2018 ANNUAL REPORT

WELD AUTOMATE EDUCATE CONSERVE

TO A

HIGHER STANDARD™

LINCOLN® ELECTRIC

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LINCOLN ELECTRIC

MENU

OUR PURPOSE:

OPERATING BY A HIGHER STANDARD TO BUILD A BETTER WORLD

OUR GUIDING PRINCIPLE—THE GOLDEN RULE:

TREAT OTHERS HOW YOU WOULD LIKE TO BE TREATED

LINCOLN ELECTRIC HOLDINGS, INC.

FINANCIAL HIGHLIGHTS

YEARS ENDED DECEMBER 31, (dollars in millions, except per share)	2018	2017	2016
Net Sales	$3,029	$2,624	$2,275
Net Income	287	248	198
Adjusted Net Income[1]	317	253	224
Diluted Earnings per Share	4.37	3.71	2.91
Adjusted Diluted Earnings per Share[1]	4.82	3.79	3.29
Cash Provided by Operations	329	335	313
Cash Dividends per Share of Common Stock[2]	1.56	1.40	1.28
Average Operating Working Capital Ratio[3]	16.5 %	15.9 %	15.6 %
Return on Invested Capital[1]	20.7 %	16.2 %	16.6 %
Current Ratio	2.3	2.6	2.7
Total Assets	$2,350	$2,407	$1,943
Total Equity	888	932	712

(1) Adjusted Net Income, Adjusted Diluted Earnings per Share, Return on Invested Capital and Adjusted Operating Income Margin 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.

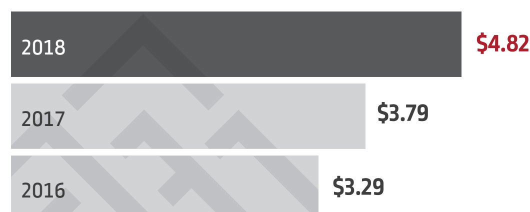
(3) Average Operating Working Capital Ratio is defined as net operating working capital as of period end divided by annualized rolling three months of sales. Net operating working capital is defined as Accounts receivable plus Inventory, less Trade accounts payable.

NET SALES AND ADJUSTED OPERATING INCOME MARGIN

[$ in millions]

ADJUSTED DILUTED EARNINGS PER SHARE

[$ per share]

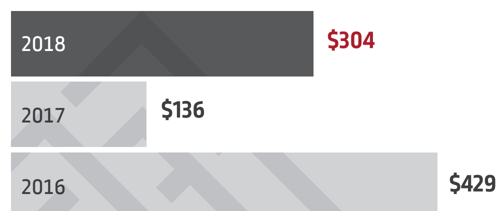


CASH PROVIDED BY OPERATIONS

[$ in millions]

CASH RETURNED TO SHAREHOLDERS

[$ in millions] dividends and share repurchases



LETTER FROM OUR CHAIRMAN, PRESIDENT AND CEO

DEAR FELLOW SHAREHOLDERS,

We achieved record sales and earnings performance in 2018. We leveraged our leading product portfolio, automation offering, and application experts to capitalize on solid industrial demand. Strong operational execution advanced the business towards our "2020 Vision & Strategy" financial and environmental goals, and we successfully navigated through inflationary pressures and dynamic trade and tariff uncertainties to deliver value for all of our stakeholders. I am thankful to the Lincoln Electric organization who worked tirelessly to achieve these results and the continued support of our customers, shareholders and supply chain partners.

2018 FINANCIAL PERFORMANCE

2018 sales increased approximately 15% to a record $3.0 billion, driven by 6.7% organic sales growth and a 9.1% benefit from acquisitions. Our Americas Welding and Harris Product Group segments achieved solid organic growth from a continued uptick in end market demand, price management and favorable mix. International Welding Segment sales compressed due to the integration activities we are implementing to shape the European business for long-term competitive success and from slower economic growth in the region.

The organization successfully mitigated broad inflationary pressures, exacerbated by trade tariffs. Pricing actions and tariff surcharges recovered mounting costs and resulted in approximately 15% higher adjusted operating income and a relatively steady adjusted operating income margin of 13.4%. We achieved this while continuing to invest in commercial initiatives, employee development and rolling out several global programs to support our long-term growth.

Our diluted earnings per share (EPS) increased to $4.37 and our adjusted EPS increased 27% to a record $4.82. Cash flow from operations held relatively steady at $329 million reflecting good working capital management. We achieved top-tier return on invested capital (ROIC) performance with a 450 basis point improvement to 20.7% ROIC. In 2018, we deployed $477 million towards growth investments and the return of cash to our shareholders through our dividend program and share repurchases. Our Board of Directors increased the 2019 dividend payout rate 21%, marking 23 years of consecutive dividend increases.

2020 VISION & STRATEGY UPDATE

Structural changes made to the business as part of the 2020 strategy have resulted in a much more efficient, profitable and agile organization. We achieved an 8% sales CAGR by leveraging our balance sheet to aggressively fund growth through innovation and acquisitions. We targeted differentiated technologies and solutions, such as enhanced equipment systems, specialty metals, IoT, automation, and broader engineering expertise. By focusing on providing value to our customers and continuous improvement in our operations, we generated an average 14.1% adjusted operating income margin in the last 5 years. This performance is approximately 200 basis points above our prior peak margin in 2008. A commitment to operational excellence also resulted in improved cash generation and conversion, better safety, waste and energy efficiency and a reduced carbon footprint. We have generated tremendous momentum from our achievements and I am pleased that all of our stakeholders have benefited from the success of the program.

