535,791
Lincoln Electric Holdings, Inc. (excluding Venezuela)	2,741,531	(211,098)	62,628	(2,598)	(139,334)	2,451,129
% Change						
Lincoln Electric Holdings, Inc.		(8.0%)	2.2%	4.0%	(8.1%)	(9.9%)
Lincoln Electric Holdings, Inc. (excluding Venezuela)		(7.7%)	2.3%	(0.1%)	(5.1%)	(10.6%)

Sales volumes decreased as a result of softer demand associated with the current economic environment and weakness in oil & gas and U.S. export markets. Product pricing increased from prior year levels, reflecting the highly inflationary environment in Venezuela partially offset by pricing declines in The Harris Products Group due to decreases in the costs of silver and copper. Net sales for 2015 include $84,662 in sales from the Company's Venezuelan operations compared with $71,793 in sales from the Company's Venezuelan operations in 2014. The increase in acquisitions was primarily driven by acquired companies within Americas Welding. The decrease in foreign exchange is due to a stronger U.S. dollar, as well as the highly inflationary environment in Venezuela.

Gross Profit:

Gross profit for 2016 increased, as a percent of sales, compared to the prior year due to lower material costs, cost control efforts and strong price management. The year ended December 31, 2016 includes a last-in, first-out ("LIFO") charge of $1,564 compared with a credit of $11,545 in the prior year period.

Gross profit for 2015 decreased, as a percent of sales, compared to the prior period as 2015 included inventory charges reflecting remeasurement losses in Venezuela related to the adoption of a new foreign exchange mechanism and higher warranty costs. The year ended December 31, 2015 also includes a LIFO credit of $11,545 compared with a charge of $429 in the prior year.

Selling, General & Administrative ("SG&A") Expenses:

The decrease in SG&A expense in 2016 as compared to 2015 was due to lower bonus expense of $16,374 and lower foreign exchange transaction losses of $11,662, partially offset by higher legal fees of $5,285 and incremental SG&A expenses from acquisitions of $10,497. Foreign currency exchange rates had an $11,544 favorable translation impact on SG&A expenses in 2016.

The decrease in SG&A expense in 2015 as compared to 2014 was due to lower bonus expense of $28,705 and lower foreign exchange transaction losses of $17,030, partially offset by higher general and administrative spending of $24,720 and incremental SG&A expenses from acquisitions of $8,780. Foreign exchange transaction losses in 2015 include a charge of $4,334, compared with a charge of $17,665 in 2014, relating to Venezuelan foreign exchange remeasurement losses as a result of the adoption of a new foreign exchange mechanism. Foreign currency exchange rates had a $33,229 favorable translation impact on SG&A expenses in 2015.

Rationalization and Asset Impairment Charges:

In 2015, the Company recorded $19,958 in charges primarily related to employee severance and other related costs and non-cash goodwill and asset impairment charges. Comparatively, in 2014, the Company recorded $30,053 in charges primarily related to non-cash long-lived asset impairment charges partially offset by gains on the sale of assets. Refer to Note 6 for additional details.

Pension Settlement Charges:

In 2015, the Company recorded non-cash pension settlement charges of $142,738, $87,310 after-tax, primarily related to the purchase of a group annuity contract. Refer to Note 11 for additional details.

Loss on Deconsolidation of Venezuela:

In 2016, the Company recorded a loss of $34,348, $33,251 after-tax, related to the deconsolidation of its Venezuelan subsidiary. Refer to Note 1 for additional details.

Equity Earnings in Affiliates:

Equity earnings in affiliates has remained relatively flat in the comparable periods.

Interest Expense:

The decrease in 2016 as compared to 2015 was due to prior year charges related to an adjustment to the consideration expected to be paid to acquire additional ownership interests of a majority-owned subsidiary, offset by interest accrued on higher borrowings in 2016.

The increase in 2015 as compared to 2014 was due to an adjustment to the consideration expected to be paid to acquire additional ownership interests of a majority-owned subsidiary and interest accrued on higher borrowings.

Income Taxes:

The effective income tax rate is higher in 2016 as compared to 2015 primarily due to higher U.S. tax credits in 2015 and changes in the mix of earnings between tax rate jurisdictions, offset by the reversal of an income tax valuation allowance as a result of a legal entity change.

The effective income tax rate is lower in 2015 as compared to 2014 primarily due to higher U.S. tax credits in 2015 and changes in the mix of earnings between tax rate jurisdictions.

Net Income:

As compared to the prior year, reported Net income for 2016 includes a loss related to the deconsolidation of the Company's Venezuelan subsidiary of $33,251, partially offset by reduced income taxes due to a benefit of $7,196 related to the reversal of an income tax valuation allowance as a result of a legal entity change to realign the Company's tax structure.

As compared to the prior year, reported Net income for 2015 includes non-cash pension settlement charges of $87,310, non-cash Venezuelan remeasurement losses of $27,214 related to the adoption of a new foreign exchange mechanism and net rationalization and asset impairment charges of $18,182.

Segment Results

Net Sales:

The table below summarizes the impacts of volume, acquisitions, price and foreign currency exchange rates on Net sales for the twelve months ended December 31, 2016:

	Net Sales 2015	Change in Net Sales due to: Volume [1]	Acquisitions [2]	Price [3]	Foreign Exchange [4]	Net Sales 2016
Operating Segments						
Americas Welding	$ 1,741,350	$(248,715)	$ 42,832	$ 268,205	$(308,690)	$1,494,982
International Welding	530,460	(8,629)	8,622	(8,428)	(14,736)	507,289
The Harris Products Group	263,981	9,683	—	(85)	(1,236)	272,343
% Change						
Americas Welding		(14.3%)	2.5%	15.4%	(17.7%)	(14.1%)
International Welding		(1.6%)	1.6%	(1.6%)	(2.8%)	(4.4%)
The Harris Products Group		3.7%	—	—	(0.5%)	3.2%

(1) Decrease for Americas Welding and International Welding due to softer demand associated with the current economic environment, weakness in oil & gas and U.S. export markets. The increase for The Harris Products Group was driven by the retail market.

(2) Increase primarily due to the acquisition of Vizient Manufacturing Solutions and Rimrock Holdings Corporation within Americas Welding (refer to Note 3 to the consolidated financial statements for a discussion of the Company's recent acquisitions).

(3) Increase driven by Americas Welding, which reflects the highly inflationary environment in Venezuela impacting results in the first six months of 2016.

(4) The decrease in all segments is due to a stronger U.S. dollar. Additionally, Americas Welding reflects the highly inflationary environment in Venezuela impacting the first six months of 2016.

The table below summarizes the impacts of volume, acquisitions, price and foreign currency exchange rates on Net sales for the twelve months ended December 31, 2015:

	Net Sales 2014	Change in Net Sales due to: Volume [1]	Acquisitions [2]	Price [3]	Foreign Exchange [4]	Net Sales 2015
Operating Segments						
Americas Welding	$ 1,837,670	$(150,755)	$ 57,334	$ 131,708	$(134,607)	$1,741,350
International Welding	681,424	(71,086)	5,294	(4,795)	(80,377)	530,460
The Harris Products Group	294,230	(2,168)	—	(15,746)	(12,335)	263,981
% Change						
Americas Welding		(8.2%)	3.1%	7.2%	(7.3%)	(5.2%)
International Welding		(10.4%)	0.8%	(0.7%)	(11.8%)	(22.2%)
The Harris Products Group		(0.7%)	—	(5.4%)	(4.2%)	(10.3%)

(1) Decrease for all operating segments due to softer demand associated with the current economic environment and weakness in oil & gas and U.S. export markets. Additionally, the decrease within the International segment is due to continued strategic repositioning in the Asia Pacific region.

(2) Increase primarily due to the acquisition of Rimrock Holdings Corporation and Easom Automation Systems, Inc. within Americas Welding (refer to Note 3 to the consolidated financial statements for a discussion of the Company's recent acquisitions).

(3) Increase in the Americas segment reflects a highly inflationary environment, particularly in Venezuela. The decrease for The Harris Products Group is due to decreases in the costs of silver and copper as compared to the prior year period.

(4) The decrease in all segments is due to a stronger U.S. dollar. Additionally, Americas Welding reflects the highly inflationary environment in Venezuela.

Adjusted Earnings Before Interest and Income Taxes ("Adjusted EBIT"):

Segment performance is measured and resources are allocated based on a number of factors, the primary profit measure being Adjusted EBIT. EBIT is defined as Operating income plus Equity earnings in affiliates and Other income. EBIT is adjusted for special items as determined by management such as the impact of rationalization activities, certain asset impairment charges and gains or losses on disposals of assets.

The following table presents Adjusted EBIT by segment:

	December 31,			Increase (Decrease) 2016 vs. 2015		Increase (Decrease) 2015 vs. 2014	
	2016	2015	2014	$	%	$	%
Americas Welding:							
Net sales	$ 1,494,982	$ 1,741,350	$ 1,837,670	(246,368)	(14.1%)	(96,320)	(5.2%)
Inter-segment sales	93,612	92,538	110,524	1,074	1.2%	(17,986)	(16.3%)
Total Sales	$ 1,588,594	$ 1,833,888	$ 1,948,194	(245,294)	(13.4%)	(114,306)	(5.9%)
Adjusted EBIT [4]	$ 266,633	$ 316,689	$ 353,255	(50,056)	(15.8%)	(36,566)	(10.4%)
As a percent of total sales [1]	16.8%	17.3%	18.1%		(0.5%)		(0.8%)
International Welding:							
Net sales	$ 507,289	$ 530,460	$ 681,424	(23,171)	(4.4%)	(150,964)	(22.2%)
Inter-segment sales	15,975	18,747	21,608	(2,772)	(14.8%)	(2,861)	(13.2%)
Total Sales	$ 523,264	$ 549,207	$ 703,032	(25,943)	(4.7%)	(153,825)	(21.9%)
Adjusted EBIT [5]	$ 29,146	$ 34,511	$ 48,720	(5,365)	(15.5%)	(14,209)	(29.2%)
As a percent of total sales [2]	5.6%	6.3%	6.9%		(0.7%)		(0.6%)
The Harris Products Group:							
Net sales	$ 272,343	$ 263,981	$ 294,230	8,362	3.2%	(30,249)	(10.3%)
Inter-segment sales	8,709	9,312	8,210	(603)	(6.5%)	1,102	13.4%
Total Sales	$ 281,052	$ 273,293	$ 302,440	7,759	2.8%	(29,147)	(9.6%)
Adjusted EBIT	$ 32,380	$ 27,882	$ 28,563	4,498	16.1%	(681)	(2.4%)
As a percent of total sales [3]	11.5%	10.2%	9.4%		1.3%		0.8%
Corporate / Eliminations:							
Inter-segment sales	$ (118,296)	$ (120,597)	$ (140,342)	2,301	(1.9%)	19,745	14.1%
Adjusted EBIT [6]	564	(275)	3,802	839	305.1%	(4,077)	(107.2%)
Consolidated:							
Net sales	$ 2,274,614	$ 2,535,791	$ 2,813,324	(261,177)	(10.3%)	(277,533)	(9.9%)
Adjusted EBIT	$ 328,723	$ 378,807	$ 434,340	(50,084)	(13.2%)	(55,533)	(12.8%)
As a percent of total sales	14.5%	14.9%	15.4%		(0.4%)		(0.5%)

(1) 2016 decrease as compared to 2015 driven by sales volume declines and higher SG&A costs as a percent of sales, partially offset by improved margins on lower input costs. SG&A costs included increased legal and professional fees.

2015 decrease as compared to 2014 driven by Net sales volume declines, lower margins in Venezuela and unfavorable foreign exchange translation.

(2) 2016 decrease as compared to 2015 driven by Net sales volume declines and higher SG&A costs as a percent of sales. SG&A costs included increased salaries and wages and professional fees.

2015 decrease as compared to 2014 due to unfavorable foreign exchange translation and Net sales volume declines, partially offset by improved margins on lower raw material costs and operational efficiencies.

(3) 2016 increase as compared to 2015 due to favorable sales mix associated with Net sales volume increases in the retail market.

(4) 2015 excludes net charges of $3,298 related to employee severance and other related costs, Venezuelan foreign exchange remeasurement losses of $27,214 related to the adoption of a new foreign exchange mechanism and $142,728 of non-cash pension settlement charges related to the purchase of a group annuity contract.

2014 excludes net charges primarily related to employee severance and other costs associated with the consolidation of manufacturing operations, as well as Venezuelan foreign exchange remeasurement losses of $21,133 related to the adoption of a new foreign exchange mechanism.

(5) 2015 excludes special items reflecting net charges of $6,939 primarily related to employee severance and other costs and adjustments to reclassify a potential divestiture that was previously held-for-sale, as well as special items including non-cash charges of $6,315 related to the impairment of goodwill and $3,417 related to the impairment of long-lived assets.

2014 excludes net charges primarily related to employee severance and other costs associated with the consolidation of manufacturing operations, as well as charges of $32,742 related to impairment of long-lived assets and a gain of $3,930 related to the sale of assets.

(6) 2016 excludes a loss of $34,348 related to the deconsolidation of the Company's Venezuelan subsidiary.

Non-GAAP Financial Measures

The Company reviews Adjusted operating income, Adjusted net income, Adjusted diluted earnings per share and Return on invested capital, all non-GAAP financial measures, in assessing and evaluating the Company's underlying operating performance. These non-GAAP financial measures exclude the impact of special items on the Company's reported financial results. Non-GAAP financial measures should be read in conjunction with the generally accepted accounting principles in the United States ("GAAP") financial measures, as non-GAAP measures are a supplement to, and not a replacement for, GAAP financial measures. From time to time management evaluates and discloses to investors the non-GAAP measure Free cash flow ("FCF"). FCF is defined as Net cash provided by operating activities less Capital expenditures. The Company considers FCF to be a liquidity measure that provides useful information to management and investors about how the amount of cash generated by our business, after the purchase of property and equipment, can be used for debt service, acquisitions, paying dividends and repurchasing our common shares.

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

	Year Ended December 31,		
	2016	2015	2014
Operating income as reported	$ 288,274	$ 181,700	$ 373,747
Special items (pre-tax):			
Rationalization and asset impairment charges (1)	—	19,958	30,053
Loss on deconsolidation of Venezuelan subsidiary (2)	34,348	—	—
Venezuela remeasurement losses (3)	—	27,214	21,133
Pension settlement charges (4)	—	142,738	—
Adjusted operating income	$ 322,622	$ 371,610	$ 424,933

(1) Charges consist of the following:

- In 2015, employee severance and other related costs of $13,719, a non-cash goodwill impairment charge of $6,315 and net non-cash asset impairment charges;
- In 2014, primarily includes non-cash asset impairment charges of $32,742 offset by gains of $3,930 related to the sale of assets.

(2) Loss on deconsolidation of the Venezuelan subsidiary as of June 30, 2016.

(3) Charges in 2015 and 2014 relate to the adoption of a new foreign exchange mechanism in the period.

(4) Related to the purchase of a group annuity contract that settled a portion of the Company's pension obligation in 2015.

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

	Year Ended December 31,		
	2016	2015	2014
Net income as reported	$ 198,399	$ 127,478	$ 254,686
Special items (after-tax):			
Rationalization and asset impairment charges (1)	—	18,182	30,914
Loss on deconsolidation of Venezuelan subsidiary (2)	33,251	—	—
Venezuela remeasurement losses (3)	—	27,214	21,133
Pension settlement charges (4)	—	87,310	—
Income tax valuation reversal (5)	(7,196)	—	—
Special items attributable to non-controlling interests (6)	—	—	(805)
Adjusted net income	$ 224,454	$ 260,184	$ 305,928
Diluted earnings per share as reported	$ 2.91	$ 1.70	$ 3.18
Special items per share	0.38	1.78	0.64
Adjusted diluted earnings per share	$ 3.29	$ 3.48	$ 3.82

(1) Charges consist of the following:

- In 2015, employee severance and other related costs of $11,943, a non-cash goodwill impairment charge of $6,315 and net non-cash asset impairment charges;
- In 2014, primarily includes non-cash asset impairment charges of $32,706 partially offset by gains of $2,754 related to the sale of assets.

(2) Loss on deconsolidation of the Venezuelan subsidiary as of June 30, 2016.

(3) Charges in 2015 and 2014 relate to the adoption of a new foreign exchange mechanism in the period.

(4) Related to the purchase of a group annuity contract that settled a portion of the Company's pension obligation in 2015.

(5) Tax benefit related to the reversal of an income tax valuation allowance as a result of a legal entity change to realign the Company's tax structure.

(6) Related to the impairment of long-lived assets in 2014 that were attributable to non-controlling interests.

Liquidity and Capital Resources

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

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

The following table reflects changes in key cash flow measures:

	Year Ended December 31,			$ Change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Cash provided by operating activities	$ 303,403	$ 310,858	$ 401,702	$ (7,455)	$ (90,844)
Cash used by investing activities:	(159,946)	(85,352)	(78,985)	(74,594)	(6,367)
Capital expenditures	(49,877)	(50,507)	(72,990)	630	22,483
Acquisition of businesses, net of cash acquired	(71,567)	(37,076)	(24,230)	(34,491)	(12,846)
Purchase of marketable securities	(38,920)	—	—	(38,920)	—
Cash used by financing activities:	(62,854)	(169,908)	(314,355)	107,054	144,447
Proceeds from (payments on) short-term borrowings, net	1,539	(34,229)	47,876	35,768	(82,105)
Proceeds from (payments on) long-term borrowings, net	349,780	350,835	5,455	(1,055)	345,380
Purchase of shares for treasury	(342,003)	(399,494)	(307,178)	57,491	(92,316)
Cash dividends paid to shareholders	(87,330)	(86,968)	(73,261)	(362)	(13,707)
Increase (decrease) in Cash and cash equivalents	74,996	25,804	(21,446)		

Cash and cash equivalents increased 24.7%, or $74,996, to $379,179 during the twelve months ended December 31, 2016, from $304,183 as of December 31, 2015. This increase was predominantly due to the cash provided from operating activities and proceeds from the issuance of $350,000 aggregate principal amount of Senior Unsecured Notes (the "2016 Notes") (refer to Note 8 for additional information), offset by cash used in the acquisition of a business, purchases of common shares for treasury and cash dividends paid to shareholders. At December 31, 2016, $261,547 of Cash and cash equivalents was held by international subsidiaries and may be subject to U.S. income taxes and foreign withholding taxes if repatriated to the U.S.