2020 STRATEGY FINANCIAL METRICS (2009-2018)

GOAL 10% Sales compounded average growth rate (CAGR)
PROGRESS 8% CAGR (ex-FX and Venezuela)

GOAL Average 15% Adjusted operating income margin through an economic cycle
PROGRESS 14.1% five year average

GOAL Average operating working capital ratio of 15% at 2020
PROGRESS 16.5% in 2018

GOAL Average return on invested capital (ROIC) of 15% through an economic cycle
PROGRESS 17.1% average 2009-2018

2020 STRATEGY SUSTAINABILITY METRICS (2009-2018)

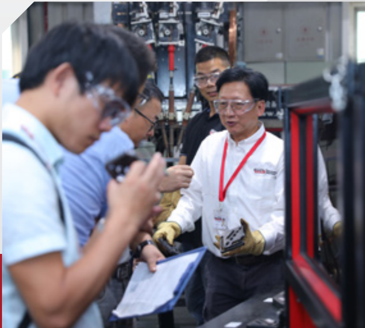
GOAL SAFETY: Improve DART[1] rate by 75%
PROGRESS Improved 70%

GOAL GREENHOUSE GAS EMISSIONS (GHG): Reduce by 15%
PROGRESS Reduced 22%

GOAL ENERGY INTENSITY: Reduce by 30%
PROGRESS Reduced 30%

GOAL RECYCLING & REUSE: Achieve a 70% recycle & reuse rate (all materials)
PROGRESS 73% Rate *(95% for eligible recyclables)*

[1] *DART = Days Away, Restrictions & Transfers incidents per 100 equivalent workers*



We expanded our Shanghai and Dubai tech centers in 2018 and use our 36 global tech centers to showcase technologies, test applications and consult on solutions.

We successfully launched our Welding Technology & Training Center with a 200% increase in student enrollment and 500+ educators in our Welding Educator workshops in 2018.

Our 3D metal additive process is used to build an industrial part. Our additive service offering will launch in 2019.

POSITIONING FOR LONG-TERM GROWTH

We continued to invest in growth in 2018. We achieved a 34% vitality index[1] of new products as a percent of sales with numerous product launches. Our innovations focused on our customers by simplifying the user experience, improving safety and productivity levels through digital interfaces, enhanced CAD-to-path programming of automated systems, and "smart" positioners, which leverage machine connectivity, ergonomics, and data collection. We continue to enhance the versatility of our systems with multi-process capabilities, remote control systems, patented Waveform Control Technology® for advanced arc performance and fume management, and are furthering our cloud-based production and quality monitoring solutions.

We completed four acquisitions to broaden our portfolio and application expertise. These include an enhanced weld monitoring technology that complements our cloud-based CheckPoint® monitoring system; a 3D automated plasma cutting solution for structural steel applications; a highly engineered robotic integrator, which will help diversify our end market mix; as well as the addition of premium solder and fluxes, and certain brazing assets. These acquisitions represent approximately $90 million in revenue.

As customers seek greater productivity, quality and capacity in a tight labor market, our industry-leading automation portfolio grew to over $400 million in sales. In 2019, we are leveraging our core competencies in automation, software development, and metallurgy (filler metals) to launch an exciting new metal additive manufacturing service that will manufacture large-scale, 3D metal printed parts, prototypes and tooling for industrial and aerospace customers. We have invested in a new Cleveland property, assembled a development team, and are installing robotic additive cells ahead of our mid-2019 launch. We expect this unique service will significantly improve customers' cycle times, designs and quality, and will provide an attractive new revenue stream for our business.

DRIVING OPERATIONAL EXCELLENCE

We are committed to improving our quality, costs and processes. In 2018, we maintained a rigorous schedule of continuous improvement projects leveraging lean and six sigma tools and continued to invest in new systems and processes to improve productivity. Key investments include:

- Deployment of a manufacturing execution system to improve better connectivity, analytics and planning on our production floor to optimize operations;
- Enhanced adoption of our CRM tool to improve customer service and commercial team effectiveness; and
- A new Human Resource Management System for our global operations.

We measure operational excellence across a number of metrics and prioritize safety, greenhouse gas emissions, energy efficiency and waste reduction. In 2018, we incorporated the former Air Liquide Welding manufacturing platform into our environmental, health and safety assessments and I am pleased that our EH&S results successfully demonstrated the positive impact of our programs. Our greenhouse gas emissions, energy intensity and waste reduction performance continued to exceed our 2020 goals. Our safety performance held relatively steady year-over-year, and continues to progress closely to the 2020 goal. We are establishing our new long-term sustainability goals, which will build upon the momentum we have generated.

[1] Vitality index represents the percent of sales from new products launched in the last five years. The index excludes the International Welding segment.

Lincoln Electric foundation

Over $2 million donated in grants, employee gifts, in-kind gifts and disaster relief efforts in 2018.

Lincoln Electric was named one of the 2019 World's Most Ethical Companies by Ethisphere® Institute.

Lincoln Electric ranked as a TOP 100 U.S. internship program by WayUp® in 2018.

Launched a comprehensive sustainability site in 2018. https://sustainability.lincolnelectric.com

"World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.

INVESTING IN OUR EMPLOYEES

Our employees are the cornerstone of our success. In 2018, we instituted a global employee engagement survey to assess our best practices and identify opportunities for improvement and greater employee engagement. Our program achieved a 71% favorability score and created a strong foundation from which to build. Employees ranked our safe, ethical and sustainable practices as a key strength, as well as trust among teams. That employees see our values in action underscores the strength of our culture and the commitment we have for one another. These attributes give us great confidence that our employees recognize the importance of living by the "Golden Rule."

We identified that career development planning needs further investment. We launched a 10-month program to enhance managerial skills through courses in talent management, employee engagement fundamentals, communications, negotiations, financial management, and project management. We also developed the Lincoln Electric Educational Development (LEed) program, which guides employees through available learning and training curricula. We will be expanding LEed programming in the quarters ahead, among other engagement initiatives to further invest in employees.

HIGHER STANDARD 2025 STRATEGY

As we near the end of our "2020 Vision & Strategy" program, we are transitioning to a new long-term strategy: Higher Standard 2025 Strategy (HS2025). Our new strategy amplifies our efforts to grow the business while achieving best in class financial and sustainability performance and increase employee engagement. HS2025 focuses on key investments and initiatives in four strategic areas:

Customer Focused: Enhancing our value proposition and the ease of doing business by leveraging our CRM system, investments in industry-segment teams and product portfolios and our growing footprint of technical centers.

Solutions & Value: Developing solutions that improve our customers' ability to make their products better, safer and easier. Key initiatives include achieving $1 billion in sales from automation, including the successful development of our new 3D metal additive manufacturing service, improved interfaces and software tools that will leverage IoT and artificial intelligence, as well as designing greater efficiency and sustainability into our new products.

Operational Excellence: Improving our quality, costs and processes by maximizing continuous improvement using our "Lincoln Business System," investing in greater digitization of our operations and processes, and achieving our 2025 sustainability goals.

Employee Development: Improving opportunities for our employees to learn and grow through new development programs, resource groups, engagement initiatives, and enhanced HR systems and tools.

I am confident that our successful execution of HS2025 will generate superior value for all of our stakeholders and further differentiate Lincoln Electric's leadership position in our industry.

LOOKING TO 2019

We have accomplished a lot as an organization, but have more work ahead of us in 2019 as we execute against our key initiatives. We will be engaging our stakeholders in our Higher Standard 2025 Strategy and discussing how our efforts can generate the most value for them. As we approach our 125th Anniversary in 2020, we are excited about our future, the opportunities that lay ahead and our ability to execute on our Higher Standard 2025 Strategy. On behalf of the Board of Directors and the employees at Lincoln Electric, thank you for your continued support as our shareholder. Together, we are operating to a higher standard to build a better world.

Christopher L. Mapes
Chairman, President and Chief Executive Officer

All trademarks and registered trademarks are the property of their respective owners.

NON-GAAP FINANCIAL MEASURES

NON-GAAP FINANCIAL MEASURES

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Net Income, Adjusted EBIT, Adjusted effective tax rate, Adjusted Diluted Earnings per Share, and Return on Invested Capital are non-GAAP financials 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, 2016 to 2018:

YEAR ENDED DECEMBER 31, *($ in millions)*	2018	2017	2016
Operating income (as reported)	**$ 375.5**	**$ 376.9**	**$ 283.6**
Special items (pre-tax):			
Rationalization and asset impairment charges [1]	25.3	6.6	—
Loss on deconsolidation of Venezuelan subsidiary [2]	—	—	34.3
Acquisition transaction and integration costs [3]	4.5	15.0	—
Amortization of step up in value of acquired inventories [3]	—	4.6	—
Bargain purchase gain [3]	—	(49.7)	—
Adjusted operating income	**$ 405.3**	**$ 353.5**	**$ 318.0**
Adjusted operating income margin	**13.4%**	**13.5%**	**14.0%**

(1) Charges consist of employee severance, gains or losses on the disposal of assets and other related costs, non-cash goodwill impairment charges and net non-cash asset impairment charges.
(2) Loss on deconsolidation of the Venezuelan subsidiary as of June 30, 2016.
(3) Acquisition-related costs and a bargain purchase gain related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements in the attached Form 10-K.

ADJUSTED NET INCOME, ADJUSTED EBIT, ADJUSTED EFFECTIVE TAX RATE, AND ADJUSTED DILUTED EARNINGS PER SHARE

The following table presents reconciliations of Net income to Adjusted net income and Adjusted EBIT, Effective tax rate as reported to Adjusted effective tax rate, and Diluted earnings per share as reported to Adjusted diluted earnings per share for the years ended December 31, 2016 to 2018:

YEAR ENDED DECEMBER 31, *($ in millions except per share amounts)*	2018	2017	2016
Net Income as reported	**$ 287.1**	**$ 247.5**	**$ 198.4**
Special items:			
Rationalization and asset impairment charges [1]	25.3	6.6	—
Loss on deconsolidation of Venezuelan subsidiary [2]	—	—	34.3
Pension settlement charges [3]	6.7	8.2	—
Acquisition transaction and integration costs [4]	4.5	15.0	—
Amortization of step up in value of acquired inventories [4]	—	4.6	—
Bargain purchase gain [4]	—	(49.7)	—
Tax effect of Special items [5]	(6.9)	20.5	(8.3)
Adjusted net income	**$ 316.6**	**$ 252.7**	**$ 224.5**
Non-controlling interests in subsidiaries' earnings (loss)	(0.07)	(0.03)	(0.03)
Interest expense, net	17.6	19.4	17.0
Income taxes as reported	81.7	118.8	79.0
Tax effect of Special items	6.9	(20.5)	8.3
Adjusted EBIT	**$ 422.7**	**$ 370.3**	**$ 328.7**
Effective tax rate as reported	22.2%	32.4%	28.5%
Net Special item tax impact	(0.3)%	(4.4)%	(0.5)%
Adjusted effective tax rate	21.9%	28.0%	28.0%
Diluted earnings per share as reported	**$ 4.37**	**$ 3.71**	**$ 2.91**
Special items per share	0.45	0.08	0.38
Adjusted diluted earnings per share	**$ 4.82**	**$ 3.79**	**$ 3.29**

(1) Charges consist of employee severance, gains or losses on the disposal of assets and other related costs, non-cash goodwill impairment charges and net non-cash asset impairment charges.
(2) Loss on deconsolidation of the Venezuelan subsidiary as of June 30, 2016.
(3) Charges related to lump sum payments.
(4) Acquisition-related costs and a bargain purchase gain related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements in the attached Form 10-K.
(5) Includes the net tax impact of Special items recorded during the respective periods, including the net impact of the U.S. Tax Act of $0.4 and $28.6 in the years ended December 31, 2018 and 2017, respectively. The tax effect of Special items impacting pre-tax income was calculated as the pre-tax amount multiplied by the applicable tax rate. The applicable tax rates reflect the taxable jurisdiction and nature of each Special item.

RETURN ON INVESTED CAPITAL (ROIC)

The following table presents calculations of ROIC for the years ended December 31, 2016 to 2018:

YEAR ENDED DECEMBER 31, *($ in millions)*	2018	2017	2016
Adjusted net income [1]	**$ 316.6**	**$ 252.7**	**$ 224.5**
Plus: Interest expense (after-tax)	18.4	14.9	11.8
Less: Interest income (after-tax)	5.2	3.0	1.3
Net operating profit after taxes	$ 329.8	$ 264.7	$ 234.9
Invested Capital [2]	1,590.3	1,638.7	1,417.8
Return on Invested Capital (ROIC)	**20.7%**	**16.2%**	**16.6%**

(1) See reconciliation of Net income to Adjusted net income in the table above.
(2) Invested capital is defined as total debt plus total equity.