Cash provided by operating activities decreased $7,455 for the twelve months ended December 31, 2016 compared with the twelve months ended December 31, 2015.

Cash used by investing activities increased by $74,594 in the twelve months ended December 31, 2016 compared with the twelve months ended December 31, 2015. The increase was predominantly due to an increase in cash paid for the acquisition of a business and the purchase of marketable securities. The Company anticipates capital expenditures of $65,000 to $75,000 in 2017. Anticipated capital expenditures reflect investments for capital maintenance to improve operational effectiveness. Management critically evaluates all proposed capital expenditures and expects each project to increase efficiency, reduce costs, promote business growth or improve the overall safety and environmental conditions of the Company's facilities.

Cash used by financing activities decreased $107,054 in the twelve months ended December 31, 2016 compared with the twelve months ended December 31, 2015. The decrease was predominantly due to higher net payments in 2015 and lower purchases of common shares for treasury in 2016.

The Company's debt levels increased from $354,625 at December 31, 2015 to $705,593 at December 31, 2016 due to the issuance of the 2016 Notes. Total debt to total invested capital increased to 49.8% at December 31, 2016 from 27.6% at December 31, 2015.

The Company paid $87,330 and $86,968 in cash dividends to its shareholders in the twelve months ended December 31, 2016 and 2015, respectively, reflecting a 10.3% increase in the dividend rate. In January 2017, the Company paid a cash dividend of $0.35 per share, or $22,986 to shareholders of record on December 31, 2016.

The Company has a share repurchase program for up to 55 million of the Company's common shares. At management's discretion, the Company repurchases its common shares from time to time in the open market, depending on market conditions, stock price and other factors. During the twelve months ended December 31, 2016, the Company purchased a total of 5.9 million shares at a cost of $342,003. As of December 31, 2016, 8.9 million shares remained available for repurchase under the share repurchase program.

The Company made voluntary contributions to its U.S. defined benefit plans of $20,086, $47,124 and $21,175 in 2016, 2015 and 2014, respectively. The Company does not expect to contribute to the defined benefit plans in the United States in 2017.

Canada - Notice of Reassessment

In July 2012, the Company received a Notice of Reassessment (the "Reassessments") from the Canada Revenue Agency in respect to its 2004 to 2010 taxation years to disallow the deductibility of inter-company dividends. The Company appealed the Reassessments to the Tax Court of Canada. In September 2014, the Department of Justice Canada consented to a judgment, wholly in the Company's favor. In vacating the reassessment, this tax litigation is concluded. The Company received a partial refund of a cash deposit in December 2014, with substantially all of the remaining cash deposit received in the first quarter of 2015, including interest.

Working Capital Ratios

	December 31,		
	2016	2015	2014
Average operating working capital to net sales [(1)]	15.6%	17.1%	17.1%
Days sales in Inventories	92.1	89.2	94.7
Days sales in Accounts receivable	47.7	46.9	47.8
Average days in Trade accounts payable	48.9	38.7	46.6

(1) Average operating working capital to net sales is defined as the sum of Accounts receivable and Inventories less Trade accounts payable as of period end divided by annualized rolling three months of Net sales.

Rationalization and Asset Impairments

Refer to Note 6 to the consolidated financial statements for a discussion of the Company's various rationalization plans whose costs were substantially recognized in the prior year. No charges were recorded in the twelve months ended December 31, 2016. The Company believes the rationalization actions will positively impact future results of operations and will not have a material effect on liquidity and sources and uses of capital.

Acquisitions

Refer to Note 3 to the consolidated financial statements for a discussion of the Company's recent acquisitions.

Debt

At December 31, 2016 and 2015, the fair value of long-term debt, including the current portion, was approximately $669,209 and $342,602, respectively, which was determined using available market information and methodologies requiring judgment. Since considerable judgment is required in interpreting market information, the fair value of the debt is not necessarily the amount which could be realized in a current market exchange.

Senior Unsecured Notes

On April 1, 2015, the Company entered into a Note Purchase Agreement pursuant to which it issued senior unsecured notes (the "2015 Notes") in the aggregate principal amount of $350,000 through a private placement. The proceeds were used for general corporate purposes. The 2015 Notes, as shown in the table below, have original maturities ranging from 10 to 30 years with a weighted average effective interest rate of 3.5%, excluding accretion of original issuance costs, and an initial average tenure of 19 years. Interest is payable semi-annually. The 2015 Notes contain certain affirmative and negative covenants. As of December 31, 2016, the Company was in compliance with all of its debt covenants.

On October 20, 2016 the Company entered into a Note Purchase Agreement pursuant to which it issued senior unsecured notes (the "2016 Notes") in the aggregate principal amount of $350,000 through a private placement. The proceeds are being used for general corporate purposes. The 2016 Notes, as shown in the table below, have original maturities ranging from 12 to 25 years with a weighted average effective interest rate of 3.1%, excluding accretion of original issuance costs, and an initial average tenure of 18 years. Interest is payable semi-annually. The 2016 Notes contain certain affirmative and negative covenants. As of December 31, 2016, the Company was in compliance with all of its debt covenants.

The Company's total weighted average effective interest rate and weighted average term, inclusive of the 2015 Notes and 2016 Notes, is 3.3% and 18 years, respectively.

Revolving Credit Agreement

The Company has a line of credit totaling $400,000 through the Amended and Restated Credit Agreement (the "Credit Agreement"), which was entered into on September 12, 2014. The Credit Agreement contains customary affirmative, negative and financial covenants for credit facilities of this type, including limitations on the Company and its subsidiaries with respect to liens, investments, distributions, mergers and acquisitions, dispositions of assets, transactions with affiliates, a fixed charges coverage ratio and total leverage ratio. As of December 31, 2016, the Company was in compliance with all of its covenants and

had no outstanding borrowings under the Credit Agreement. The Credit Agreement has a five-year term and may be increased, subject to certain conditions, by an additional amount up to $100,000. The interest rate on borrowings is based on either the London Inter-Bank Offered Rate ("LIBOR") or the prime rate, plus a spread based on the Company’s leverage ratio, at the Company’s election.

Short-term Borrowings

The Company had short-term borrowings of $1,758 included in Amounts due banks in 2016 and had a balance of $2,822 at December 31, 2015. Amounts due banks the borrowings of subsidiaries at weighted average interest rates of 29.0% and 24.1% at December 31, 2016 and 2015, respectively.

Return on Invested Capital

The Company reviews return on invested capital ("ROIC") in assessing and evaluating the Company's underlying operating performance. ROIC is a non-GAAP financial measure that the Company believes is a meaningful metric to investors in evaluating the Company’s financial performance and may be different than the method used by other companies to calculate ROIC. ROIC is defined as rolling 12 months of Adjusted net income excluding tax-effected interest income and expense divided by invested capital. Invested capital is defined as total debt, which includes Amounts due banks, Current portion of long-term debt and Long-term debt, less current portions, plus Total equity.

ROIC for the years ended December 31, 2016, 2015 and 2014 were as follows:

Return on Invested Capital	2016	2015	2014
Adjusted net income [(1)]	$ 224,454	$ 260,184	$ 305,928
Plus: Interest expense (after-tax)	11,775	13,469	6,439
Less: Interest income (after-tax)	1,291	1,675	1,909
Net operating profit after taxes	234,938	271,978	310,458
Invested capital	1,417,799	1,287,073	1,356,435
Return on invested capital	16.6%	21.1%	22.9%

(1) See “Non-GAAP Financial Measures” section for a tabular reconciliation of Net income to Adjusted net income.

Contractual Obligations and Commercial Commitments

The Company's contractual obligations and commercial commitments as of December 31, 2016 are as follows:

	Payments Due By Period				
	Total	2017	2018 to 2019	2020 to 2021	2022 and Beyond
Long-term debt, including current portion	$ 711,208	$ 95	$ 196	$ 204	$ 710,713
Interest on long-term debt	421,422	23,299	46,591	46,584	304,948
Capital lease obligations	47	36	11	—	—
Short-term debt	1,758	1,758	—	—	—
Interest on short-term debt	465	465	—	—	—
Operating leases	43,685	12,267	17,494	9,036	4,888
Purchase commitments[1]	157,727	157,384	332	11	—
Total	$ 1,336,312	$ 195,304	$ 64,624	$ 55,835	$ 1,020,549

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

As of December 31, 2016, there were $14,186 of tax liabilities related to unrecognized tax benefits and a $25,244 liability for deferred compensation. Because of the high degree of uncertainty regarding the timing of future cash outflows associated with these liabilities, the Company is unable to estimate the years in which settlement will occur. Additionally, in connection with prior acquisitions, there were liabilities with fair values as of December 31, 2016 of $8,154 for a contingent consideration arrangement and $15,272 for a forward contract to acquire an additional ownership interest in a majority owned subsidiary. The amount of future cash flows associated with these liabilities will be contingent upon actual results of the acquired entities. See Notes 12 and 14 of the Company's consolidated financial statements for further discussion.

Stock-Based Compensation

On April 23, 2015, the shareholders of the Company approved the 2015 Equity and Incentive Compensation Plan ("Employee Plan"), which replaced the 2006 Equity and Performance Incentive Plan, as amended ("EPI Plan"). The Employee Plan provides for the granting of options, appreciation rights, restricted shares, restricted stock units and performance-based awards up to an additional 5,400,000 of the Company's common shares. In addition, on April 23, 2015, the shareholders of the Company approved the 2015 Stock Plan for Non-Employee Directors ("2015 Director Plan"), which replaced the 2006 Stock Plan for Non-Employee Directors ("2006 Director Plan"). The 2015 Director Plan provides for the granting of options, restricted shares and restricted stock units up to an additional 300,000 of the Company's common shares. At December 31, 2016, there were 4,862,288 common shares available for future grant under all plans.

Under these plans, options, restricted shares and restricted stock units granted were 449,415 in 2016, 411,406 in 2015 and 22,909 in 2014. The Company issued common shares from treasury upon all exercises of stock options, vesting of restricted stock units and the granting of restricted stock awards in 2016, 2015 and 2014.

Expense is recognized for all awards of stock-based compensation by allocating the aggregate grant date fair value over the vesting period. No expense is recognized for any stock options, restricted or deferred shares or restricted stock units ultimately forfeited because recipients fail to meet vesting requirements. Total stock-based compensation expense recognized in the Consolidated Statements of Income for 2016, 2015 and 2014 was $10,332, $7,932 and $8,416, respectively, with a related tax benefit of $3,955, $3,037 and $3,222, respectively. As of December 31, 2016, total unrecognized stock-based compensation expense related to non-vested stock options, restricted shares and restricted stock units was $18,839, which is expected to be recognized over a weighted average period of approximately 2.3 years.

The aggregate intrinsic value of options outstanding and exercisable which would have been received by the optionees had all awards been exercised at December 31, 2016 was $40,803 and $34,666, respectively. The total intrinsic value of options exercised during 2016, 2015 and 2014 was $30,967, $6,879 and $14,647 respectively.

Product Liability Costs

Product liability costs incurred can be volatile and are largely related to trial activity. The costs associated with these claims are predominantly defense costs which are recognized in the periods incurred.

The long-term impact of product liability contingencies, in the aggregate, on operating results, operating cash flows and access to capital markets is difficult to assess, particularly since claims are in many different stages of development and the Company benefits significantly from cost sharing with co-defendants and insurance carriers. Moreover, the Company has been largely successful to date in its defense of these claims.

Off-Balance Sheet Arrangements

The Company utilizes letters of credit to back certain payment and performance obligations. Letters of credit are subject to limits based on amounts outstanding under the Company's Credit Agreement.

New Accounting Pronouncements

Refer to Note 1 to the consolidated financial statements for a discussion of new accounting pronouncements.

Critical Accounting Policies and Estimates

The Company's consolidated financial statements are based on the selection and application of significant accounting policies, which require management to make estimates and assumptions. These estimates and assumptions are reviewed periodically by management and compared to historical trends to determine the accuracy of estimates and assumptions used. If warranted, these estimates and assumptions may be changed as current trends are assessed and updated. Historically, the Company's estimates have been determined to be reasonable. No material changes to the Company's accounting policies were made during 2016. The Company believes the following accounting policies are some of the more critical judgment areas affecting its financial condition and results of operations.

Legal and Tax Contingencies

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

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

The Company maintains liabilities for uncertain income tax positions for many jurisdictions. Liabilities are settled primarily through the completion of audits within each individual tax jurisdiction or the closing of a statute of limitation. Liabilities can also be affected by changes in applicable tax law or other factors, which may cause management to believe a revision of past estimates is appropriate. Management believes that an appropriate liability has been established for uncertain income tax positions; however, actual results may materially differ from these estimates. See Note 12 to the Company's consolidated financial statements for further discussion of uncertain income tax positions.

Translation of Foreign Currencies

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

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

Foreign currency transaction gains and losses are included in Selling, general & administrative expenses and were gains of $3,741 in 2016 and losses of $6,023 and $22,351 in 2015 and 2014, respectively.

Venezuela – Highly Inflationary Economy

The Company deconsolidated its subsidiary in Venezuela effective June 30, 2016 and began reporting the results under the cost method of accounting. Beginning July 1, 2016, the Company no longer includes the results of the Venezuelan subsidiary in its consolidated financial statements. Refer to Note 1 for additional information.

Deferred Income Taxes

Deferred income taxes are recognized at currently enacted tax rates for temporary differences between the GAAP and income tax basis of assets and liabilities and operating loss and tax credit carry-forwards. The Company does not provide deferred income taxes on unremitted earnings of certain non-U.S. subsidiaries, which are deemed indefinitely reinvested. It is not practicable to calculate the deferred taxes associated with the remittance of these earnings. Deferred income taxes associated with earnings that are not expected to be indefinitely reinvested were not significant. At December 31, 2016, the Company had approximately $101,655 of gross deferred tax assets related to deductible temporary differences and tax loss and credit carry-forwards which may reduce taxable income in future years.

In assessing the realizability of deferred tax assets, the Company assesses whether it is more likely than not that a portion or all of the deferred tax assets will not be realized. The Company considers the scheduled reversal of deferred tax liabilities, tax planning strategies and projected future taxable income in making this assessment. At December 31, 2016, a valuation allowance of $47,849 was recorded against these deferred tax assets based on this assessment. The Company believes it is

more likely than not that the tax benefit of the remaining net deferred tax assets will be realized. The amount of net deferred tax assets considered realizable could be increased or reduced in the future if the Company's assessment of future taxable income or tax planning strategies changes.

Pensions

The Company maintains a number of defined benefit ("Pension") and defined contribution plans to provide retirement benefits for employees. These plans are maintained and contributions are made in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA"), local statutory law or as determined by the Board of Directors. The plans generally provide benefits based upon years of service and compensation. Pension plans are funded except for a domestic non-qualified pension plan for certain key employees and certain foreign plan. In October 2016, the Company amended the Lincoln Electric Retirement Annuity Program ("RAP") and the Supplemental Executive Retirement Plan ("SERP") to freeze all benefit accruals for participants under the plans effective as of December 31, 2016. and November 30, 2016, respectively. Refer to Note 11 to the Consolidated Financial Statements for additional information.

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

A significant element in determining the Company's pension expense is the expected return on plan assets. At the end of each year, the expected return on plan assets is determined based on the weighted average expected return of the various asset classes in the plan's portfolio and the targeted allocation of plan assets. The asset class return is developed using historical asset return performance as well as current market conditions such as inflation, interest rates and equity market performance. The Company determined this rate to be 6.1% and 6.3% at December 31, 2016 and 2015, respectively. The assumed long-term rate of return on assets is applied to the market value of plan assets. This produces the expected return on plan assets included in pension expense. The difference between this expected return and the actual return on plan assets is deferred and, for frozen plans, is amortized over the average remaining life expectancy of plan participants expected to receive benefits under the plan. During 2016, investment returns were 6.6% compared with a return of 0.9% in 2015. A 25 basis point change in the expected return on plan assets would increase or decrease pension expense by approximately $1,200.

Another significant element in determining the Company's pension expense is the discount rate for plan liabilities. To develop the discount rate assumption, the Company refers to the yield derived from matching projected pension payments with maturities of a portfolio of available non-callable bonds rated AA or an equivalent quality. The Company determined this rate to be 4.1% at December 31, 2016 and 4.5% at December 31, 2015. A 10 basis point change in the discount rate would increase or decrease pension expense by approximately $800.

The Company's defined benefit plan expense was $13,988, $162,815 and $12,395 in 2016, 2015 and 2014, respectively. Pension expense in 2016 includes net curtailment gains of $1,062, 2015 includes $142,738 in settlement charges and 2014 includes $1,773 in settlement charges. The Company's defined contribution plan expense was $8,361, $10,082 and $11,088 in 2016, 2015 and 2014, respectively. Excluding the net curtailment gains in 2016, the Company expects total 2017 expense related to retirement plans to decrease by a range of approximately $6,000 to $8,000. The decrease is the result of lower amortization of deferred losses related to the defined benefit plan freeze, partially offset by higher defined contribution plan expense because of the new defined contribution plan. Refer to Note 11 for additional information.

The Accumulated other comprehensive loss, excluding tax effects, recognized on the Consolidated Balance Sheet was $146,604 as of December 31, 2016 and $154,756 as of December 31, 2015. The decrease is primarily the result of the amortization of net losses and curtailments in 2016.

The Company made voluntary contributions to its U.S. defined benefit plans of $20,086, $47,124 and $21,175 in 2016, 2015 and 2014, respectively. The Company does not expect to contribute to the defined benefit plans in the United States in 2017.

Inventories

Inventories are valued at the lower of cost or net realizable value. Fixed manufacturing overhead costs are allocated to inventory based on normal production capacity and abnormal manufacturing costs are recognized as period costs. Cost for a substantial portion of U.S. inventories is determined on a LIFO basis. LIFO was used for 40% of total inventories at both December 31, 2016 and 2015. Cost of other inventories is determined by costing methods that approximate a first-in, first-out (“FIFO”) basis. The valuation of LIFO inventories is made at the end of each year based on inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs. Actual year-end inventory levels and costs may differ from interim LIFO inventory valuations. The excess of current cost over LIFO cost was $61,329 at December 31, 2016 and $59,765 at December 31, 2015.