2018 FORM 10-K

WELD AUTOMATE EDUCATE CONSERVE

TO A

HIGHER STANDARD™

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2018 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 every Interactive Data File required to be submitted 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 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, a smaller reporting company, or emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company”and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
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 29, 2018 was $5,556,447,259 (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, 2019 was 63,238,446.

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 2019 Annual Meeting of Shareholders.

PART I

ITEM 1. BUSINESS

General

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

The Company is one of only a few worldwide broad-line manufacturers of welding, cutting and brazing products. Welding products include arc welding power sources, 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, Egypt, France, Germany, India, Italy, Mexico, the Netherlands, Poland, Romania, Russia, Spain, Turkey and the United Kingdom.

The Company's business units are 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 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.

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 fabrication,
- energy and process industries,
- heavy industries (heavy fabrication, ship building and maintenance and repair),
- automotive and transportation, and
- construction and infrastructure.

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, robotic components 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 47 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.

Employees

The number of persons employed by the Company worldwide at December 31, 2018 was approximately 11,000. 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 dissemination 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. They are also influenced by import duties and tariffs (including the Section 232 steel and aluminum tariffs initiated by the U.S. government in 2018), speculative action, world supply and demand balances, inventory levels, availability of substitute materials, currency exchange rates, anticipated or perceived shortages, government trade practices and regulations 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, 2018, we were a co-defendant in cases alleging asbestos induced illness involving claims by approximately 3,336 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: 54,977 of those claims were dismissed, 23 were tried to defense verdicts, 7 were tried to plaintiff verdicts (which were reversed or resolved after appeal), 1 was resolved by agreement for an immaterial amount and 890 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. In certain cases, we design automated welding systems for use in a customer's production facilities (including automotive production facilities), which could expose us to financial losses or professional liability.

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. Integration efforts may include significant rationalization activities that could be disruptive to the business. Our current operational cash flow is sufficient to fund our 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, including with respect to the integration of acquired businesses. 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 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 and robotic arm manufacturers compete in the automated welding and cutting space. 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 rationalization efforts related to the integration of acquired businesses, 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 12 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 financial loss, 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 prohibited 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.

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. For more information regarding rationalization plans, refer to the rationalization and asset impairment related disclosure under Note 7 to the Company's consolidated financial statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. EXECUTIVE OFFICERS OF THE REGISTRANT

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Position
Christopher L. Mapes	57	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	58	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; Vice President, Chief Financial Officer and Treasurer from February 4, 2004 to October 7, 2005.
Jennifer I. Ansberry	45	Executive Vice President, General Counsel and Secretary since April 20, 2017; Vice President, Deputy General Counsel from 2004 until April 20, 2017.
George D. Blankenship	56	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	51	Executive Vice President, Finance since January 1, 2019; Chief Human Resources Officer from July 1, 2016 to December 31, 2018; 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 from February 19, 2014 to March 7, 2015; Vice President, Chief Information Officer from May 1, 2012 to February 19, 2014; Vice President, Corporate Controller from 2005 to May 1, 2012.
Steven B. Hedlund	52	Executive Vice President and President, International Welding since June 1, 2017; Senior Vice President and President, Global Automation from January 22, 2015 to June 1, 2017; 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.
Michele R. Kuhrt	52	Executive Vice President, Chief Human Resources Officer since February 25, 2019; Executive Vice President, Chief Information Officer from July 1, 2016 to February 24, 2019; Senior Vice President, Tax from 2006 to July 1, 2016.
Geoffrey P. Allman	48	Senior Vice President, Strategy and Business Development since January 1, 2019; Senior Vice President, Corporate Controller from January 14, 2014 to December 31, 2018; 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	58	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.
David J. Nangle	62	Executive 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.
Douglas S. Lance	51	Senior Vice President, President, Cleveland Operations, North America since September 1, 2016; Senior Vice President, North American Operations from February 19, 2014 to August 31, 2016; Vice President, Operations from January 1, 2012 to February 18, 2014.
Michael Mintun	56	Senior Vice President, Sales and Marketing, North America since February 19, 2014; Vice President, Sales and Marketing, North America from January 1, 2013 to February 18, 2014; Vice President, Sales, North America from January 1, 2008 to December 31, 2012.

Michael J. Whitehead	45	Senior Vice President, President, Global Automation, Cutting and Additive Business since January 1, 2019; Senior Vice President, Strategy and Business Development from August 1, 2016 to December 31, 2018; President, Lincoln Canada from January 1, 2015 to July 31, 2016; Director, New Product Development, Consumables R&D from January 1, 2012 to December 31, 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 244 acres, of which present manufacturing facilities comprise an area of approximately 3,017,090 square feet.

The Company has 60 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, Coldwater and Fort Loramie, Ohio; San Diego and Anaheim, California; Reno, Nevada; Ladson, South Carolina; Chattanooga, Tennessee; Detroit, Michigan; Fort Collins, Colorado; Bettendorf, Iowa; Churubusco, Indiana.
Brazil	Guarulhos; Indaiatuba.
Canada	Toronto; Mississauga; Hamilton; Montreal; Hawkesbury; Vankleek Hill.
Colombia	Bogota.
Mexico	Mexico City; Torreon.
International Welding:	
Australia	Newcastle; Gladstone.
China	Shanghai; Nanjing; Zhengzhou; Luan County; Hangzhou.
Egypt	Cairo.
France	Grand-Quevilly; Partheny.
Germany	Essen; Eisenberg; Frankfurt.
India	Chennai.
Italy	Corsalone; Due Carrere; Verona; Storo.
Netherlands	Nijmegen.
Poland	Bielawa; Dzierzoniow.
Romania	Buzau.
Russia	Mtsensk.
Spain	Zaragoza.
Turkey	Istanbul.
United Kingdom	Sheffield, England; Port Talbot, Wales.
The Harris Products Group:	
United States	Mason, Ohio; Gainesville, Georgia; Winston Salem, North Carolina.
Brazil	Maua.
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. Refer to Note 18 to the 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, 2018, the Company was a co-defendant in cases alleging asbestos induced illness involving claims by approximately 3,336 plaintiffs, which is a net decrease of 133 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: 54,977 of those claims were dismissed, 23 were tried to defense verdicts, 7 were tried to plaintiff verdicts (which were reversed or resolved after appeal), 1 was resolved by agreement for an immaterial amount and 890 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, 2018 was 1,745.

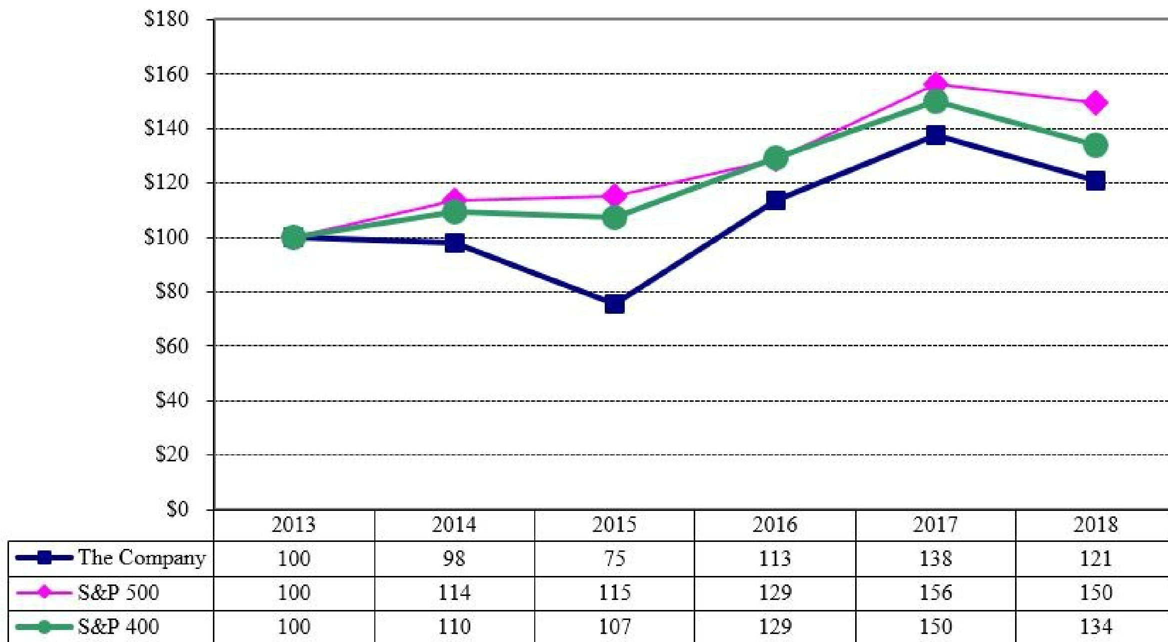
Issuer purchases of equity securities for the fourth quarter 2018 were:

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, 2018	455,734 (1)	$ 86.10	455,442	6,654,727
November 1-30, 2018	391,845	83.50	391,845	6,262,882
December 1-31, 2018	99,898 (1)	82.26	85,658	6,177,224
Total	947,477	84.62	932,945	

(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 48.8 million shares at a cost of $1.9 billion for a weighted average cost of $38.52 per share through December 31, 2018.

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, 2014 and ending December 31, 2018. This graph assumes that $100 was invested on December 31, 2013 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.



	2013	2014	2015	2016	2017	2018
The Company	100	98	75	113	138	121
S&P 500	100	114	115	129	156	150
S&P 400	100	110	107	129	150	134

ITEM 6. SELECTED FINANCIAL DATA

(Dollars in thousands, except per share amounts)

	Year Ended December 31,				
	2018 [(1)]	2017 [(2)]	2016 [(3)]	2015 [(4)]	2014 [(5)]
Net sales	$ 3,028,674	$ 2,624,431	$ 2,274,614	$ 2,535,791	$ 2,813,324
Net income	287,066	247,503	198,399	127,478	254,686
Basic earnings per share	4.42	3.76	2.94	1.72	3.22
Diluted earnings per share	4.37	3.71	2.91	1.70	3.18
Cash dividends declared per share	1.64	1.44	1.31	1.19	0.98
Total assets	2,349,825	2,406,547	1,943,437	1,784,171	1,939,215
Long-term debt, less current portion	702,549	704,136	703,704	350,347	2,488

(1) Results for 2018 include charges of $25,285 ($19,966 after-tax) in rationalization and asset impairment charges and gains or losses on the disposal of assets, $6,686 ($5,017 after-tax) in pension settlement charges and $4,498 ($3,682 after-tax) of transaction and integration costs related to the acquisition of Air Liquide Welding. Results also include charges of $399 related to the net impact of the U.S. Tax Act (as defined in Item 7).

(2) Results for 2017 include charges related to the acquisition of Air Liquide Welding, including $15,002 ($11,559 after-tax) of transaction and integration costs, $4,578 ($3,453 after-tax) in amortization of step up in value of acquired inventories and a $49,650 bargain purchase gain. Results also include $8,150 ($5,030 after-tax) in pension settlement charges, $6,590 ($6,198 after-tax) in rationalization and asset impairment charges and charges of $28,616 related to the net impact of the U.S. Tax Act.

(3) 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.

(4) Results for 2015 include $13,719 ($11,943 after-tax) of rationalization charges and non-cash net impairment charges of $6,239. Results also include pension settlement charges of $142,738 ($87,310 after-tax) and charges of $27,214 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.

(5) 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 related to Venezuelan remeasurement losses.

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 fabrication,
- energy and process industries,
- heavy industries (heavy fabrication, ship building and maintenance and repair),
- automotive and transportation, and
- construction and infrastructure.