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

Accounts Receivable

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

Long-Lived Assets

The Company periodically evaluates whether current facts or circumstances indicate that the carrying value of its depreciable long-lived assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether impairment exists. If an asset is determined to be impaired, a loss is recognized to the extent that carrying value exceeds fair value. Fair value is measured based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows.

Goodwill and Intangibles

The Company performs an annual impairment test of goodwill and indefinite-lived intangible assets in the fourth quarter using the same dates each year or more frequently if changes in circumstances or the occurrence of events indicate potential impairment.

The fair value of each indefinite-lived intangible asset is compared to its carrying value and an impairment charge is recorded if the carrying value exceeds the fair value. For goodwill, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, and whether it is necessary to perform the quantitative goodwill impairment test. The quantitative test is required only if the Company concludes that it is more likely than not that a reporting unit’s fair value is less than its carrying amount. The quantitative goodwill impairment analysis is a two-step process. Goodwill is tested by first comparing the fair value of each reporting unit with its carrying value. If the carrying value of the reporting unit exceeds its fair value, the implied value of goodwill is compared to its carrying value and impairment is recognized to the extent that the carrying value exceeds the implied fair value.

Fair values are determined using established business valuation techniques and models developed by the Company, estimates of market participant assumptions of future cash flows, future growth rates and the applicable discount rates to value estimated cash flows. Changes in economic and operating conditions impacting these assumptions could result in asset impairments in future periods.

The fair value of goodwill for all of the Company's reporting units exceeded its carrying value by at least 10% as of the testing date during the fourth quarter of 2016. Key assumptions in estimating the reporting unit's fair value include assumed market participant assumptions of revenue growth, operating margins and the rate used to discount future cash flows. Actual revenue growth and operating margins below the assumed market participant assumptions or an increase in the discount rate would have a negative impact on the fair value of the reporting unit that could result in a goodwill impairment charge in a future period.

Revenue Recognition

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

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

Stock-Based Compensation

The Company uses the Black-Scholes option pricing model for estimating fair values of options. The Black-Scholes model requires assumptions regarding the volatility of the Company's common shares, the expected life of the stock award and the

Company's dividend yield. The Company utilizes historical data in determining these assumptions. An increase or decrease in the assumptions or economic events outside of management's control could have an impact on the Black-Scholes model.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Included below is a sensitivity analysis based upon a hypothetical 10% weakening or strengthening in the U.S. dollar compared to foreign currency exchange rates at December 31, 2016 and a 100 basis point increase in effective interest rates at December 31, 2016. The derivative, borrowing and investment arrangements in effect at December 31, 2016 were compared to the hypothetical foreign exchange or interest rates in the sensitivity analysis to determine the effect on the Company's current period consolidated financial statements.

Foreign Currency Exchange Risk

The Company enters into forward foreign exchange contracts principally to hedge the currency fluctuations in transactions denominated in foreign currencies, thereby limiting the Company's risk that would otherwise result from changes in exchange rates.

At December 31, 2016, the Company hedged certain third-party and inter-company purchases and sales. The gross notional amount of these foreign exchange contracts at December 31, 2016 was $36,385. At December 31, 2016, a hypothetical 10% strengthening or weakening in the U.S. dollar would have changed Accumulated other comprehensive income (loss) by $1,601.

In addition, the Company enters into forward foreign exchange contracts to hedge transaction exposures or significant cross-border intercompany loans by either purchasing or selling specified amounts of foreign currency at a specified date. The gross notional amount of these foreign exchange contracts at December 31, 2016 was $261,168. A hypothetical 10% change in the year-end exchange rates would have resulted in an increase or decrease to Income before income taxes of $19,556 related to these positions. However, any loss (or gain) resulting from a hypothetical 10% change would be offset by the associated gain (or loss) on the underlying balance sheet exposure and would ultimately not materially affect the Company’s financial statements.

Commodity Price Risk

From time to time, the Company uses various hedging arrangements to manage exposures to price risk from commodity purchases. These hedging arrangements have the effect of fixing for specified periods the prices the Company will pay for the volume to which the hedge relates. The Company had no commodity contracts outstanding during 2016 .

Interest Rate Risk

At December 31, 2016, the Company had various floating interest rate swaps used to convert $100,000 of its outstanding fixed-rate, long-term borrowings into short-term variable interest rates. The fixed-rate nature of the remaining long-term borrowings limits the Company's exposure to changes in near-term interest rates. An increase in interest expense resulting from a hypothetical increase of 100 basis points in the December 31, 2016 floating rate, would not materially affect the Company’s financial statements. A hypothetical 100 basis point increase to effective interest rates would also impact the fair value of interest rate swap. However, any loss resulting from this hypothetical scenario would be offset by the associated gain on the underlying debt and have no impact on the Company’s consolidated financial statements.

The fair value of the Company's cash and cash equivalents and marketable securities at December 31, 2016 approximated cost due to their short-term duration. These financial instruments are subject to concentrations of credit risk. The Company has minimized this risk by entering into investments with a number of major banks and financial institutions and investing in high-quality instruments. The Company does not expect any counter-parties to fail to meet their obligations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting as of December 31, 2016 based on the 2013 framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Company's evaluation under such framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included elsewhere in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the fourth quarter of 2016 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company is expected to file its 2017 proxy statement pursuant to Regulation 14A of the Exchange Act within 120 days after December 31, 2016.

Except for the information set forth within Part I, Item 1C section of this Annual Report on Form 10-K concerning our Executive Officers, the information required by this item is incorporated by reference from the 2017 proxy statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the 2017 proxy statement.

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

The information required by this item is incorporated by reference from the 2017 proxy statement.

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

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

The information required by this item is incorporated by reference from the 2017 proxy statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference from the 2017 proxy statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

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

Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Consolidated Balance Sheets – December 31, 2016 and 2015

Consolidated Statements of Income – Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income – Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Equity – Years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Cash Flows – Years ended December 31, 2016, 2015 and 2014

Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules

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

Schedule II – Valuation and Qualifying Accounts

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

(a)(3) Exhibits

Exhibit No.	Description
3.1	Amended and Restated Code of Regulations of Lincoln Electric Holdings, Inc. (filed as Exhibit 3.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on April 29, 2014, SEC file No. 0-1402 and incorporated herein by reference and made a part hereof).
3.2	Amended and Restated Articles of Incorporation of Lincoln Electric Holdings, Inc. (filed as Exhibit 3.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on September 27, 2011, SEC file No. 0-1402 and incorporated herein by reference and made a part hereof).
10.1	Amended and Restated Credit Agreement, dated as of July 26, 2012, by and among Lincoln Electric Holdings, Inc., The Lincoln Electric Company, Lincoln Electric International Holding Company, J.W. Harris Co., Inc., Techalloy, Inc., Wayne Trail Technologies, Inc., Lincoln Global, Inc., the Lenders and KeyBank National Association, as Letter of Credit Issuer and Administrative Agent (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on July 31, 2012, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.2	First Amendment to Amended and Restated Credit Agreement, dated as of September 12, 2014, by and among Lincoln Electric Holdings, Inc., The Lincoln Electric Company, Lincoln Electric International Holding Company, J.W. Harris Co., Inc., Techalloy, Inc., Wayne Trail Technologies, Inc., Lincoln Global, Inc., the Lenders and KeyBank National Association (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on September 17, 2014, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.3	Note Purchase Agreement, dated as of April 1, 2015, by and among Lincoln Electric Holdings, Inc., The Lincoln Electric Company, Lincoln Electric International Holding Company, J.W. Harris Co., Inc., Lincoln Global, Inc., Techalloy, Inc., Wayne Trail Technologies, Inc. and the purchasers party thereto (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on April 2, 2015, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.4	Note Purchase Agreement, dated as of October 20, 2016, by and among Lincoln Electric Holdings, Inc., The Lincoln Electric Company, Lincoln Electric International Holding Company, J.W. Harris Co., Inc., Techalloy, Inc. and Wayne Trail Technologies, Inc. and the purchaser party thereto (filed herewith).
10.5*	Supplemental Executive Retirement Plan (Amended and Restated as of December 31, 2008) (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on January 7, 2009, SEC File No. 0-1402 and incorporated herein by reference and made part hereof).

Exhibit No.	Description
10.6*	Amendment No. 1 to Supplemental Executive Retirement Plan (As Amended and Restated as of December 31, 2008) dated November 29, 2016 (filed herewith).
10.7*	Deferred Compensation Plan for Certain Retention Agreements and Other Contractual Arrangements (Amended and Restated as of January 1, 2004) (filed as Exhibit 10(i) to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2003, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.8*	Non-Employee Directors' Deferred Compensation Plan (Amended and Restated as of December 31, 2008) (filed as Exhibit 10.3 to Form 8-K of Lincoln Electric Holdings, Inc. filed on January 7, 2009, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.9*	2005 Deferred Compensation Plan for Executives (Amended and Restated as of January 1, 2016) (filed as Exhibit 10.6 to Form 10-K of Lincoln Electrics Holdings, Inc. for the year ended December 31, 2015, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.10*	The Lincoln Electric Company Restoration Plan (filed as Exhibit 4.3 to Form S-8 of Lincoln Electric Holdings, Inc. filed on December 19, 2016, SEC File No. 333-215168, and incorporated herein by reference and made a part hereof).
10.11*	The Lincoln Electric Company Employee Savings Plan As Amended and Restated Effective January 1, 2017 dated December 20, 2016 (filed herewith).
10.12*	Form of Severance Agreement (as entered into by the Company and its executive officers) (filed as Exhibit 10.1 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended June 30, 2009, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.13*	2006 Equity and Performance Incentive Plan (Restated as of March 3, 2011) (filed as Annex A to the Lincoln Electric Holdings, Inc. proxy statement filed on March 18, 2011, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.14*	2006 Stock Plan for Non-Employee Directors (filed as Appendix C to the Lincoln Electric Holdings, Inc. proxy statement dated March 28, 2006, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.15*	Amendment No. 1 to the 2006 Stock Plan for Non-Employee Directors dated October 20, 2006 (filed as Exhibit 10.2 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended March 31, 2007, SEC file No. 0-1402 and incorporated herein by reference and made a part hereof).
10.16*	Amendment No. 2 to the 2006 Stock Plan for Non-Employee Directors dated July 26, 2007 (filed as Exhibit 10.1 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended September 30, 2007, SEC file No. 0-1402 and incorporated herein by reference and made a part hereof).
10.17*	Amendment No. 3 to the 2006 Stock Plan for Non-Employee Directors dated December 15, 2014 (filed as Exhibit 10.20 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2014, SEC file No. 0-1402 and incorporated herein by reference and made a part hereof).
10.18*	2015 Equity and Incentive Compensation Plan (filed as Appendix B to the Lincoln Electric Holdings, Inc. definitive proxy statement filed on March 18, 2015, SEC File No. 0-1402, and incorporated herein by reference and made a part hereof).
10.19*	2015 Stock Plan for Non-Employee Directors (filed as Appendix C to the Lincoln Electric Holdings, Inc. definitive proxy statement filed on March 18, 2015, SEC File No. 0-1402, and incorporated herein by reference and made a part hereof).
10.20*	Form of Stock Option Agreement for Executive Officers (for awards made before December 2010) (filed as Exhibit 10.4 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended September 30, 2010, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.21*	Form of Stock Option Agreement for Executive Officers (for awards made on or after December 1, 2010) (filed as Exhibit 10.37 to Form 10-K of the Lincoln Electric Holdings, Inc. for the year ended December 31, 2010, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.22*	Form of Restricted Stock Unit Agreement for Executive Officers (for awards made prior to December 2013) (filed as Exhibit 10.2 to Form 8-K of Lincoln Electric Holdings, Inc. filed on August 4, 2011, SEC File No. 0-1402 and incorporated herein by reference and made a part thereof).
10.23*	Form of Amendment to Restricted Stock Unit Agreement for Executive Officers (for awards made prior to December 2013) (filed as Exhibit 10.2 to Form 8-K of Lincoln Electric Holdings, Inc. filed on December 20, 2013, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).

Exhibit No.	Description
10.24*	Form of Restricted Stock Unit Agreement for Executive Officers (for awards made on or after December 2013 - October 2015) (filed as Exhibit 10.33 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2013, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.25*	Form of Restricted Share Agreement for Non-Employee Directors (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on July 29, 2015, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.26*	Form of Restricted Stock Unit Agreement for Executive Officers (for awards made on or after October 2015) (filed as Exhibit 10.21 to Form 10-K of Lincoln Electrics Holdings, Inc. for the year ended December 31, 2015, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.27*	Form of Performance Share Award Agreement for Executive Officers (filed as Exhibit 10.22 to Form 10-K of Lincoln Electrics Holdings, Inc. for the year ended December 31, 2015, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.28*	Form of Officer Indemnification Agreement (effective February 23, 2012) (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on February 29, 2012, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.29*	Form of Director Indemnification Agreement (effective February 23, 2012) (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on February 29, 2012, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm.
24	Powers of Attorney.
31.1	Certification by the Chairman, President and Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification by the Executive Vice President, Chief Financial Officer and Treasurer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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

SIGNATURES

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

LINCOLN ELECTRIC HOLDINGS, INC.

By: /s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman
Senior Vice President, Corporate Controller
(principal accounting officer)
February 24, 2017

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

/s/ CHRISTOPHER L. MAPES

Christopher L. Mapes,
Chairman, President and Chief Executive Officer
(principal executive officer)
February 24, 2017

/s/ VINCENT K. PETRELLA

Vincent K. Petrella,
Executive Vice President, Chief Financial Officer and Treasurer
(principal financial officer)
February 24, 2017

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman,
Senior Vice President, Corporate Controller
(principal accounting officer)
February 24, 2017

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Curtis E. Espeland, Director
February 24, 2017

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
David H. Gunning, Director
February 24, 2017

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Stephen G. Hanks, Director
February 24, 2017

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Michael F. Hilton, Director
February 24, 2017

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
G. Russell Lincoln, Director
February 24, 2017

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Kathryn Jo Lincoln, Director
February 24, 2017

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
William E. MacDonald, III, Director
February 24, 2017

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Phillip J. Mason, Director
February 24, 2017

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Hellene S. Runtagh, Director
February 24, 2017

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
George H. Walls, Jr., Director
February 24, 2017

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Lincoln Electric Holdings, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index as Item 15 (a) (2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lincoln Electric Holdings, Inc. and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lincoln Electric Holdings, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio
February 24, 2017

Report of Independent Registered Public Accounting Firm

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

We have audited Lincoln Electric Holdings, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Lincoln Electric Holdings, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting in Item 9A. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Lincoln Electric Holdings, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Lincoln Electric Holdings, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2016 of Lincoln Electric Holdings, Inc. and subsidiaries and our report dated February 24, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio
February 24, 2017

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

	December 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 379,179	$ 304,183
Accounts receivable (less allowance for doubtful accounts of $7,768 in 2016; $7,299 in 2015)	273,993	264,715
Inventories (Note 15)	255,406	275,930
Other current assets (Note 1)	135,135	91,167
Total Current Assets	1,043,713	935,995
Property, plant and equipment, net (Note 1)	$ 372,377	$ 411,323
Intangibles, net (Note 4)	130,088	120,719
Goodwill (Note 4)	231,919	187,504
Deferred income taxes (Note 12)	8,424	8,683
Other assets	156,916	119,947
TOTAL ASSETS	$ 1,943,437	$ 1,784,171
LIABILITIES AND EQUITY		
Current Liabilities		
Amounts due banks (Note 8)	$ 1,758	$ 2,822
Trade accounts payable	176,757	152,620
Accrued employee compensation and benefits	67,431	65,571
Dividends payable	22,986	22,622
Customer advances	21,238	16,112
Other current liabilities	97,806	108,919
Current portion of long-term debt (Note 8)	131	1,456
Total Current Liabilities	388,107	370,122
Long-term debt, less current portion (Note 8)	703,704	350,347
Deferred income taxes (Note 12)	41,617	46,662
Other liabilities (Note 1)	97,803	84,592
Total Liabilities	1,231,231	851,723
Shareholders' Equity		
Preferred shares, without par value – at stated capital amount; authorized – 5,000,000 shares; issued and outstanding – none	—	—
Common shares, without par value – at stated capital amount; authorized – 240,000,000 shares; issued – 98,581,434 shares in 2016 and 2015; outstanding – 65,674,754 shares in 2016 and 70,693,389 shares in 2015	9,858	9,858
Additional paid-in capital	309,417	272,908
Retained earnings	2,236,071	2,125,838
Accumulated other comprehensive loss	(329,037)	(296,267)
Treasury shares, at cost – 32,906,680 shares in 2016 and 27,888,045 shares in 2015	(1,514,832)	(1,180,750)
Total Shareholders' Equity	711,477	931,587
Non-controlling interests	729	861
Total Equity	712,206	932,448
TOTAL LIABILITIES AND EQUITY	$ 1,943,437	$ 1,784,171

See notes to these consolidated financial statements.

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

	Year Ended December 31,		
	2016	2015	2014
Net sales	$ 2,274,614	$ 2,535,791	$ 2,813,324
Cost of goods sold	1,485,316	1,694,647	1,864,027
Gross profit	789,298	841,144	949,297
Selling, general & administrative expenses	466,676	496,748	545,497
Rationalization and asset impairment charges (Note 6)	—	19,958	30,053
Pension settlement charges (Note 11)	—	142,738	—
Loss on deconsolidation of Venezuelan subsidiary (Note 1)	34,348	—	—
Operating income	288,274	181,700	373,747
Other income (expense):			
Interest income	2,092	2,714	3,093
Equity earnings in affiliates	2,928	3,015	5,412
Other income	3,173	4,182	3,995
Interest expense	(19,079)	(21,824)	(10,434)
Total other income (expense)	(10,886)	(11,913)	2,066
Income before income taxes	277,388	169,787	375,813
Income taxes (Note 12)	79,015	42,375	121,933
Net income including non-controlling interests	198,373	127,412	253,880
Non-controlling interests in subsidiaries' loss	(26)	(66)	(806)
Net income	$ 198,399	$ 127,478	$ 254,686
Basic earnings per share	$ 2.94	$ 1.72	$ 3.22
Diluted earnings per share	$ 2.91	$ 1.70	$ 3.18
Cash dividends declared per share	$ 1.31	$ 1.19	$ 0.98

See notes to these consolidated financial statements.

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

	Year Ended December 31,		
	2016	2015	2014
Net income including non-controlling interests	$ 198,373	$ 127,412	$ 253,880
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax of $(21) in 2016; $336 in 2015; $(121) in 2014	39	557	(378)
Defined pension plan activity, net of tax of $4,297 in 2016; $61,538 in 2015; $(20,951) in 2014	3,837	98,117	(37,200)
Currency translation adjustment	(36,752)	(106,935)	(98,365)
Transactions with non-controlling interests	—	(7)	(4)
Other comprehensive loss	(32,876)	(8,268)	(135,947)
Comprehensive income	165,497	119,144	117,933
Comprehensive loss attributable to non-controlling interests	(132)	(689)	(72)
Comprehensive income attributable to shareholders	$ 165,629	$ 119,833	$ 118,005

See notes to these consolidated financial statements.

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

	Common Shares Outstanding	Common Shares	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Non-controlling Interests	Total
Balance at December 31, 2013	81,010	$ 9,858	$ 240,519	$ 1,908,462	$ (151,941)	$ (480,296)	$ 4,086	$ 1,530,688
Net income				254,686			(806)	253,880
Unrecognized amounts from defined benefit pension plans, net of tax					(37,200)			(37,200)
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax					(378)			(378)
Currency translation adjustment					(99,099)		734	(98,365)
Cash dividends declared – $0.98 per share				(76,974)				(76,974)
Stock-based compensation activity	385		19,781			3,797		23,578
Purchase of shares for treasury	(4,398)					(307,178)		(307,178)
Transactions with non-controlling interests			(1,484)		(4)		(782)	(2,270)
Balance at December 31, 2014	76,997	9,858	258,816	2,086,174	(288,622)	(783,677)	3,232	1,285,781
Net income				127,478			(66)	127,412
Unrecognized amounts from defined benefit pension plans, net of tax					98,117			98,117
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax					557			557
Currency translation adjustment					(106,312)		(623)	(106,935)
Cash dividends declared – $1.19 per share				(87,814)				(87,814)
Stock-based compensation activity	274		14,092			2,421		16,513
Purchase of shares for treasury	(6,578)					(399,494)		(399,494)
Transactions with non-controlling interests					(7)		(1,682)	(1,689)
Balance at December 31, 2015	70,693	9,858	272,908	2,125,838	(296,267)	(1,180,750)	861	932,448
Net income				198,399			(26)	198,373
Unrecognized amounts from defined benefit pension plans, net of tax					3,837			3,837
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax					39			39
Currency translation adjustment					(36,646)		(106)	(36,752)
Cash dividends declared – $1.31 per share				(88,166)				(88,166)
Stock-based compensation activity	843		36,509			7,921		44,430
Purchase of shares for treasury	(5,862)					(342,003)		(342,003)
Balance at December 31, 2016	65,674	$ 9,858	$ 309,417	$ 2,236,071	$ (329,037)	$ (1,514,832)	$ 729	$ 712,206

See notes to these consolidated financial statements.

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

	Year Ended December 31,		
	2016	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 198,399	$ 127,478	$ 254,686
Non-controlling interests in subsidiaries' loss	(26)	(66)	(806)
Net income including non-controlling interests	198,373	127,412	253,880
Adjustments to reconcile Net income including non-controlling interests to Net cash provided by operating activities:			
Rationalization and asset impairment charges	—	6,269	29,574
Loss on deconsolidation of Venezuelan subsidiary (Note 1)	34,348	—	—
Depreciation and amortization	65,073	64,007	69,607
Equity earnings in affiliates, net	(261)	(530)	(1,848)
Deferred income taxes	(9,805)	(55,728)	17,887
Stock-based compensation (Note 9)	10,332	7,932	8,416
Pension expense, settlements and curtailments (Note 11)	13,988	162,815	12,395
Pension contributions and payments	(22,484)	(53,547)	(36,072)
Other, net	(4,076)	958	18,095
Changes in operating assets and liabilities, net of effects from acquisitions:			
(Increase) decrease in accounts receivable	(12,314)	56,741	5,876
Decrease (increase) in inventories	14,601	56,067	(5,718)
Decrease (increase) in other current assets	1,532	(19,972)	32,081
Increase (decrease) in accounts payable	29,627	(46,911)	2,135
Decrease in other current liabilities	(18,440)	(463)	(3,736)
Net change in other assets and liabilities	2,909	5,808	(870)
NET CASH PROVIDED BY OPERATING ACTIVITIES	303,403	310,858	401,702
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(49,877)	(50,507)	(72,990)
Acquisition of businesses, net of cash acquired (Note 3)	(71,567)	(37,076)	(24,230)
Proceeds from sale of property, plant and equipment	1,127	2,310	17,457
Purchase of marketable securities (Note 1)	(38,920)	—	—
Other investing activities	(709)	(79)	778
NET CASH USED BY INVESTING ACTIVITIES	(159,946)	(85,352)	(78,985)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	1,892	12,505	11,124
Payments on short-term borrowings	(1,822)	(9,268)	(12,226)
Amounts due banks, net	1,469	(37,466)	48,978
Proceeds from long-term borrowings	350,261	357,780	8,754
Payments on long-term borrowings	(481)	(6,945)	(3,299)
Proceeds from exercise of stock options	25,049	5,996	9,116
Excess tax benefit from stock-based compensation	9,154	1,974	5,967
Purchase of shares for treasury	(342,003)	(399,494)	(307,178)
Cash dividends paid to shareholders	(87,330)	(86,968)	(73,261)
Other financing activities (Note 14)	(19,043)	(8,022)	(2,330)
NET CASH USED BY FINANCING ACTIVITIES	(62,854)	(169,908)	(314,355)
Effect of exchange rate changes on cash and cash equivalents	(5,607)	(29,794)	(29,808)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	74,996	25,804	(21,446)
Cash and cash equivalents at beginning of year	304,183	278,379	299,825
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 379,179	$ 304,183	$ 278,379

See notes to these consolidated financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

General Information

The Company is a manufacturer of welding, cutting and brazing products. Welding products include arc welding power sources, plasma cutters, wire feeding systems, robotic welding packages, integrated automation systems, fume extraction equipment, consumable electrodes, fluxes and welding accessories and specialty welding consumables and fabrication. The Company's product offering also includes computer numeric controlled ("CNC") plasma and oxy-fuel cutting systems, regulators and torches used in oxy-fuel welding, cutting and brazing and consumables used in the brazing and soldering alloys market.

Translation of Foreign Currencies

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

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

Foreign currency transaction gains and losses are included in Selling, general & administrative expenses and were gains of $3,741 in 2016 and losses of $6,023 and $22,351 in 2015 and 2014, respectively.

Venezuela – Deconsolidation

Effective June 30, 2016, the Company determined that deteriorating conditions in Venezuela had led the Company to no longer meet the accounting criteria for control over its Venezuelan subsidiary. The restrictive exchange controls in Venezuela and the lack of access to U.S. dollars through official currency exchange mechanisms resulted in an other-than-temporary lack of exchangeability between the Venezuela bolivar and the U.S. dollar, and restricted the Venezuela operations ability to pay dividends and satisfy other obligations denominated in U.S. dollars. Additionally, other operating restrictions including government controls on pricing, profits, imports and restrictive labor laws significantly impacted the Company's ability to make key operational decisions, including the ability to manage its capital structure, purchasing, product pricing and labor relations. Therefore, as of June 30, 2016, the Company deconsolidated the financial statements of its subsidiary in Venezuela and began reporting the results under the cost method of accounting.

As a result of the deconsolidation, the Company recorded a pretax charge of $34,348 ($33,251 after-tax) in the second quarter of 2016. The pretax charge includes the write-off of the Company's investment in Venezuela, including all inter-company balances and $283 of Cash and cash equivalents. Additionally, the charge includes foreign currency translation losses and pension losses previously included in Accumulated other comprehensive loss.

Beginning July 1, 2016, the Company no longer includes the results of the Venezuelan subsidiary in its consolidated financial statements. Under the cost method of accounting, if cash were to be received from the Venezuela entity in future periods from the sale of inventory, dividends or royalties, income would be recognized. The Company does not anticipate dividend or royalty payments being made in the foreseeable future and has no outstanding receivables or payables with the Venezuelan entity. The factors that led to the Company's conclusion to deconsolidate at June 30, 2016 continued to exist through December 31, 2016. The Company expects these conditions to continue for the foreseeable future.

Subsequent to the deconsolidation under the voting interest consolidation model, the Company determined that the Venezuelan subsidiary is considered to be a variable interest entity ("VIE"). As the Company does not have the power to direct the activities that most significantly affect the Venezuela subsidiary's economic performance, the Company is not the primary beneficiary of the VIE and therefore would not consolidate the entity under the VIE consolidation model. Due to the lack of ability to settle U.S. dollar obligations, the Company does not intend to sell into nor purchase inventory from the Venezuela

entity at this time. Additionally, the Company has no remaining financial commitments to the Venezuelan subsidiary and therefore believes the exposure to future losses are not material.

Prior to deconsolidation, the financial statements of the Company's Venezuelan operation had been reported under highly inflationary accounting rules since January 1, 2010. Under highly inflationary accounting, the financial statements of the Company's Venezuelan operation had been remeasured into the Company's reporting currency and exchange gains and losses from the remeasurement of monetary assets and liabilities were reflected in current earnings.

In February 2015, the Venezuelan government announced a new exchange market called the Marginal Currency System ("SIMADI"), which allowed for trading based on supply and demand. At September 30, 2015, the Company determined that the rate used in remeasuring the Venezuelan operation's financial statements into U.S. dollars would change to the SIMADI rate (now known as "DICOM"), as the SIMADI rate most appropriately approximated the rates used to transact business in its Venezuelan operations. At September 30, 2015, the SIMADI rate was 199.4 bolivars to the U.S. dollar, resulting in a remeasurement charge on the bolivar-denominated monetary net asset position of $4,334. This foreign exchange loss was recorded in Selling, general & administrative expenses during the three months ended September 30, 2015. Additionally, the Company recorded a lower of cost or net realizable value inventory adjustments of $22,880 within Cost of goods sold, related to the adoption of the SIMADI rate.

In January 2014, the exchange rate applicable to the settlement of certain transactions, including payments of dividends and royalties, changed to utilize the Complementary System of Foreign Currency Administration ("SICAD") auction-based exchange rate (the "SICAD rate"). As of March 31, 2014, the Company determined that the rate used in remeasuring the Venezuelan operation's financial statements into U.S. dollars would change to the SICAD rate as future remittances for dividend payments could be transacted at the SICAD rate. As of March 31, 2014, the SICAD rate was 10.7 bolivars to the U.S. dollar, which resulted in a remeasurement loss on the bolivar-denominated monetary net asset position of $17,665 which was recorded in Selling, general & administrative expenses in the three months ended March 31, 2014. Additionally, the Company incurred higher Cost of goods sold of $3,468 during the second quarter of 2014 related to the adoption of the SICAD rate.

Cash Equivalents

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

Accounts Receivable

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

Inventories

Inventories are valued at the lower of cost or net realizable value. Fixed manufacturing overhead costs are allocated to inventory based on normal production capacity and abnormal manufacturing costs are recognized as period costs. Cost for a substantial portion of U.S. inventories is determined on a last-in, first-out (" LIFO") basis. LIFO was used for 40% of total inventories at both December 31, 2016 and 2015. Cost of other inventories is determined by costing methods that approximate a first-in, first-out ("FIFO") basis. Refer to Note 15 for additional details.

Reserves are maintained for estimated obsolescence or excess inventory equal to the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future demand and market conditions. The reserve for excess and obsolete inventory was $19,252 and $19,198 at December 31, 2016 and 2015, respectively.

Marketable Securities

The Company's marketable securities consist of short-term highly liquid investments classified as available-for-sale and recorded at fair value using quoted market prices for similar assets at the end of the reporting period. The marketable securities are included in Other current assets in the accompanying Consolidated Balance Sheets. Refer to Note 14 for fair value information.

Prepaid Expenses

Prepaid expenses include prepaid insurance, prepaid rent, prepaid service contracts and other prepaid items. Prepaid expenses are included in Other current assets in the accompanying Consolidated Balance Sheets and amounted to $12,139 at December 31, 2016 and $11,624 at December 31, 2015.

Equity Investments

Investments in businesses in which the Company does not have a controlling interest and holds between a 20% and 50% ownership interest are accounted for using the equity method of accounting. The Company's 50% ownership interest in equity investments includes investments in Turkey and Chile. The amount of retained earnings that represents undistributed earnings of 50% or less owned equity investments was $19,333 at December 31, 2016 and $19,072 at December 31, 2015.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and include improvements which significantly increase capacities or extend the useful lives of existing plant and equipment. Depreciation and amortization are computed using a straight-line method over useful lives ranging from three to 20 years for machinery, tools and equipment, and up to 40 years for buildings. Net gains or losses related to asset dispositions are recognized in earnings in the period in which dispositions occur.

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

Property, plant and equipment, net in the Consolidated Balance Sheet is comprised of the following components:

	December 31,	
	2016	2015
Land	$ 46,219	$ 45,775
Buildings	335,885	362,325
Machinery and equipment	706,938	696,849
	1,089,042	1,104,949
Less accumulated depreciation	716,665	693,626
Total	$ 372,377	$ 411,323

Goodwill and Intangibles

Goodwill is recorded when the cost of acquired businesses exceeds the fair value of the identifiable net assets acquired. Intangible assets other than goodwill are recorded at fair value at the time acquired or at cost, if applicable. Intangible assets that do not have indefinite lives are amortized in line with the pattern in which the economic benefits of the intangible asset are consumed. If the pattern of economic benefit cannot be reliably determined, the intangible assets are amortized on a straight-line basis over the shorter of the legal or estimated life. Goodwill and indefinite-lived intangibles assets are not amortized, but are tested for impairment in the fourth quarter using the same dates each year or more frequently if changes in circumstances or the occurrence of events indicate potential impairment.

The fair value of each indefinite-lived intangible asset is compared to its carrying value and an impairment charge is recorded if the carrying value exceeds the fair value. For goodwill, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, and whether it is necessary to perform the quantitative goodwill impairment test. The quantitative test is required only if the Company concludes that it is more likely than not that a reporting unit's fair value is less than its carrying amount. The quantitative goodwill impairment analysis is a two-step process. Goodwill is tested by first comparing the fair value of each reporting unit with its carrying value. If the carrying value of the reporting unit exceeds its fair value, the implied value of goodwill is compared to its carrying value and impairment is recognized to the extent that the carrying value exceeds the implied fair value.

Fair values are determined using established business valuation techniques and models developed by the Company, estimates of market participant assumptions of future cash flows, future growth rates and the applicable discount rates to value estimated cash flows. Changes in economic and operating conditions impacting these assumptions could result in asset impairments in future periods. Refer to Note 4 for additional details.

Long-Lived Assets

The Company periodically evaluates whether current facts or circumstances indicate that the carrying value of its depreciable long-lived assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of

undiscounted future cash flows produced by the long-lived asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether impairment exists. If an asset is determined to be impaired, a loss is recognized to the extent that carrying value exceeds fair value. Fair value is measured based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. Refer to Notes 4 and 6 for additional details.

Fair Value Measurements

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

Refer to Notes 11 and 14 for additional details.

Product Warranties

The Company accrues for product warranty claims based on historical experience and the expected material and labor costs to provide warranty service. Warranty services are generally provided for periods up to three years from the date of sale. The accrual for product warranty claims is included in Other current liabilities. Refer to Note 18.

Revenue Recognition

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

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

Distribution Costs

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

Stock-Based Compensation

Expense is recognized for all awards of stock-based compensation by allocating the aggregate grant date fair value over the vesting period. No expense is recognized for any stock options, restricted or deferred shares or restricted stock units ultimately forfeited because the recipients fail to meet vesting requirements.

Common stock issuable upon the exercise of employee stock options is excluded from the calculation of diluted earnings per share when the calculation of option equivalent shares is anti-dilutive. Refer to Note 9 for additional details.

Financial Instruments

The Company uses derivative instruments to manage exposures to interest rates, commodity prices and currency exchange rate fluctuations on certain purchase and sales transactions, balance sheet and net investment exposures. Derivative contracts to

hedge currency and commodity exposures are generally written on a short-term basis but may cover exposures for up to two years while interest rate contracts may cover longer periods consistent with the terms of the underlying debt. The Company does not enter into derivatives for trading or speculative purposes.

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

The Company is subject to the credit risk of the counterparties to derivative instruments. Counterparties include a number of major banks and financial institutions. The Company manages individual counterparty exposure by monitoring the credit rating of the counterparty and the size of financial commitments and exposures between the Company and the counterparty.

Cash flow hedges

Certain foreign currency forward contracts are qualified and designated as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows). The effective portion of the fair value unrealized gain or loss on cash flow hedges are reported as a component of Accumulated other comprehensive income ("AOCI") with offsetting amounts recorded as Other current assets, Other assets, Other current liabilities or Other liabilities depending on the position and the duration of the contract. At settlement, the realized gain or loss is recorded in Cost of goods sold or sales for hedges of purchases and sales, respectively, in the same period or periods during which the hedged transaction affects earnings. The ineffective portion on cash flow hedges is recognized in current earnings.

Fair value hedges

Certain interest rate swap agreements were qualified and designated as fair value hedges. The interest rate swap agreements designated as fair value hedges meet the shortcut method requirements under accounting standards for derivatives and hedging. Accordingly, changes in the fair value of these agreements are considered to exactly offset changes in the fair value of the underlying long-term debt. The effective portion of the changes in fair value are recorded in Other assets or Other liabilities with offsetting amounts recorded as a fair value adjustment to the carrying value of Long-term debt, less current portion.