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

The U.S. Tax Cuts and Jobs Act (the "U.S. Tax Act") was enacted on December 22, 2017. The U.S. Tax Act reduced the U.S. federal corporate income tax rate to 21% from 35%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and created new taxes on certain foreign-sourced earnings. The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") related to the U.S. Tax Act, which provided for a one-year measurement period and guidance for the application of Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*. At December 31, 2017, the Company had not completed its accounting related to the U.S. Tax Act. All provisional amounts were based on reasonable estimates using the best information available at the time. At December 31, 2018, the Company has completed its accounting related to the U.S. Tax Act. Refer to Note 14 to the consolidated financial statements for further information on the financial statement impact of the U.S. Tax Act.

During the first quarter of 2016, the Company realigned its organizational and leadership structure. The new structure allowed for further integration of operational and product development processes across regions and supported 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. Refer to Note 6 to the 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, robotic components 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 47 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 earnings before interest, taxes and bonus; 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,						Increase (Decrease) Actual vs. Prior Year	
	2018		2017		2016			
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	2018 vs. 2017	2017 vs. 2016
Net sales	$ 3,028,674		$ 2,624,431		$ 2,274,614		15.4%	15.4%
Cost of goods sold	2,000,153		1,749,324		1,488,055		14.3%	17.6%
Gross profit	1,028,521	34.0%	875,107	33.3%	786,559	34.6%	17.5%	11.3%
Selling, general & administrative expenses	627,697	20.7%	541,225	20.6%	468,597	20.6%	16.0%	15.5%
Rationalization and asset impairment charges	25,285		6,590		—		283.7%	100.0%
Loss on deconsolidation of Venezuelan subsidiary	—		—		34,348		—	(100.0%)
Bargain purchase gain	—		(49,650)		—		(100.0%)	100.0%
Operating income	375,539	12.4%	376,942	14.4%	283,614	12.5%	(0.4%)	32.9%
Interest expense, net	17,565		19,432		16,987		(9.6%)	14.4%
Other income (expense)	10,686		8,726		10,761		22.5%	(18.9%)
Income before income taxes	368,660	12.2%	366,236	14.0%	277,388	12.2%	0.7%	32.0%
Income taxes	81,667		118,761		79,015		(31.2%)	50.3%
Effective tax rate	22.2%		32.4%		28.5%			
Net income including non-controlling interests	286,993		247,475		198,373		16.0%	24.8%
Non-controlling interests in subsidiaries' loss	(73)		(28)		(26)		160.7%	7.7%
Net income	$ 287,066	9.5%	$ 247,503	9.4%	$ 198,399	8.7%	16.0%	24.8%
Diluted earnings per share	$ 4.37		$ 3.71		$ 2.91			

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, 2018 on a consolidated basis:

		Change in Net Sales due to:				
	Net Sales 2017	Volume	Acquisitions	Price	Foreign Exchange	Net Sales 2018
Lincoln Electric Holdings, Inc.	$ 2,624,431	$ 27,792	$ 239,242	$ 146,193	$ (8,984)	$ 3,028,674
% Change						
Lincoln Electric Holdings, Inc.		1.1%	9.1%	5.6%	(0.3%)	15.4%

Net sales increased primarily as a result of stronger organic sales and the acquisition of Air Liquide Welding within Americas Welding and International Welding.

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, 2017 on a consolidated basis:

	Net Sales 2016	Change in Net Sales due to: Volume	Acquisitions	Price	Foreign Exchange	Net Sales 2017
Lincoln Electric Holdings, Inc.	$ 2,274,614	$ 95,171	$ 181,900	$ 55,078	$ 17,668	$ 2,624,431
% Change						
Lincoln Electric Holdings, Inc.		4.2%	8.0%	2.4%	0.8%	15.4%

Net sales increased primarily as a result of acquisitions, improved volume due to higher demand and increased product pricing. Net sales for 2016 include $10,813 in sales from the Company's Venezuelan operations. The increase in Net sales from acquisitions for 2017 was driven by the acquisition of Air Liquide Welding within Americas Welding and International Welding.

Gross Profit:

Gross profit for 2018 increased, as a percent of sales, compared to the prior year due to price management and segment mix. The year ended December 31, 2018 includes a last-in, first-out ("LIFO") charge of $10,990, as compared with a LIFO charge of $7,312 in the prior year.

Gross profit for 2017 decreased, as a percent of sales, compared to the prior year due to the acquisition of Air Liquide Welding and rising input costs. The year ended December 31, 2017 includes a last-in, first-out ("LIFO") charge of $7,312, as compared with a LIFO charge of $1,564 in the prior year.

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

The increase in SG&A expense in 2018 as compared to 2017 was due to SG&A from acquisitions and higher compensation costs and professional fees.

The increase in SG&A expense in 2017 as compared to 2016 was due to SG&A from acquisitions, higher compensation costs and acquisition transaction and integration costs, partially offset by lower professional fees.

Rationalization and Asset Impairment Charges:

In 2018, the Company recorded $25,285 ($19,966 after-tax) in charges primarily related to employee severance, asset impairment charges and gains or losses on the disposal of assets.

In 2017, the Company recorded $6,590 ($6,198 after-tax) in charges primarily related to employee severance and asset impairment charges.

Refer to Note 7 to the consolidated financial statements 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 to the consolidated financial statements for additional details.

Bargain Purchase Gain:

In 2017, the Company recorded a bargain purchase gain of $49,650, which had no tax impact, related to the Air Liquide Welding acquisition. Refer to Note 4 to the consolidated financial statements for additional details.

Interest Expense, Net:

The decrease in 2018 as compared to 2017 was due to higher interest income on marketable securities in 2018.

The increase in 2017 as compared to 2016 was due to higher interest expense on higher borrowings in 2017.

Other Income (Expense):

The increase in 2018 as compared to 2017 was due to higher equity earnings in affiliates.

The decrease in 2017 as compared to 2016 was primarily due to higher net periodic pension cost.

Income Taxes:

The 2018 effective tax rate was lower than 2017 due to the U.S. Tax Act that reduced the U.S. federal corporate income tax rate to 21%, partially offset by rationalization charges in regions with low or no tax benefit. The 2017 rate reflects the higher U.S. federal tax rate and the one-time transition tax, offset by the non-taxable bargain purchase gain recorded in 2017 in connection with the Air Liquide Welding acquisition.