Net investment hedges

For derivative instruments that qualify as a net investment hedge (i.e., hedging the foreign currency exposure of a net investment in a foreign operation), the effective portion of the fair value gains or losses are recognized in AOCI with offsetting amounts recorded as Other current assets, Other assets, Other current liabilities or Other liabilities depending on the position and the duration of the contract. The gains or losses are subsequently reclassified to Selling, general and administrative expenses, as the underlying hedged investment is liquidated.

Derivatives not designated as hedging instruments

The Company has certain derivative instruments which are not designated as hedging instruments including foreign exchange forward contracts and commodity price contracts. Foreign exchange forward contracts are held as economic hedges of certain balance sheet exposures and qualify as fair value hedges (i.e., hedging the exposure to changes in the fair value of an asset or a liability). The gains or losses on these contracts are recognized in Selling, general and administrative expenses, offsetting the losses or gains on the exposures being hedged. Short-term commodity price contracts are not designated as hedges. Realized and unrealized gains and losses on these contracts are recognized in Costs of goods sold.

Refer to Note 13 for additional details.

Research and Development

Research and development costs are charged to Selling, general & administrative expenses as incurred and totaled $44,720, $47,182 and $43,256 in 2016, 2015 and 2014, respectively.

Bonus

Included in Selling, general & administrative expenses are the costs related to the Company's discretionary employee bonus programs, which for certain U.S.-based employees are net of hospitalization costs. Bonus costs were $83,620 in 2016, $98,651 in 2015 and $128,478 in 2014.

Income Taxes

Deferred income taxes are recognized at currently enacted tax rates for temporary differences between the GAAP and income tax basis of assets and liabilities and operating loss and tax credit carry-forwards. In assessing the realizability of deferred tax assets, the Company assesses whether it is more likely than not that a portion or all of the deferred tax assets will not be realized. Refer to Note 12 for additional details.

Estimates

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

Reclassification

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

New Accounting Pronouncements

The following section provides a description of new accounting pronouncements ("Accounting Standard Update" or "ASU") issued by the Financial Accounting Standards Board ("FASB") that are applicable to the Company.

New Accounting Pronouncements Adopted:

The following ASUs were adopted as of January 1, 2016 and did not have a significant financial impact on the Company's financial statements:

Standard	Description
Accounting Standard Update ("ASU") No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*, issued September 2015	ASU 2015-16 requires an acquiring entity to: recognize adjustments to provisional amounts identified during the measurement period in the reporting period in which the adjustment amounts are determined; record the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the change to the provisional amounts; present separately on the face of the statement of operations or disclose in the notes the portion of the amount recorded in current-period earnings that would have been recorded in previous reporting periods if the adjustment had been recognized as of the acquisition date.
ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share*, issued May 2015	ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and removes the requirement to make certain disclosures for these investments.
ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, issued February 2015	ASU 2015-02 modifies the evaluation of whether limited partnership and similar legal entities are VIEs or voting interest entities, affects the consolidation analysis of reporting entities that are involved with VIEs and provides scope exceptions.

New Accounting Pronouncements to be Adopted:

In March 2016, the FASB issued ASU No. 2016-09, *"Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting."* ASU 2016-09 amends several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The Company adopted ASU 2016-09 effective January 1, 2017.

ASU 2016-09 requires prospective recognition of excess tax benefits and deficiencies resulting from stock-based compensation awards vesting and exercises be recognized as a discrete income tax adjustment in the income statement. Previously, these amounts were recognized in Additional paid-in capital. The impact of the tax adjustment will vary depending on the amount and timing of stock options. In addition, ASU 2016-09 requires excess tax benefits and deficiencies to be prospectively excluded from the assumed future proceeds in the calculation of diluted shares. The Company expects this change to increase the number of diluted shares in subsequent periods, but not have a material impact on diluted earnings per share.

ASU 2016-09 requires that excess tax benefits from share based compensation awards be reported as operating activities in the Consolidated Statements of Cash Flows. Previously, this activity was included in financing activities on the Consolidated Statement of Cash Flows. The Company has elected to apply this change on a retrospective basis. As a result, in subsequent periods, the Company expects 2016 and 2015 Net cash provided by operating activities and Net cash used by financing

activities to increase by the amount reported as Excess tax benefits from stock-based compensation on the Consolidated Statements of Cash Flows.

ASU 2016-09 requires that employee taxes paid when an employer withholds shares for tax-withholding purposes be reported as financing activities in the Consolidated Statements of Cash Flows on a retrospective basis. Previously, this activity was included in operating activities. The Company expects the impact of this change to be immaterial to the Consolidated Statements of Cash Flows.

The Company has elected to continue to estimate the number of stock-based awards expected to vest, as permitted by ASU 2016-09, rather than electing to account for forfeitures as they occur.

In May 2014, the FASB issued ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)."* ASU 2014-09 requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment also specifies the accounting of some costs to obtain or fulfill a contract with a customer and expands the disclosure requirements around contracts with customers. In August 2015, the FASB issued ASU 2015-14, "*Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*," which deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted as of annual reporting periods beginning after December 15, 2016. An entity can either adopt this amendment retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of initial application. To evaluate the impact of adopting this new guidance on the consolidated financial statements, the Company completed a scoping analysis of revenue streams against the requirements of the standard. In addition, the Company is in the process of reviewing customer contracts, as well as identifying and implementing changes to processes and controls to meet the standard's reporting and disclosure requirements. ASU 2014-09 will accelerate the timing of when certain transactions are recognized as revenue upon adoption of the guidance's control model. The Company is currently evaluating the impact of the adoption of ASU 2014-09.

The Company is currently evaluating the impact on its financial statements of the following ASUs:

Standard	Description
ASU No. 2017-04, *Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, issued January 2017.	ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under this ASU, an entity should perform the Step 1 annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. If the carrying amount exceeds the fair value, an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The ASU is effective January 1, 2020, early adoption is permitted and the ASU should be applied prospectively.
ASU No. 2016-18, *Statement of Cash Flows(Topic 230): Restricted Cash,* issued November 2016.	ASU 2016-18 requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU is effective January 1, 2018, early adoption is permitted and the ASU should be applied retrospectively.
ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory,* issued October 2016.	ASU 2016-16 requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The ASU is effective January 1, 2018, early adoption is permitted and the ASU should be applied using a modified retrospective approach, through a cumulative-effect adjustment directly to retained earnings, as of the beginning of the period of adoption.
ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* issued August 2016.	ASU 2016-15 reduces existing diversity in practice by addressing eight specific cash flow issues related to how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The ASU is effective January 1, 2018, early adoption is permitted and the ASU should be applied retrospectively (or prospectively as of earliest date practicable).
ASU No. 2016-02, *Leases (Topic 842)*, issued February 2016.	ASU 2016-02 aims to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing agreements. Entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The ASU is effective January 1, 2019, early adoption is permitted and the ASU should be applied using either a modified retrospective or modified retrospective with practical expedients approach.

NOTE 2 - EARNINGS PER SHARE

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

	Year Ended December 31,		
	2016	2015	2014
Numerator:			
Net income	$ 198,399	$ 127,478	$ 254,686
Denominator:			
Basic weighted average shares outstanding	67,462	74,111	79,185
Effect of dilutive securities - Stock options and awards	694	743	911
Diluted weighted average shares outstanding	68,156	74,854	80,096
Basic earnings per share	$ 2.94	$ 1.72	$ 3.22
Diluted earnings per share	$ 2.91	$ 1.70	$ 3.18

For the years ended December 31, 2016, 2015 and 2014, common shares subject to equity-based awards of 774,502, 522,471 and 260,090, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

NOTE 3 – ACQUISITIONS

During May 2016, the Company acquired Vizient Manufacturing Solutions ("Vizient"). Vizient, based in Bettendorf, Iowa, is a robotic integrator specializing in custom engineered tooling and automated arc welding systems for general and heavy fabrication applications. The acquisition assisted in diversifying end-market exposure and broadening global growth opportunities.

During August 2015, the Company acquired Specialised Welding Products ("SWP"). SWP, based in Melbourne, Australia, is a provider of specialty welding consumables and fabrication, maintenance and repair services for alloy and wear resistant products commonly used in mining and energy sector applications. The acquisition broadened the Company's presence and specialty alloy offering in Australia and New Zealand.

Also in August 2015, the Company acquired Rimrock Holdings Corporation ("Rimrock"). Rimrock is a manufacturer of industrial automation products and robotic systems with two divisions, Wolf Robotics LLC, based in Fort Collins, Colorado, and Rimrock Corporation, based in Columbus, Ohio. Wolf Robotics integrates robotic welding and cutting systems predominantly for heavy fabrication and transportation OEMs and suppliers. The acquisition advanced the Company's leadership position in automated welding and cutting solutions. Rimrock Corporation designs and manufactures automated spray systems and turnkey robotic systems for the die casting, foundry and forging markets.

During October 2014, the Company acquired substantially all of the assets of Easom Automation Systems, Inc. ("Easom"). Easom, based in Detroit, Michigan, is an integrator and manufacturer of automation and positioning solutions, serving heavy fabrication, aerospace and automotive OEMs and suppliers. The acquisition advanced the Company's leadership position in automated welding and cutting solutions. In addition, during 2014, the Company acquired the remaining interest in its majority-owned joint venture, Harris Soldas Especiais S.A.

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

NOTE 4 – GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill by reportable segments for the years ended December 31, 2016 and 2015 were as follows:

	Americas Welding	International Welding	The Harris Products Group	Consolidated
Balance as of December 31, 2014	$ 138,192	$ 28,850	$ 13,085	$ 180,127
Additions and adjustments	19,700	3,846	(301)	23,245
Impairment charges	—	(6,315)	—	(6,315)
Foreign currency translation	(5,557)	(3,036)	(960)	(9,553)
Balance as of December 31, 2015	152,335	23,345	11,824	187,504
Additions and adjustments	43,217	(30)	(301)	42,886
Foreign currency translation	826	349	354	1,529
Balance as of December 31, 2016	$ 196,378	$ 23,664	$ 11,877	$ 231,919

Additions to goodwill primarily reflect goodwill recognized in the acquisition of Vizient in 2016 and the acquisitions of Rimrock and SWP in 2015 (see Note 3 for additional details). During 2015, the Company determined that for certain long-lived assets of a business unit, the carrying value of the assets exceeded the fair value resulting in impairment (see Note 6 for additional details). This result was considered a possible indication of goodwill impairment, therefore, the Company performed an interim goodwill impairment test, using a combination of income and market valuation approaches resulting in a $6,315 non-cash impairment charge to the carrying value of goodwill. The adjustments to goodwill include the tax benefit attributable to the amortization of tax deductible goodwill in excess of goodwill recorded for financial reporting purposes.

Gross carrying values and accumulated amortization of intangible assets other than goodwill by asset class as of December 31, 2016 and 2015 were as follows:

	December 31, 2016		December 31, 2015	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangible assets not subject to amortization				
Trademarks and trade names	$ 17,113		$ 15,919	
Intangible assets subject to amortization				
Trademarks and trade names	$ 44,372	$ 20,648	$ 36,754	$ 18,243
Customer relationships	85,816	39,033	77,590	33,932
Patents	28,073	11,467	24,208	6,884
Other	52,071	26,209	54,586	29,279
Total intangible assets subject to amortization	$ 210,332	$ 97,357	$ 193,138	$ 88,338

Increases in gross intangible assets primarily reflect the acquisition of Vizient in 2016 and the acquisitions of Rimrock and SWP in 2015. During 2015, the Company recognized non-cash impairment charges of $3,417 related to trademarks and trade names, customer relationships and other definite lived intangible assets (see Note 6 for additional details). All impairment charges have been recorded within Rationalization and asset impairment charges.

During 2016, the Company acquired intangible assets, either individually or as part of a group of assets, with an initial purchase price allocation and weighted-average lives as follows:

	Year Ended December 31, 2016	
	Purchase Price Allocation	Weighted Average Life
Acquired intangible assets not subject to amortization		
Trademarks and trade names	$ 989	
Acquired intangible assets subject to amortization		
Trademarks and trade names	2,400	15
Customer relationships	14,500	10
Patents	1,458	20
Other	5,920	11
Total acquired intangible assets subject to amortization	$ 24,278	

Aggregate amortization expense was $14,525, $13,296 and $13,869 for 2016, 2015 and 2014, respectively. Estimated annual amortization expense for intangible assets for each of the next five years is $14,647 in 2017, $14,129 in 2018, $12,861 in 2019, $12,588 in 2020 and $11,678 in 2021.

NOTE 5 – SEGMENT INFORMATION

The Company's primary business is the design and manufacture of arc welding and cutting products, manufacturing a broad line of arc welding equipment, consumable welding products and other welding and cutting products. Welding products include arc welding power sources, CNC and plasma cutters, wire feeding systems, robotic welding packages, integrated automation systems, fume extraction equipment, consumable electrodes, fluxes and welding accessories and specialty welding consumables and fabrication. The Company's product offering also includes oxy-fuel cutting systems and regulators and torches used in oxy-fuel welding, cutting and brazing. In addition, the Company has a leading global position in the brazing and soldering alloys market.

During the first quarter of 2016, the Company realigned its organizational and leadership structure into three operating segments to support growth strategies and enhance the utilization of the Company's worldwide resources and global sourcing initiatives. The operating segments consist of Americas Welding, International Welding and The Harris Products Group. The Americas Welding segment includes welding operations in North and South America. The International Welding segment primarily includes welding operations in Europe, Africa, Asia and Australia. The Harris Products Group includes the Company's global cutting, soldering and brazing businesses as well as its retail business in the United States. All prior period results have been revised to reflect the realigned segment structure.

Segment performance is measured and resources are allocated based on a number of factors, the primary profit measure being adjusted earnings before interest and income taxes ("Adjusted EBIT"). EBIT is defined as Operating income plus Equity earnings in affiliates and Other income. Segment EBIT is adjusted for special items as determined by management such as the impact of rationalization activities, certain asset impairment charges and gains or losses on disposals of assets. The accounting principles applied at the operating segment level are generally the same as those applied at the consolidated financial statement level with the exception of LIFO. Segment assets include inventories measured on a FIFO basis while consolidated inventories include inventories reported on a LIFO basis. Segment and consolidated income before interest and income taxes include the effect of inventories reported on a LIFO basis. At December 31, 2016, 2015 and 2014, approximately 40% of total inventories were valued using the LIFO method. LIFO is used for a substantial portion of U.S. inventories included in Americas Welding. Inter-segment sales are recorded at agreed upon prices that approximate arm's length prices and are eliminated in consolidation. Corporate-level expenses are allocated to the operating segments.

Financial information for the reportable segments follows:

	Americas Welding	International Welding	The Harris Products Group	Corporate / Eliminations	Consolidated
For the Year Ended December 31, 2016					
Net sales	$ 1,494,982	$ 507,289	$ 272,343	$ —	$ 2,274,614
Inter-segment sales	93,612	15,975	8,709	(118,296)	$ —
Total	$ 1,588,594	$ 523,264	$ 281,052	$ (118,296)	$ 2,274,614
Adjusted EBIT	$ 266,633	$ 29,146	$ 32,380	$ 564	$ 328,723
Special items charge	—	—	—	34,348	$ 34,348
EBIT	$ 266,633	$ 29,146	$ 32,380	$ (33,784)	$ 294,375
Interest income					2,092
Interest expense					(19,079)
Income before income taxes					$ 277,388
Total assets	$ 1,278,417	$ 529,223	$ 161,391	$ (25,594)	$ 1,943,437
Equity investments in affiliates	3,946	23,355	—	—	$ 27,301
Capital expenditures	35,314	12,354	2,209	—	$ 49,877
Depreciation and amortization	47,359	15,063	2,860	(209)	$ 65,073
For the Year Ended December 31, 2015					
Net sales	$ 1,741,350	$ 530,460	$ 263,981	$ —	$ 2,535,791
Inter-segment sales	92,538	18,747	9,312	(120,597)	$ —
Total	$ 1,833,888	$ 549,207	$ 273,293	$ (120,597)	$ 2,535,791
Adjusted EBIT	$ 316,689	$ 34,511	$ 27,882	$ (275)	$ 378,807
Special items charge	173,239	16,671	—	—	$ 189,910
EBIT	$ 143,450	$ 17,840	$ 27,882	$ (275)	$ 188,897
Interest income					2,714
Interest expense					(21,824)
Income before income taxes					$ 169,787
Total assets	$ 1,165,817	$ 543,254	$ 143,905	$ (68,805)	$ 1,784,171
Equity investments in affiliates	3,791	23,450	—	—	$ 27,241
Capital expenditures	35,721	12,059	2,727	—	$ 50,507
Depreciation and amortization	45,447	15,776	2,978	(194)	$ 64,007
For the Year Ended December 31, 2014					
Net sales	$ 1,837,670	$ 681,424	$ 294,230	$ —	$ 2,813,324
Inter-segment sales	110,524	21,608	8,210	(140,342)	$ —
Total	$ 1,948,194	$ 703,032	$ 302,440	$ (140,342)	$ 2,813,324
Adjusted EBIT	$ 353,255	$ 48,720	$ 28,563	$ 3,802	$ 434,340
Special items charge	21,647	29,539	—	—	$ 51,186
EBIT	$ 331,608	$ 19,181	$ 28,563	$ 3,802	$ 383,154
Interest income					3,093
Interest expense					(10,434)
Income before income taxes					$ 375,813
Total assets	$ 1,214,988	$ 663,164	$ 147,990	$ (86,927)	$ 1,939,215
Equity investments in affiliates	3,579	23,902	—	—	$ 27,481
Capital expenditures	62,066	10,099	825	—	$ 72,990
Depreciation and amortization	44,710	21,624	3,512	(239)	$ 69,607

In 2016, special items within Corporate /Eliminations reflect a loss on the deconsolidation of the Venezuelan subsidiary.

In 2015, special items in Americas Welding and International Welding include rationalization charges primarily related to employee severance and other related costs. Americas Welding special items also reflect Venezuelan foreign exchange remeasurement losses related to the adoption of a new foreign exchange mechanism, as well as pension settlement charges primarily related to the purchase of a group annuity contract. International Welding special items also include charges related to the impairment of long-lived assets and charges related to the impairment to the carrying value of goodwill.

In 2014, special items in Americas Welding and International Welding include net rationalization charges primarily related to employee severance and other costs associated with the consolidation of manufacturing operations. Americas Welding special items also include Venezuelan foreign exchange remeasurement losses related to the adoption of a new foreign exchange mechanism. International Welding special items also include net charges related to the impairment of long-lived assets partially offset by gains related to the sale of assets.

Export sales (excluding inter-company sales) from the United States were $134,216 in 2016, $175,049 in 2015 and $210,325 in 2014. No individual customer comprised more than 10% of the Company's total revenues for any of the three years ended December 31, 2016.

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

	Year Ended December 31,		
	2016	2015	2014
Net sales:			
United States	$ 1,308,635	$ 1,387,882	$ 1,417,750
Foreign countries	965,979	1,147,909	1,395,574
Total	$ 2,274,614	$ 2,535,791	$ 2,813,324

	December 31,		
	2016	2015	2014
Property, plant and equipment, net:			
United States	$ 176,041	$ 173,974	$ 171,746
Foreign countries	196,679	237,718	267,423
Eliminations	(343)	(369)	(423)
Total	$ 372,377	$ 411,323	$ 438,746

NOTE 6 – RATIONALIZATION AND ASSET IMPAIRMENTS

In prior periods, the Company initiated various rationalization plans whose costs were substantially recognized in the prior year. As such, no charges were recorded in the twelve months ended December 31, 2016. The Company recorded rationalization net charges of $19,958 and $30,053 for the years ended December 31, 2015 and 2014, respectively. A description of each restructuring plan and the related costs follows:

Americas Welding Plans:

During 2015, the Company initiated a rationalization plan within Americas Welding that included a voluntary separation incentive program covering certain U.S.-based employees. The plan was completed during 2016.

International Welding Plans:

During 2015, the Company initiated rationalization plans within International Welding. The plan included headcount restructuring to better align the cost structures with economic conditions and operating needs. The Company does not anticipate any additional charges related to the completion of these plans. At December 31, 2016, liabilities relating to the International Welding plans of $5,190, were recognized in Other current liabilities.

The Company believes the rationalization actions will positively impact future results of operations and will not have a material effect on liquidity and sources and uses of capital. The Company continues to evaluate its cost structure and additional rationalization actions may result in charges in future periods. The following table summarizes the activity related to the rationalization liabilities by segment for the year ended December 31, 2016:

	Americas Welding	International Welding	Consolidated
Balance at December 31, 2014	$ —	$ 305	$ 305
Payments and other adjustments	(3,231)	(3,128)	(6,359)
Charged (credited) to expense	3,298	10,421	13,719
Balance at December 31, 2015	$ 67	$ 7,598	$ 7,665
Payments and other adjustments	(67)	(2,408)	(2,475)
Balance at December 31, 2016	$ —	$ 5,190	$ 5,190

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

The following tables set forth the total changes in AOCI by component, net of taxes, for the years ended December 31, 2016 and 2015:

	Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges	Defined benefit pension plan activity	Currency translation adjustment	Total
Balance at December 31, 2014	$ (9)	$ (197,893)	$ (90,720)	$ (288,622)
Other comprehensive income (loss) before reclassification	979	(1,632) (2)	(106,319) (3)	(106,972)
Amounts reclassified from AOCI	(422) (1)	99,749 (2)	—	99,327
Net current-period other comprehensive income (loss)	557	98,117	(106,319)	(7,645)
Balance at December 31, 2015	$ 548	$ (99,776)	$ (197,039)	$ (296,267)
Other comprehensive income (loss) before reclassification	2,026	(1,268) (2)	(36,646) (3)	(35,888)
Amounts reclassified from AOCI	(1,987) (1)	5,105 (2)	—	3,118
Net current-period other comprehensive income (loss)	39	3,837	(36,646)	(32,770)
Balance at December 31, 2016	$ 587	$ (95,939)	$ (233,685)	$ (329,037)

(1) During 2016, this AOCI reclassification is a component of Net sales of $(1,580) (net of tax of $(577)) and Cost of goods sold of $(407) (net of tax of $(24)); during 2015, the reclassification is a component of Net sales of $(1,191) (net of tax of $(547)) and Cost of goods sold of $771 (net of tax of $549). See Note 13 for additional details.

(2) This AOCI component is included in the computation of net periodic pension costs (net of tax of $4,297 and $61,538 during the years ended December 31, 2016 and 2015, respectively). See Note 11 for additional details.

(3) The Other comprehensive income before reclassifications excludes $(106) and $(623) attributable to Non-controlling interests in the years ended December 31, 2016 and 2015, respectively. The reclassified AOCI component is included in the computation of Non-controlling interests. See Consolidated Statements of Equity for additional details.

NOTE 8 – DEBT

At December 31, 2016 and 2015, debt consisted of the following:

	December 31,	
	2016	2015
Long-term debt		
Senior Unsecured Notes due through 2045, interest at 2.8% to 4.0% (net of debt issuance costs of $1,586 and $853 at December 31, 2016 and 2015, respectively), swapped $100,000 to variable interest rates of 1.5% to 2.7%	$ 692,975	$ 349,147
Other borrowings due through 2023, interest up to 8.0%	10,860	2,656
	703,835	351,803
Less current portion	131	1,456
Long-term debt, less current portion	703,704	350,347
Short-term debt		
Amounts due banks, interest at 29.0% (24.1% in 2015)	1,758	2,822
Current portion long-term debt	131	1,456
Total short-term debt	1,889	4,278
Total debt	$ 705,593	$ 354,625

At December 31, 2016 and 2015, the fair value of long-term debt, including the current portion, was approximately $669,209 and $342,602, respectively, which was determined using available market information and methodologies requiring judgment. Since considerable judgment is required in interpreting market information, the fair value of the debt is not necessarily the amount which could be realized in a current market exchange.

Senior Unsecured Notes

On April 1, 2015, the Company entered into a Note Purchase Agreement pursuant to which it issued senior unsecured notes (the "2015 Notes") in the aggregate principal amount of $350,000 through a private placement. The proceeds were used for general corporate purposes. The 2015 Notes, as shown in the table below, have original maturities ranging from 10 to 30 years with a weighted average effective interest rate of 3.5%, excluding accretion of original issuance costs, and an initial average tenure of 19 years. Interest is payable semi-annually. The 2015 Notes contain certain affirmative and negative covenants. As of December 31, 2016, the Company was in compliance with all of its debt covenants.

The maturity and interest rates of the 2015 Notes are as follows:

	Amount	Maturity Date	Interest Rate
Series A	$ 100,000	August 20, 2025	3.15%
Series B	100,000	August 20, 2030	3.35%
Series C	50,000	April 1, 2035	3.61%
Series D	100,000	April 1, 2045	4.02%

On October 20, 2016 the Company entered into a Note Purchase Agreement pursuant to which it issued senior unsecured notes (the "2016 Notes") in the aggregate principal amount of $350,000 through a private placement. The proceeds are being used for general corporate purposes. The 2016 Notes, as shown in the table below, have original maturities ranging from 12 to 25 years with a weighted average effective interest rate of 3.1%, excluding accretion of original issuance costs, and an initial average tenure of 18 years. Interest is payable semi-annually. The 2016 Notes contain certain affirmative and negative covenants. As of December 31, 2016, the Company was in compliance with all of its debt covenants.

The maturity and interest rates of the 2016 Notes are as follows:

	Amount	Maturity Date	Interest Rate
Series A	$ 100,000	October 20, 2028	2.75%
Series B	100,000	October 20, 2033	3.03%
Series C	100,000	October 20, 2037	3.27%
Series D	50,000	October 20, 2041	3.52%

The Company's total weighted average effective interest rate and weighted average term, inclusive of the 2015 Notes and 2016 Notes, is 3.3% and 18 years, respectively.

Revolving Credit Agreement

The Company has a line of credit totaling $400,000 through the Amended and Restated Credit Agreement (the "Credit Agreement"), which was entered into on September 12, 2014. The Credit Agreement contains customary affirmative, negative and financial covenants for credit facilities of this type, including limitations on the Company and its subsidiaries with respect to liens, investments, distributions, mergers and acquisitions, dispositions of assets, transactions with affiliates, a fixed charges coverage ratio and total leverage ratio. As of December 31, 2016, the Company was in compliance with all of its covenants and had no outstanding borrowings under the Credit Agreement. The Credit Agreement has a five-year term and may be increased, subject to certain conditions, by an additional amount up to $100,000. The interest rate on borrowings is based on either the London Inter-Bank Offered Rate ("LIBOR") or the prime rate, plus a spread based on the Company's leverage ratio, at the Company's election.

Short-term Borrowings

The Company had short-term borrowings of $1,758 included in Amounts due banks at December 31, 2016 and had a balance of $2,822 at December 31, 2015. Amounts due banks included the borrowings of subsidiaries at weighted average interest rates of 29.0% and 24.1% at December 31, 2016 and 2015, respectively.

Other

Maturities of long-term debt, including payments under capital leases and amounts due banks, for the five years succeeding December 31, 2016 are $1,889 in 2017, $104 in 2018, $103 in 2019, $101 in 2020, $103 in 2021 and $710,712 thereafter. Total interest paid was $15,332 in 2016, $5,631 in 2015 and $2,190 in 2014. The difference between interest paid and interest expense is due to the accrual of interest associated with the Senior Unsecured Notes and adjustments to the forward contract discussed in Note 14.

NOTE 9 – STOCK PLANS

On April 23, 2015, the shareholders of the Company approved the 2015 Equity and Incentive Compensation Plan ("Employee Plan"), which replaced the 2006 Equity and Performance Incentive Plan, as amended ("EPI Plan"). The Employee Plan provides for the granting of options, appreciation rights, restricted shares, restricted stock units and performance-based awards up to an additional 5,400,000 of the Company's common shares. In addition, on April 23, 2015, the shareholders of the Company approved the 2015 Stock Plan for Non-Employee Directors ("2015 Director Plan"), which replaced the 2006 Stock Plan for Non-Employee Directors ("2006 Director Plan"). The 2015 Director Plan provides for the granting of options, restricted shares and restricted stock units up to an additional 300,000 of the Company's common shares. At December 31, 2016, there were 4,862,288 common shares available for future grant under all plans.

Stock Options

The following table summarizes stock option activity for the year ended December 31, 2016 under all Plans:

	Year Ended December 31, 2016	
	Options	Weighted Average Exercise Price
Balance at beginning of year	2,194,649	$ 42.85
Options granted	247,310	58.14
Options exercised	(820,972)	30.51
Options canceled	(11,285)	66.48
Balance at end of year	1,609,702	51.32
Exercisable at end of year	1,151,320	46.56

Options granted under both the Employee Plan and its predecessor plans may be outstanding for a maximum of 10 years from the date of grant. The majority of options granted vest ratably over a period of three years from the grant date. The exercise prices of all options were equal to the quoted market price of the Company's common shares at the date of grant. The Company issued shares of common stock from treasury upon all exercises of stock options in 2016. In 2016, all options issued were under the Employee Plan.

The Company uses the Black-Scholes option pricing model for estimating fair values of options. In estimating the fair value of options granted, the expected option life is based on the Company's historical experience. The expected volatility is based on historical volatility. The weighted average assumptions for each of the three years ended December 31, 2016 were as follows:

	Year Ended December 31,		
	2016	2015	2014
Expected volatility	28.86%	30.73%	32.21%
Dividend yield	1.70%	1.48%	1.41%
Risk-free interest rate	1.27%	1.32%	1.61%
Expected option life (years)	4.5	4.5	4.4
Weighted average fair value per option granted during the year	$ 12.55	$ 16.35	$ 17.52

The following table summarizes non-vested stock options for the year ended December 31, 2016:

	Year Ended December 31, 2016	
	Number of Options	Weighted Average Fair Value at Grant Date
Balance at beginning of year	387,222	$ 16.66
Granted	247,310	12.55
Vested	(168,050)	17.05
Forfeited	(8,100)	15.43
Balance at end of year	458,382	14.32

The aggregate intrinsic value of options outstanding and exercisable which would have been received by the optionees had all awards been exercised at December 31, 2016 was $40,803 and $34,666, respectively. The total intrinsic value of awards exercised during 2016, 2015 and 2014 was $30,967, $6,879 and $14,647, respectively. The total fair value of options that vested during 2016, 2015 and 2014 was $2,865, $3,273 and $5,104, respectively.

The following table summarizes information about awards outstanding as of December 31, 2016:

	Outstanding			Exercisable		
Exercise Price Range	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Life (years)
Under $49.99	823,040	$ 37.00	4.5	823,040	$ 37.00	4.5
$50.00 - $59.99	254,517	58.06	9.1	4,760	53.96	6.8
Over $60.00	532,145	70.25	7.6	323,520	70.76	7.3
	1,609,702		6.3	1,151,320		5.3

Restricted Share Awards ("RSAs")

The following table summarizes restricted share award activity for the year ended December 31, 2016 under all Plans:

	Year Ended December 31, 2016	
	Shares	Weighted Average Grant Date Fair Value
Balance at beginning of year	44,629	$ 61.84
Shares granted	13,470	79.43
Shares vested	(11,940)	70.80
Shares forfeited	—	—
Balance at end of year	46,159	64.65

RSAs are valued at the quoted market price on the grant date. The majority of RSAs vest over a period of three to five years. The Company issued common shares from treasury upon the granting of RSAs in 2016. Restricted shares issued in 2016 were under the 2015 Director Plan. The remaining weighted average vesting period of all non-vested RSAs is 2.0 years as of December 31, 2016.

Restricted Stock Units ("RSUs") and Performance Share Units ("PSUs")

The following table summarizes RSU and PSU activity for the year ended December 31, 2016 under all Plans:

	Year Ended December 31, 2016	
	Units	Weighted Average Grant Date Fair Value
Balance at beginning of year	221,532	$ 59.10
Units granted	188,635	58.33
Units vested	(25,891)	43.83
Units forfeited	(7,492)	60.28
Balance at end of year	376,784	59.75

RSUs are valued at the quoted market price on the grant date. The majority of RSUs vest over a period of three to five years. The Company issues shares of common stock from treasury upon the vesting of RSUs and any earned dividend equivalents. Conversion of 17,132 RSUs to common shares in 2016 were deferred as part of the 2005 Deferred Compensation Plan for Executives (the "2005 Plan"). As of December 31, 2016, 84,654 RSUs, including related dividend equivalents, have been deferred under the 2005 Plan. These units are reflected within dilutive shares in the calculation of earnings per share. In 2016, 142,165 RSUs were issued under the Employee Plan. The remaining weighted average vesting period of all non-vested RSUs is 2.3 years as of December 31, 2016.

PSUs are valued at the quoted market price on the grant date. PSUs vest over a three-year period and are based on the Company's performance relative to pre-established performance goals. The Company issues common stock from treasury upon

the vesting of PSUs and any earned dividend equivalents. In 2016, the Company issued and has outstanding 46,470 PSUs under the Employee Plan at a weighted average fair value of $58.14 per share. The remaining weighted average vesting period of all non-vested PSUs is 2.1 years as of December 31, 2016.

Stock-Based Compensation Expense

Expense is recognized for all awards of stock-based compensation by allocating the aggregate grant date fair value over the vesting period. No expense is recognized for any stock options, restricted or deferred shares, RSUs or PSUs ultimately forfeited because recipients fail to meet vesting requirements. Total stock-based compensation expense recognized in the Consolidated Statements of Income for 2016, 2015 and 2014 was $10,332, $7,932 and $8,416, respectively. The related tax benefit for 2016, 2015 and 2014 was $3,955, $3,037 and $3,222, respectively. As of December 31, 2016, total unrecognized stock-based compensation expense related to non-vested stock options, RSAs, RSUs and PSUs was $18,839, which is expected to be recognized over a weighted average period of approximately 2.3 years.

Lincoln Stock Purchase Plan

The 1995 Lincoln Stock Purchase Plan provides employees the ability to purchase open market shares on a commission-free basis up to a limit of ten thousand dollars annually. Under this plan, 800,000 shares have been authorized to be purchased. Shares purchased were 15,827 in 2016, 16,012 in 2015 and 5,511 in 2014.

NOTE 10 – COMMON STOCK REPURCHASE PROGRAM

The Company has a share repurchase program for up to 55 million of the Company's common shares. At management's discretion, the Company repurchases its common shares from time to time in the open market, depending on market conditions, stock price and other factors. During the year ended December 31, 2016, the Company purchased a total of 5.9 million shares at an average cost per share of $58.34. As of December 31, 2016, 8.9 million shares remained available for repurchase under the stock repurchase program. The treasury shares have not been retired.

NOTE 11 – RETIREMENT ANNUITY AND GUARANTEED CONTINUOUS EMPLOYMENT PLANS

The Company maintains a number of defined benefit and defined contribution plans to provide retirement benefits for employees. These plans are maintained and contributions are made in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA"), local statutory law or as determined by the Board of Directors. The plans generally provide benefits based upon years of service and compensation. Pension plans are funded except for a domestic non-qualified pension plan for certain key employees and certain foreign plans. The Company uses a December 31 measurement date for its plans.

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

Defined Benefit Plans

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

Obligations and Funded Status

	December 31,	
	2016	2015
Change in benefit obligations		
Benefit obligations at beginning of year	$ 558,169	$ 1,045,471
Service cost	17,689	19,933
Interest cost	23,578	36,002
Plan participants' contributions	148	185
Acquisitions	—	6,170
Actuarial loss (gain)	28,004	(42,640)
Benefits paid	(31,308)	(32,217)
Settlements/curtailments	(24,068)	(463,943)
Currency translation	(7,482)	(10,792)
Benefit obligations at end of year	564,730	558,169
Change in plan assets		
Fair value of plan assets at beginning of year	576,101	1,010,937
Actual return on plan assets	38,264	9,298
Employer contributions	21,373	50,468
Plan participants' contributions	148	185
Acquisitions	—	5,995
Benefits paid	(30,146)	(30,358)
Settlement	—	(462,601)
Currency translation	(6,655)	(7,823)
Fair value of plan assets at end of year	599,085	576,101
Funded status at end of year	34,355	17,932
Unrecognized actuarial net loss	146,585	156,019
Unrecognized prior service cost	(18)	(1,304)
Unrecognized transition assets, net	37	41
Net amount recognized	$ 180,959	$ 172,688

In August 2015, The Lincoln Electric Company, plan sponsor of the Lincoln Electric Retirement Annuity Program ("RAP") and subsidiary of the Company, entered into an agreement to purchase a group annuity contract from The Principal Financial Group ("Principal"). Under the agreement, Principal assumed the obligation to pay future pension benefits for specified U.S. retirees and surviving beneficiaries who retired on or before June 1, 2015 and are currently receiving payments from the RAP. The transaction will not change the amount of the monthly pension benefit received by affected retirees and surviving beneficiaries. The purchase was funded by existing plan assets and required no additional cash contribution. The Company recorded pension settlement charges of $142,738 for the year ended December 31, 2015, primarily related to the purchase of the group annuity contract.