The effective income tax rate was higher in 2017 as compared to 2016 primarily due to the net impact of the U.S. Tax Act. The effective tax rate increase was partially offset by the nontaxable bargain purchase gain recorded in connection with the Air Liquide Welding acquisition and the change in the reporting of excess tax benefits from the exercise of stock based compensation awards.

Net Income:

As compared to the prior year, reported Net income for 2018 increased primarily due to higher Net sales and a lower effective tax rate, partially offset by higher SG&A costs, higher rationalization and asset impairment charges and the bargain purchase gain related to the Air Liquide Welding acquisition in the prior year.

As compared to the prior year, reported Net income for 2017 increased primarily due to higher volumes and the bargain purchase gain related to the Air Liquide Welding acquisition, offset by the net impact of the U.S. Tax Act, rising input costs, higher SG&A costs and higher interest expense.

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, 2018:

	Net Sales 2017	Change in Net Sales due to:				Net Sales 2018
		Volume (1)	Acquisitions (2)	Price (3)	Foreign Exchange (4)	
Operating Segments						
Americas Welding	$ 1,609,779	$ 82,258	$ 11,644	$ 111,038	$ (8,205)	$ 1,806,514
International Welding	724,024	(66,963)	227,598	34,777	335	919,771
The Harris Products Group	290,628	12,497	—	378	(1,114)	302,389
% Change						
Americas Welding		5.1%	0.7%	6.9%	(0.5%)	12.2%
International Welding		(9.2%)	31.4%	4.8%	—	27.0%
The Harris Products Group		4.3%	—	0.1%	(0.4%)	4.0%

(1) Increase for Americas Welding due to improving demand in a broad range of end markets. Decrease for International Welding due to a repositioning of the Company's channel strategy in the European market and restructuring activities. Increase for The Harris Products Group driven primarily by demand in the retail sector.

(2) Increase primarily due to the acquisition of Air Liquide Welding within Americas Welding and International Welding. Refer to Note 4 to the consolidated financial statements for a discussion of the Company's recent acquisitions.

(3) Increase in all segments due to increased product pricing as a result of higher input costs.

(4) Decrease in the Americas Welding segment due to a stronger U.S. dollar.

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, 2017:

	Net Sales 2016	Change in Net Sales due to:				Net Sales 2017
		Volume (1)	Acquisitions (2)	Price (3)	Foreign Exchange (4)	
Operating Segments						
Americas Welding	$ 1,494,982	$ 67,306	$ 8,470	$ 36,009	$ 3,012	$ 1,609,779
International Welding	507,289	12,503	173,430	18,327	12,475	724,024
The Harris Products Group	272,343	15,362	—	742	2,181	290,628
% Change						
Americas Welding		4.5%	0.6%	2.4%	0.2%	7.7%
International Welding		2.5%	34.2%	3.6%	2.5%	42.7%
The Harris Products Group		5.6%	—	0.3%	0.8%	6.7%

(1) Increase for Americas and International Welding due to improving demand in a broad range of end markets. Increase for The Harris Products Group due to higher volumes.

(2) Increase primarily due to the acquisition of Air Liquide Welding within Americas Welding and International Welding. Refer to Note 4 to the consolidated financial statements for a discussion of the Company's recent acquisitions.

(3) Increase in all segments due to increased product pricing as a result of higher input costs.

(4) Increase in the International Welding segment due to a weaker U.S. dollar.

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 measure being the Adjusted EBIT profit measure. 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) 2018 vs. 2017		Increase (Decrease) 2017 vs. 2016	
	2018	2017	2016	$	%	$	%
Americas Welding:							
Net sales	$ 1,806,514	$ 1,609,779	$ 1,494,982	196,735	12.2%	114,797	7.7%
Inter-segment sales	118,936	97,382	93,612	21,554	22.1%	3,770	4.0%
Total Sales	$ 1,925,450	$ 1,707,161	$ 1,588,594	218,289	12.8%	118,567	7.5%
Adjusted EBIT (4)	$ 340,744	$ 291,866	$ 266,633	48,878	16.7%	25,233	9.5%
As a percent of total sales (1)	17.7%	17.1%	16.8%		0.6%		0.3%
International Welding:							
Net sales	$ 919,771	$ 724,024	$ 507,289	195,747	27.0%	216,735	42.7%
Inter-segment sales	18,576	18,860	15,975	(284)	(1.5%)	2,885	18.1%
Total Sales	$ 938,347	$ 742,884	$ 523,264	195,463	26.3%	219,620	42.0%
Adjusted EBIT (5)	$ 54,273	$ 41,721	$ 29,146	12,552	30.1%	12,575	43.1%
As a percent of total sales (2)	5.8%	5.6%	5.6%		0.2%		—
The Harris Products Group:							
Net sales	$ 302,389	$ 290,628	$ 272,343	11,761	4.0%	18,285	6.7%
Inter-segment sales	6,969	8,190	8,709	(1,221)	(14.9%)	(519)	(6.0%)
Total Sales	$ 309,358	$ 298,818	$ 281,052	10,540	3.5%	17,766	6.3%
Adjusted EBIT	$ 36,564	$ 36,442	$ 32,380	122	0.3%	4,062	12.5%
As a percent of total sales (3)	11.8%	12.2%	11.5%		(0.4%)		0.7%
Corporate / Eliminations:							
Inter-segment sales	$ (144,481)	$ (124,432)	$ (118,296)	20,049	16.1%	6,136	5.2%
Adjusted EBIT (6)	(8,887)	309	564	(9,196)	(2,976.1%)	(255)	45.2%
Consolidated:							
Net sales	$ 3,028,674	$ 2,624,431	$ 2,274,614	404,243	15.4%	349,817	15.4%
Net income	$ 287,066	$ 247,503	$ 198,399	39,563	16.0%	49,104	24.8%
As a percent of total sales	9.5%	9.4%	8.7%		0.1%		0.7%
Adjusted EBIT (7)	$ 422,694	$ 370,338	$ 328,723	52,356	14.1%	41,615	12.7%
As a percent of total sales	14.0%	14.1%	14.5%		(0.1%)		(0.4%)

(1) 2018 increase as compared to 2017 driven by stronger organic sales.