In October 2016, The Lincoln Electric Company amended the plan to freeze all benefit accruals for participants under the RAP effective as of December 31, 2016. The RAP includes approximately 1,500 domestic employees who will fully transition to The Lincoln Electric Company Employee Savings Plan ("Savings Plan"), a defined contribution retirement savings plan. The Company recorded pension curtailment gains of $2,206 for the year ended December 31, 2016 related to the amendment. The Company does not expect to contribute to the defined benefit plans in the United States in 2017.

The after-tax amounts of unrecognized actuarial net loss, prior service costs and transition assets included in Accumulated other comprehensive loss at December 31, 2016 were $95,927, $(21) and $33, respectively. The actuarial loss represents changes in the estimated obligation not yet recognized in the Consolidated Income Statement. The pre-tax amounts of unrecognized actuarial net loss, prior service credits and transition obligations expected to be recognized as components of net periodic benefit cost during 2017 are $3,928, $12 and $2, respectively.

Amounts Recognized in Consolidated Balance Sheets

	December 31,	
	2016	2015
Prepaid pensions [(1)]	$ 64,397	$ 38,201
Accrued pension liability, current [(2)]	(5,347)	(5,026)
Accrued pension liability, long-term [(3)]	(24,695)	(15,243)
Accumulated other comprehensive loss, excluding tax effects	146,604	154,756
Net amount recognized in the balance sheets	$ 180,959	$ 172,688

(1) Included in Other current assets.

(2) Included in Other current liabilities.

(3) Included in Other liabilities.

Components of Pension Cost for Defined Benefit Plans

	Year Ended December 31,		
	2016	2015	2014
Service cost	$ 17,689	$ 19,933	$ 19,062
Interest cost	23,578	36,002	42,485
Expected return on plan assets	(35,716)	(54,638)	(67,953)
Amortization of prior service cost	(394)	(626)	(616)
Amortization of net loss [(1)]	9,893	19,406	17,644
Settlement/curtailment (gain) loss	(1,062)	142,738	1,773
Pension cost for defined benefit plans	$ 13,988	$ 162,815	$ 12,395

(1) The amortization of net loss includes a $959 charge resulting from the deconsolidation of the Venezuelan subsidiary during the year ended December 31, 2016.

The decrease in the components of total pension cost for the defined benefit plans in 2016 was primarily due to the purchase of a group annuity contract in August 2015, which triggered a settlement loss in the period.

Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets

	December 31,	
	2016	2015
U.S. pension plans		
Projected benefit obligation	$ 25,731	$ 16,822
Accumulated benefit obligation	25,460	15,223
Fair value of plan assets	5,548	—
Non-U.S. pension plans		
Projected benefit obligation	$ 47,776	$ 3,393
Accumulated benefit obligation	45,128	2,831
Fair value of plan assets	38,200	—

The total accumulated benefit obligation for all plans was $560,230 as of December 31, 2016 and $523,728 as of December 31, 2015.

Benefit Payments for Plans

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

Estimated Payments	
2017	$ 39,820
2018	29,803
2019	29,375
2020	27,869
2021	28,236
2022 through 2026	150,813

Assumptions

Weighted average assumptions used to measure the benefit obligation for the Company's significant defined benefit plans as of December 31, 2016 and 2015 were as follows:

	December 31,	
	2016	2015
Discount Rate	4.1%	4.5%
Rate of increase in compensation	2.6%	2.7%

Weighted average assumptions used to measure the net periodic benefit cost for the Company's significant defined benefit plans for each of the three years ended December 31, 2016 were as follows:

	December 31,		
	2016	2015	2014
Discount rate	4.5%	4.0%	4.7%
Rate of increase in compensation	2.7%	2.7%	4.1%
Expected return on plan assets	6.1%	6.3%	7.3%

To develop the discount rate assumption to be used for U.S. plans, the Company refers to the yield derived from matching projected pension payments with maturities of bonds rated AA or an equivalent quality. The expected long-term rate of return assumption is based on the weighted average expected return of the various asset classes in the plans' portfolio and the targeted allocation of plan assets. The asset class return is developed using historical asset return performance as well as current market conditions such as inflation, interest rates and equity market performance. The rate of compensation increase is determined by the Company based upon annual reviews.

Pension Plans' Assets

The primary objective of the pension plans' investment policy is to ensure sufficient assets are available to provide benefit obligations when such obligations mature. Investment management practices must comply with ERISA or any other applicable regulations and rulings. The overall investment strategy for the defined benefit pension plans' assets is to achieve a rate of return over a normal business cycle relative to an acceptable level of risk that is consistent with the long-term objectives of the portfolio. The target allocation for plan assets is 35% to 45% equity securities and 55% to 65% debt securities.

The following table sets forth, by level within the fair value hierarchy, the pension plans' assets as of December 31, 2016:

	Pension Plans' Assets at Fair Value as of December 31, 2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	$ 3,652	$ —	$ —	$ 3,652
Equity securities [1]	4,071	—	—	4,071
Fixed income securities [2]				
U.S. government bonds	20,036	—	—	20,036
Corporate debt and other obligations	—	134,051	—	134,051
Investments measured at NAV [3]				
Common trusts and 103-12 investments [4]				397,924
Private equity funds [5]				39,351
Total investments at fair value	$ 27,759	$ 134,051	$ —	$ 599,085

The following table sets forth, by level within the fair value hierarchy, the pension plans' assets as of December 31, 2015:

	Pension Plans' Assets at Fair Value as of December 31, 2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	$ 5,740	$ —	$ —	$ 5,740
Equity securities [1]	3,569	—	—	3,569
Fixed income securities [2]				
U.S. government bonds	11,603	—	—	11,603
Corporate debt and other obligations	—	120,470	—	120,470
Investments measured at NAV [3]				
Common trusts and 103-12 investments [4]				394,318
Private equity funds [5]				40,401
Total investments at fair value	$ 20,912	$ 120,470	$ —	$ 576,101

(1) Equity securities are primarily comprised of corporate stock and mutual funds directly held by the plans. Equity securities are valued using the closing price reported on the active market on which the individual securities are traded.

(2) Fixed income securities are primarily comprised of governmental and corporate bonds directly held by the plans. Governmental and corporate bonds are valued using both market observable inputs for similar assets that are traded on an active market and the closing price on the active market on which the individual securities are traded.

(3) Certain assets that are measured at fair value using the net asset value ("NAV") practical expedient have not been classified in the fair value hierarchy.

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

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

Supplemental Executive Retirement Plan

The Company maintains a domestic unfunded Supplemental Executive Retirement Plan ("SERP") under which non-qualified supplemental pension benefits are paid to certain employees in addition to amounts received under the Company's qualified retirement plan which is subject to Internal Revenue Service ("IRS") limitations on covered compensation. The annual cost of this program has been included in the determination of total net pension costs shown above and was $2,113, $1,703 and $3,012 in 2016, 2015 and 2014, respectively. The projected benefit obligation associated with this plan is also included in the pension disclosure shown above and was $16,738, $14,643 and $17,953 at December 31, 2016, 2015 and 2014, respectively.

In October 2016, the Company announced an amendment to freeze and vest all benefit accruals under the SERP, effective November 30, 2016. The Company recorded a curtailment loss of $1,144 for the year ended December 31, 2016 related to the amendment. The value of the frozen vested benefit was converted into an account balance and deferred. In addition, the Company created The Lincoln Electric Company Restoration Plan (“Restoration Plan”) that will be effective January 1, 2017. The Restoration Plan is a domestic unfunded plan maintained for the purpose of providing certain employees the ability to fully participate in standard employee retirement offerings, effective January 1, 2017, which are limited by IRS regulations on covered compensation.

Defined Contribution Plans

Substantially all U.S. employees are covered under defined contribution plans. In October 2016, the Company announced a plan redesign of the Savings Plan that will be effective January 1, 2017. The Savings Plan will provide that eligible employees receive up to 6% of employees' annual compensation in Company contributions through Company matching contributions of 100% of the first 3% of employee compensation contributed to the plan, and automatic Company contributions equal to 3% of annual compensation. In addition, certain employees affected by the RAP freeze will also be eligible to receive employer contributions equal to 6% of annual compensation for a minimum period of five years or to the end of the year in which they complete thirty years of service.

The annual costs recognized for defined contribution plans were $8,361, $10,082 and $11,088 in 2016, 2015 and 2014, respectively.

Other Benefits

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

NOTE 12 – INCOME TAXES

The components of income before income taxes for the three years ended December 31, 2016 were as follows:

	Year Ended December 31,		
	2016	2015	2014
U.S.	$ 209,409	$ 118,037	$ 303,933
Non-U.S.	67,979	51,750	71,880
Total	$ 277,388	$ 169,787	$ 375,813

The components of income tax expense (benefit) for the three years ended December 31, 2016 were as follows:

	Year Ended December 31,		
	2016	2015	2014
Current:			
Federal	$ 57,090	$ 60,500	$ 71,601
Non-U.S.	23,344	28,046	24,210
State and local	8,386	9,557	8,235
	88,820	98,103	104,046
Deferred:			
Federal	(1,716)	(47,902)	15,175
Non-U.S.	(8,261)	(3,362)	1,370
State and local	172	(4,464)	1,342
	(9,805)	(55,728)	17,887
Total	$ 79,015	$ 42,375	$ 121,933

The differences between total income tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes for the three years ended December 31, 2016 were as follows:

	Year Ended December 31,		
	2016	2015	2014
Statutory rate of 35% applied to pre-tax income	$ 97,086	$ 59,426	$ 131,534
Effect of state and local income taxes, net of federal tax benefit	5,554	1,868	6,694
Intangible and asset impairments/(write-off)	(4,438)	2,184	11,674
Foreign rate variance	(8,128)	(11,399)	(22,495)
Venezuela deconsolidation/devaluation	5,192	11,396	5,603
Increase/(decrease) of valuation allowances	(8,525)	2,900	5,545
Manufacturing deduction	(5,190)	(9,207)	(7,316)
U.S. tax cost (benefit) of foreign source income	(489)	(8,754)	(514)
Other	(2,047)	(6,039)	(8,792)
Total	$ 79,015	$ 42,375	$ 121,933
Effective tax rate	28.5%	25.0%	32.4%

The 2016 effective tax rate is impacted by the utilization of U.S. tax credits, income earned in lower tax rate jurisdictions, the reversal of an income tax valuation allowance as a result of a legal entity change and an income tax benefit related to a worthless stock deduction of a foreign subsidiary. Total income tax payments, net of refunds, were $72,965 in 2016, $101,939 in 2015 and $119,102 in 2014.

Deferred Taxes

Significant components of deferred tax assets and liabilities at December 31, 2016 and 2015, were as follows:

	December 31,	
	2016	2015
Deferred tax assets:		
Tax loss and credit carry-forwards	$ 52,270	$ 44,925
Inventory	2,080	1,607
Other accruals	18,186	17,874
Employee benefits	23,596	21,859
Pension obligations	2,503	2,477
Other	3,020	3,795
Deferred tax assets, gross	101,655	92,537
Valuation allowance	(47,849)	(51,294)
Deferred tax assets, net	53,806	41,243
Deferred tax liabilities:		
Property, plant and equipment	32,210	33,627
Intangible assets	17,506	16,105
Inventory	10,059	10,770
Pension obligations	17,915	9,897
Other	9,309	8,800
Deferred tax liabilities	86,999	79,199
Total deferred taxes	$ (33,193)	$ (37,956)

At December 31, 2016, certain subsidiaries had foreign tax credit carry-forwards of approximately $3,186 that expire in 2026, tax loss carry-forwards of approximately $87,519 that expire in various years from 2017 through 2032, plus $103,528 for which there is no expiration date.

In assessing the realizability of deferred tax assets, the Company assesses whether it is more likely than not that a portion or all of the deferred tax assets will not be realized. The Company considers the scheduled reversal of deferred tax liabilities, tax planning strategies and projected future taxable income in making this assessment. At December 31, 2016, a valuation allowance of $47,849 was recorded against certain deferred tax assets based on this assessment. The Company believes it is more likely than not that the tax benefit of the remaining net deferred tax assets will be realized. The amount of net deferred tax assets considered realizable could be increased or reduced in the future if the Company's assessment of future taxable income or tax planning strategies changes.

The Company does not provide deferred income taxes on unremitted earnings of certain non-U.S. subsidiaries which are deemed indefinitely reinvested. It is not practicable to calculate the deferred taxes associated with the remittance of these earnings. Deferred income taxes associated with earnings that are not expected to be indefinitely reinvested were not significant.

Unrecognized Tax Benefits

Liabilities for unrecognized tax benefits are classified as Other liabilities unless expected to be paid in one year, with a portion recorded to Deferred income taxes to offset tax attributes. The Company recognizes interest and penalties related to unrecognized tax benefits in Income taxes. Current income tax expense included expense of $597 for the year ended December 31, 2016 and income of $940 for the year ended December 31, 2015 for interest and penalties. For those same years, the Company's accrual for interest and penalties related to unrecognized tax benefits totaled $6,431 and $6,080, respectively.

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

	2016	2015
Balance at beginning of year	$ 14,332	$ 18,389
Increase related to current year tax provisions	1,975	1,021
Increase (decrease) related to prior years' tax positions	5,188	317
Decrease related to settlements with taxing authorities	(265)	(157)
Resolution of and other decreases in prior years' tax liabilities	(1,982)	(3,323)
Other	(749)	(1,915)
Balance at end of year	$ 18,499	$ 14,332

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $9,813 at December 31, 2016 and $8,369 at December 31, 2015.

The Company files income tax returns in the U.S. and various state, local and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2012. The Company is currently subject to various U.S. state audits and non-U.S. income tax audits. The Company is generally not able to precisely estimate the ultimate settlement amounts or timing until after the close of an audit. The Company evaluates its tax positions and establishes liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained.

Unrecognized tax benefits are reviewed on an ongoing basis and are adjusted for changing facts and circumstances, including progress of tax audits and closing of statutes of limitations. Based on information currently available, management believes that additional audit activity could be completed and/or statutes of limitations may close relating to existing unrecognized tax benefits. It is reasonably possible there could be a further reduction of $2,058 in prior years' unrecognized tax benefits in 2017.

In July 2012, the Company received a Notice of Reassessment (the "Reassessments") from the Canada Revenue Agency in respect to its 2004 to 2010 taxation years to disallow the deductibility of inter-company dividends. The Company appealed the Reassessments to the Tax Court of Canada. In September 2014, the Department of Justice Canada consented to a judgment, wholly in the Company's favor. In vacating the reassessment, this tax litigation is concluded. The Company received a partial refund of a cash deposit in December 2014, with substantially all of the remaining cash deposit received in the first quarter of 2015, including interest.

NOTE 13 – DERIVATIVES

The Company uses derivative instruments to manage exposures to currency exchange rates, interest rates and commodity prices arising in the normal course of business. Both at inception and on an ongoing basis, the derivative instruments that qualify for hedge accounting are assessed as to their effectiveness, when applicable. Hedge ineffectiveness was immaterial for each of the three years in the period ended December 31, 2016.

The Company is subject to the credit risk of the counterparties to derivative instruments. Counterparties include a number of major banks and financial institutions. None of the concentrations of risk with any individual counterparty was considered significant at December 31, 2016. The Company does not expect any counterparties to fail to meet their obligations.

Cash flow hedges

Certain foreign currency forward contracts are qualified and designated as cash flow hedges. The dollar equivalent gross notional amount of these short-term contracts was $36,385 at December 31, 2016 and $30,388 at December 31, 2015.

Fair value hedges

Certain interest rate swap agreements were qualified and designated as fair value hedges. At December 31, 2016, the Company had interest rate swap agreements outstanding that effectively convert notional amounts of $100,000 of debt from a fixed interest rate to a variable interest rate based on three-month LIBOR plus a spread of between 0.6% and 1.8%. The variable rates reset every three months, at which time payment or receipt of interest will be settled.

Net investment hedges

The Company had no foreign currency forward contracts that were qualified and designated as net investment hedges.

Derivatives not designated as hedging instruments

The Company has certain foreign exchange forward contracts which are not designated as hedges. These derivatives are held as hedges of certain balance sheet exposures. The dollar equivalent gross notional amount of these contracts was $261,168 at December 31, 2016 and $267,626 at December 31, 2015.

The Company had short-term silver forward contracts with notional amounts of $2,804 at December 31, 2015.

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

	December 31, 2016			December 31, 2015	
Derivatives by hedge designation	**Other Current Assets**	**Other Current Liabilities**	**Other Liabilities**	**Other Current Assets**	**Other Current Liabilities**
Designated as hedging instruments:					
Foreign exchange contracts	$ 439	$ 923	$ —	$ 178	$ 731
Interest rate swap agreements	—	—	5,439	—	—
Not designated as hedging instruments:					
Foreign exchange contracts	746	1,529	—	625	2,303
Commodity contracts	—	—	—	40	8
Total derivatives	$ 1,185	$ 2,452	$ 5,439	$ 843	$ 3,042

The effects of undesignated derivative instruments on the Company's Consolidated Statements of Income for the years ended December 31, 2016 and 2015 consisted of the following:

		Year Ended December 31,	
Derivatives by hedge designation	**Classification of gains (losses)**	**2016**	**2015**
Not designated as hedges:			
Foreign exchange contracts	Selling, general & administrative expenses	$ (21,096)	$ (18,875)
Commodity contracts	Cost of goods sold	(742)	440

The effects of designated cash flow hedges on AOCI and the Company's Consolidated Statements of Income for the years ended December 31, 2016 and 2015 consisted of the following:

	December 31,	
Total gain (loss) recognized in AOCI, net of tax	**2016**	**2015**
Foreign exchange contracts	$ (512)	$ (551)
Net investment contracts	1,099	1,099

The Company expects a loss of $512 related to existing contracts to be reclassified from AOCI, net of tax, to earnings over the next 12 months as the hedged transactions are realized.

		Year Ended December 31,	
Derivative type	**Gain (loss) reclassified from AOCI to:**	**2016**	**2015**
Foreign exchange contracts	Sales	$ (1,580)	$ (1,191)
	Cost of goods sold	(407)	771

NOTE 14 – FAIR VALUE

The following table provides a summary of fair value assets and liabilities as of December 31, 2016 measured at fair value on a recurring basis:

Description	Balance as of December 31, 2016	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Foreign exchange contracts	$ 1,185	$ —	$ 1,185	$ —
Marketable securities	38,920	—	38,920	—
Total assets	$ 40,105	$ —	$ 40,105	$ —
Liabilities:				
Foreign exchange contracts	$ 2,452	$ —	$ 2,452	$ —
Interest rate swap agreements	5,439	—	5,439	—
Contingent considerations	8,154	—	—	8,154
Forward contract	15,272	—	—	15,272
Deferred compensation	25,244	—	25,244	—
Total liabilities	$ 56,561	$ —	$ 33,135	$ 23,426

The following table provides a summary of fair value assets and liabilities as of December 31, 2015 measured at fair value on a recurring basis:

Description	Balance as of December 31, 2015	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Foreign exchange contracts	$ 803	$ —	$ 803	$ —
Commodity contracts	40	—	40	—
Total assets	$ 843	$ —	$ 843	$ —
Liabilities:				
Foreign exchange contracts	$ 3,034	$ —	$ 3,034	$ —
Commodity contracts	8	—	8	—
Contingent consideration	9,184	—	—	9,184
Forward contract	26,484	—	—	26,484
Deferred compensation	23,201	—	23,201	—
Total liabilities	$ 61,911	$ —	$ 26,243	$ 35,668

The Company's derivative contracts are valued at fair value using the market approach. The Company measures the fair value of foreign exchange contracts and interest rate swap agreements using Level 2 inputs based on observable spot and forward rates in active markets. The Company measures the fair value of commodity contracts using Level 2 inputs through observable market transactions in active markets provided by financial institutions. During the year ended December 31, 2016, there were no transfers between Levels 1, 2 or 3.

The Company measures the fair value of marketable securities using Level 2 inputs based on quoted market prices for similar assets in active markets.

In connection with acquisitions, the Company recorded contingent considerations fair valued at $8,154 as of December 31, 2016. Under the contingent consideration agreements the amounts to be paid are based upon actual financial results of the acquired entity for specified future periods. The fair value of the contingent considerations are a Level 3 valuation and fair valued using either a probability weighted discounted cash flow analysis or an option pricing model.

In connection with an acquisition, the Company obtained a controlling financial interest in the acquired entity and at the same time entered into a contract to obtain the remaining financial interest in the entity over a three-year period. The amount to be paid to obtain the remaining financial interest will be based upon actual financial results of the entity through 2016. A liability was recorded for the forward contract at a fair value of $15,272 as of December 31, 2016. The change in the liability from December 31, 2015 was primarily the result of a $14,438 payment to acquire an additional financial interest in the entity offset by foreign exchange translation and additional accruals of $1,383 for the twelve months ended December 31, 2016. The payment was included in Other financing activities in the accompanying Consolidated Statements of Cash Flows. The fair value of the contract is a Level 3 valuation and is based on the present value of the expected future payments. The expected future payments is based on a multiple of earnings and cash flows over the three-year period ending December 31, 2016, present valued utilizing a risk based discount rates of 3.5% reflective of the Company's cost of debt.

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

The Company has various financial instruments, including cash and cash equivalents, short and long-term debt and forward contracts. While these financial instruments are subject to concentrations of credit risk, the Company has minimized this risk by entering into arrangements with a number of major banks and financial institutions and investing in several high-quality instruments. The Company does not expect any counterparties to fail to meet their obligations. The fair value of Cash and cash equivalents, Accounts receivable, Amounts due banks and Trade accounts payable approximated book value due to the short-term nature of these instruments at both December 31, 2016 and December 31, 2015. See Note 8 for the fair value estimate of debt.

NOTE 15 – INVENTORY

Inventories in the Consolidated Balance Sheet is comprised of the following components:

	December 31,	
	2016	2015
Raw materials	$ 76,811	$ 87,919
Work-in-process	40,556	39,555
Finished goods	138,039	148,456
Total	$ 255,406	$ 275,930

The valuation of LIFO inventories is made at the end of each year based on inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management’s estimates of expected year-end inventory levels and costs. Actual year-end inventory levels and costs may differ from interim LIFO inventory valuations. At December 31, 2016 and 2015, approximately 40% of total inventories were valued using the LIFO method. The excess of current cost over LIFO cost was $61,329 at December 31, 2016 and $59,765 at December 31, 2015.

NOTE 16 – LEASES

The Company leases sales offices, manufacturing facilities, warehouses and distribution centers, transportation equipment, office equipment and information technology equipment. Such leases, some of which are noncancelable and, in many cases, include renewals, expire at various dates. The Company pays most insurance, maintenance and taxes relating to leased assets. Rental expense was $16,897 in 2016, $16,703 in 2015 and $18,103 in 2014.

At December 31, 2016, total future minimum lease payments for noncancelable operating leases were $12,267 in 2017, $9,824 in 2018, $7,670 in 2019, $5,220 in 2020, $3,816 in 2021 and $4,888 thereafter. Assets held under capital leases are included in property, plant and equipment and are immaterial.

NOTE 17 – CONTINGENCIES

The Company, like other manufacturers, is subject from time to time to a variety of civil and administrative proceedings arising in the ordinary course of business. Such claims and litigation include, without limitation, product liability claims, regulatory claims and health, safety and environmental claims, some of which relate to cases alleging asbestos induced illnesses. The claimants in the asbestos cases seek compensatory and punitive damages, in most cases for unspecified amounts. The Company believes it has meritorious defenses to these claims and intends to contest such suits vigorously.

The Company accrues its best estimate of the probable costs, after a review of the facts with management and counsel and taking into account past experience. If an unfavorable outcome is determined to be reasonably possible but not probable, or if the amount of loss cannot be reasonably estimated, disclosure would be provided for material claims or litigation. Many of the current cases are in differing procedural stages and information on the circumstances of each claimant, which forms the basis for judgments as to the validity or ultimate disposition of such actions, varies greatly. Therefore, in many situations a range of possible losses cannot be made. Reserves are adjusted as facts and circumstances change and related management assessments of the underlying merits and the likelihood of outcomes change. Moreover, reserves only cover identified and/or asserted claims. Future claims could, therefore, give rise to increases to such reserves.

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

NOTE 18 – PRODUCT WARRANTY COSTS

The changes in product warranty accruals for 2016, 2015 and 2014 were as follows:

	December 31,		
	2016	2015	2014
Balance at beginning of year	$ 19,469	$ 15,579	$ 15,180
Accruals for warranties	13,058	19,824	12,368
Settlements	(11,434)	(15,458)	(11,495)
Foreign currency translation	(40)	(476)	(474)
Balance at end of year	$ 21,053	$ 19,469	$ 15,579

NOTE 19 – QUARTERLY FINANCIAL DATA (UNAUDITED)

	First	Second	Third	Fourth
2016				
Net sales	$ 550,722	$ 592,418	$ 567,646	$ 563,828
Gross profit	189,102	202,927	199,812	197,457
Income before income taxes	73,182	45,758	80,296	78,152
Net income	53,638	31,317	60,049	53,395
Basic earnings per share	$ 0.77	$ 0.46	$ 0.90	$ 0.81
Diluted earnings per share	$ 0.76	$ 0.45	$ 0.89	$ 0.81
2015				
Net sales	$ 657,900	$ 664,740	$ 645,166	$ 567,985
Gross profit	220,390	225,781	198,894	196,079
Income (loss) before income taxes	92,707	94,434	(88,526)	71,172
Net income (loss)	68,354	70,898	(60,466)	48,692
Basic earnings (loss) per share	$ 0.90	$ 0.95	$ (0.82)	$ 0.68
Diluted earnings (loss) per share	$ 0.89	$ 0.94	$ (0.82)	$ 0.68

The quarter ended June 30, 2016 includes special items charges of $34,348 ($33,251 after-tax) primarily related to the loss on deconsolidation of Venezuelan subsidiary and a tax benefit of $7,196 related to the reversal of an income tax valuation allowance as a result of a legal entity change to realign the Company's tax structure.

The quarter ended December 31, 2015 includes net rationalization charges of $434 ($450 after-tax) primarily related to employee severance and other related costs. Special items also include pension settlement charges of $6,407 ($3,969 after-tax) and Venezuelan foreign exchange remeasurement losses of $708 related to the adoption of a new foreign exchange mechanism.

The quarter ended September 30, 2015 includes net rationalization and asset impairment charges of $18,285 ($16,832 after-tax) primarily related to employee severance and other costs. Impairment charges include a non-cash charge to the carrying value of goodwill of $6,315 and non-cash long-lived asset impairment charges of $3,417. Special items also include pension settlement charges of $136,331 ($83,341 after-tax) primarily related to the purchase of a group annuity contract and Venezuelan foreign exchange remeasurement losses of $26,506 related to the adoption of a new foreign exchange mechanism.

The quarter ended June 30, 2015 includes net rationalization charges of $1,239 ($900 after-tax) primarily related to employee severance and other costs.

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

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

		Additions			
Description	**Balance at Beginning of Period**	**Charged to Costs and Expenses**	**Charged (Credited) to Other Accounts [1]**	**Deductions [2]**	**Balance at End of Period**
Allowance for doubtful accounts:					
Year Ended December 31, 2016	$ 7,299	$ 1,657	$ 72	$ 1,260	$ 7,768
Year Ended December 31, 2015	7,858	1,969	(1,046)	1,482	7,299
Year Ended December 31, 2014	8,398	2,064	(867)	1,737	7,858
Deferred tax asset valuation allowance:					
Year Ended December 31, 2016	51,294	3,704	3,923	(11,072)	47,849
Year Ended December 31, 2015	48,840	7,533	(521)	(4,558)	51,294
Year Ended December 31, 2014	49,684	8,006	(5,923)	(2,927)	48,840

(1) Currency translation adjustment and other adjustments.

(2) For the Allowance for doubtful accounts, deductions relate to uncollectible accounts written-off, net of recoveries. For the Deferred tax asset valuation allowance, deductions relate to the reversal of valuation allowances due to the realization of net operating loss carryforwards.

This page intentionally left blank

Exhibit 21

LINCOLN ELECTRIC HOLDINGS, INC.
SUBSIDIARIES OF THE REGISTRANT

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

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

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

Exhibit 23

Consent of Independent Registered Public Accounting Firm

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

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

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

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

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

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

Form S-8 Registration Statement of Lincoln Electric Holdings, Inc. for the 2015 Equity and Incentive Compensation Plan (Form S-8 No. 333-203602),

Form S-8 Registration Statement of Lincoln Electric Holdings, Inc. for the 2015 Stock Plan for Non-employee Directors (Form S-8 No. 333-203603), and

Form S-8 Registration Statement of Lincoln Electric Holdings, Inc. for The Lincoln Electric Company Employee Savings Plan (As Amended and restated Effective January 1, 2010), as amended (Form S-8 No. 333-203604);

Form S-8 Registration Statement of Lincoln Electric Holdings, Inc. for The Lincoln Electric Company Restoration Plan (Form S-8 No. 333-215168);

of our reports dated February 24, 2017, with respect to the consolidated financial statements and schedule of Lincoln Electric Holdings, Inc. and subsidiaries, and the effectiveness of internal control over financial reporting of Lincoln Electric Holdings, Inc. and subsidiaries, included in this Annual Report (Form 10-K) of Lincoln Electric Holdings, Inc. for the year ended December 31, 2016.

/s/ Ernst & Young LLP

Cleveland, Ohio

February 24, 2017

Exhibit 24

POWER OF ATTORNEY

Directors of Lincoln Electric Holdings, Inc.

Each of the undersigned Directors of Lincoln Electric Holdings, Inc. hereby appoints Christopher L. Mapes, Vincent K. Petrella, Frederick G. Stueber and Geoffrey P. Allman, and each of them, as attorneys for the undersigned, for and in the name, place and stead of the undersigned in the capacity specified, to prepare or cause to be prepared, to execute and to file with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Act"), an Annual Report on Form 10-K for the year ended December 31, 2016 relating to Lincoln Electric Holdings, Inc., such other periodic reports as may be required pursuant to the Act, amendments and exhibits to any of the foregoing and any and all other documents to be filed with the Securities and Exchange Commission or elsewhere pertaining to such reports, with full power and authority to take any other action deemed necessary or appropriate to effect the filing of the documents.

Executed the date set forth below.

/s/ Christopher L. Mapes
Christopher L. Mapes, Director
February 22, 2017

/s/ Curtis E. Espeland
Curtis E. Espeland, Director
February 22, 2017

/s/ David H. Gunning
David H. Gunning, Director
February 22, 2017

/s/ Stephen G. Hanks
Stephen G. Hanks, Director
February 22, 2017

/s/ Michael F. Hilton
Michael F. Hilton, Director
February 22, 2017

/s/ G. Russell Lincoln
G. Russell Lincoln, Director
February 22, 2017

/s/ Kathryn Jo Lincoln
Kathryn Jo Lincoln, Director
February 22, 2017

/s/ William E. MacDonald, III
William E. MacDonald, III, Director
February 22, 2017

/s/ Phillip J. Mason
Phillip J. Mason, Director
February 22, 2017

/s/ Hellene S. Runtagh
Hellene S. Runtagh, Director
February 22, 2017

/s/ George H. Walls, Jr.
George H. Walls, Jr., Director
February 22, 2017

Exhibit 31.1

CERTIFICATION

I, Christopher L. Mapes, certify that:

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

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: February 24, 2017

/s/ Christopher L. Mapes

Christopher L. Mapes
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Vincent K. Petrella, certify that:

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

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: February 24, 2017

/s/ Vincent K. Petrella

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

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of Lincoln Electric Holdings, Inc. (the "Company") for the year ended December 31, 2016, as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

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

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

Date: February 24, 2017

/s/ Christopher L. Mapes

Christopher L. Mapes
Chairman, President and Chief Executive Officer

/s/ Vincent K. Petrella

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

Corporate Information

BOARD OF DIRECTORS

Curtis E. Espeland
Executive Vice President and
Chief Financial Officer,
Eastman Chemical Company

David H. Gunning
Lead Director
Former Vice Chairman,
Cliffs Natural Resources, Inc.

Stephen G. Hanks
Former President and
Chief Executive Officer,
Washington Group International, Inc.

Michael F. Hilton
President and Chief Executive Officer,
Nordson Corporation

G. Russell Lincoln
President, N.A.S.T. Inc.

Kathryn Jo Lincoln
Chair and Chief Investment Officer,
Lincoln Institute of Land Policy

William E. MacDonald, III
Former Vice Chairman,
National City Corporation

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

Phillip J. Mason
Former President,
Ecolab EMEA sector

Hellene S. Runtagh
Former President and
Chief Executive Officer,
Berwind Group

George H. Walls, Jr.
Former Chief Deputy Auditor,
State of North Carolina

COMPANY OFFICERS AND EXECUTIVE MANAGEMENT

Geoffrey P. Allman*
Senior Vice President
Corporate Controller

Anthony K. Battle
Senior Vice President, Internal Audit and
Chief Compliance Officer

George D. Blankenship*
Executive Vice President
President, Americas Welding

Gabriel Bruno*
Executive Vice President
Chief Human Resources Officer

Thomas A. Flohn*
Senior Vice President
President, Asia Pacific Region

Mathias Hallmann*
Senior Vice President
President, International Welding

Steven B. Hedlund*
Senior Vice President
President, Global Automation

Michele R. Kuhrt*
Executive Vice President
Chief Information Officer

Douglas S. Lance
Senior Vice President
President, Cleveland Operations

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

William T. Matthews
Senior Vice President, Technology and
Research and Development

Michael S. Mintun
Senior Vice President
North America Sales and Marketing

David J. Nangle*
Senior Vice President
President, Harris Products Group

Vincent K. Petrella*
Executive Vice President
Chief Financial Officer and Treasurer

Frederick S. Stueber*
Executive Vice President
General Counsel and Secretary

**Member of the Management Committee*

CORPORATE INFORMATION

For additional corporate information and copies of Lincoln Electric's 2016 Annual Report and Form 10-K, please contact Amanda Butler in Investor Relations at (216) 383-2534, email: Amanda_Butler@lincolnelectric.com, 22801 St. Clair Avenue, Cleveland, Ohio 44117-1199 USA, or visit www.lincolnelectric.com

TRANSFER AGENT AND REGISTRAR

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

Mail
Wells Fargo Shareowner Services
PO Box 64854
St. Paul, Minnesota 55164-0856

Courier
Wells Fargo Shareowner Services
1110 Centre Point Curve, Suite 101
Mendota Heights, Minnesota 55120-4100

Direct
(800) 468-9716 or (651) 450-4064
www.shareowneronline.com

ENVIRONMENTAL, HEALTH & SAFETY

Visit http://lincolnelectricehs.com to learn about our environmental, health and safety performance and goals

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP

ANNUAL MEETING

Thursday, April 20, 2017
11:00 a.m. Eastern Time
Cleveland Marriott East Hotel
26300 Harvard Road
Warrensville Heights, Ohio 44122

STOCK INFORMATION

The Company's stock is traded on the NASDAQ Stock Market ("NASDAQ") under the symbol LECO.

Number of record holders of common shares at December 31, 2016: 1,712

LINCOLN ELECTRIC HOLDINGS, INC.

22801 St. Clair Avenue
Cleveland, Ohio 44117-1199 U.S.A.

www.lincolnelectric.com