2017 increase as compared to 2016 driven by higher Net sales volumes, partially offset by rising input costs.

(2) 2018 increase as compared to 2017 driven by favorable sales mix.

2017 remained flat as compared to 2016 driven by higher Net sales volumes, offset by higher costs related to acquisitions.

(3) 2018 decrease as compared to 2017 driven by the impact of unfavorable price/cost.

2017 increase as compared to 2016 driven by higher Net sales volume.

(4) 2018 excludes pension settlement charges of $6,686 related to lump sum pension payments.

2017 excludes pension settlement charges of $8,150 related to lump sum pension payments, as well as non-cash charges of $1,091 related to the impairment of goodwill.

(5) 2018 excludes charges of $25,285 related to employee severance, asset impairments and other related costs.

2017 excludes amortization of step up in value of acquired inventories of $4,578 related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements, as well as charges of $5,499 related to employee severance, asset impairments and other related costs.

(6) 2018 excludes acquisition transaction and integration costs of $4,498 related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements.

2017 excludes a bargain purchase gain of $49,650 and acquisition transaction and integration costs of $15,002 related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements.

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

(7) See non-GAAP Financial Measures for a reconciliation of Net income as reported and Adjusted EBIT.

Non-GAAP Financial Measures

The Company reviews Adjusted operating income, Adjusted EBIT, Adjusted net income, Adjusted effective tax rate, 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 following non-GAAP measures: Free cash flow ("FCF") 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); Cash conversion defined as FCF divided by Adjusted net income; Organic sales defined as sales excluding the effects of foreign currency and acquisitions.

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

	Year Ended December 31,		
	2018	2017	2016
Operating income as reported	$ 375,539	$ 376,942	$ 283,614
Special items (pre-tax):			
Rationalization and asset impairment charges (1)	25,285	6,590	—
Loss on deconsolidation of Venezuelan subsidiary (2)	—	—	34,348
Acquisition transaction and integration costs (3)	4,498	15,002	—
Amortization of step up in value of acquired inventories (3)	—	4,578	—
Bargain purchase gain (3)	—	(49,650)	—
Adjusted operating income	$ 405,322	$ 353,462	$ 317,962

(1) Charges consist of employee severance, gains or losses on the disposal of assets and other related costs, non-cash goodwill impairment charges and net non-cash asset impairment charges.

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

(3) Acquisition-related costs and a bargain purchase gain related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements.

The following table presents the reconciliations of Net income as reported to Adjusted net income and Adjusted EBIT, Effective tax rate as reported to Adjusted effective tax rate and Diluted earnings per share as reported to Adjusted diluted earnings per share:

	Year Ended December 31,		
	2018	2017	2016
Net income as reported	$ 287,066	$ 247,503	$ 198,399
Special items:			
Rationalization and asset impairment charges [1]	25,285	6,590	—
Loss on deconsolidation of Venezuelan subsidiary [2]	—	—	34,348
Pension settlement charges [3]	6,686	8,150	—
Acquisition transaction and integration costs [4]	4,498	15,002	—
Amortization of step up in value of acquired inventories [4]	—	4,578	—
Bargain purchase gain [4]	—	(49,650)	—
Tax effect of Special items [5]	(6,896)	20,536	(8,293)
Adjusted net income	$ 316,639	$ 252,709	$ 224,454
Non-controlling interests in subsidiaries' earnings (loss)	$ (73)	$ (28)	$ (26)
Interest expense, net	17,565	19,432	16,987
Income taxes as reported	81,667	118,761	79,015
Tax effect of Special items [5]	6,896	(20,536)	8,293
Adjusted EBIT	$ 422,694	$ 370,338	$ 328,723
Effective tax rate as reported	22.2 %	32.4 %	28.5 %
Net special item tax impact	(0.3)%	(4.4)%	(0.5)%
Adjusted effective tax rate	21.9 %	28.0 %	28.0 %
Diluted earnings per share as reported	$ 4.37	$ 3.71	$ 2.91
Special items per share	0.45	0.08	0.38
Adjusted diluted earnings per share	$ 4.82	$ 3.79	$ 3.29

(1) Charges consist of employee severance, gains or losses on the disposal of assets and other related costs, non-cash goodwill impairment charges and non-cash asset impairment charges.

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

(3) Charges related to lump sum pension payments.

(4) Acquisition-related costs and a bargain purchase gain related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements.

(5) Includes the net tax impact of Special items recorded during the respective periods, including the net impact of the U.S. Tax Act of $399 and $28,616 in the years ended December 31, 2018 and 2017, respectively.

The tax effect of Special items impacting pre-tax income was calculated as the pre-tax amount multiplied by the applicable tax rate. The applicable tax rates reflect the taxable jurisdiction and nature of each Special item.

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	
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
Cash provided by operating activities[1]	$ 329,152	$ 334,845	$ 312,557	$ (5,693)	$ 22,288
Cash provided by (used by) investing activities[2]	20,841	(272,027)	(159,946)	292,868	(112,081)
Capital expenditures	(71,246)	(61,656)	(49,877)	(9,590)	(11,779)
Acquisition of businesses, net of cash acquired	(101,792)	(72,468)	(71,567)	(29,324)	(901)
Purchase of marketable securities, net of proceeds	179,124	(140,204)	(38,920)	319,328	(101,284)
Cash used by financing activities[3]	(302,130)	(135,037)	(72,008)	(167,093)	(63,029)
(Payments on) proceeds from long-term borrowings, net	(107)	(5)	349,780	(102)	(349,785)
Purchase of shares for treasury	(201,650)	(43,164)	(342,003)	(158,486)	298,839
Cash dividends paid to shareholders	(102,058)	(92,452)	(87,330)	(9,606)	(5,122)
Increase (decrease) in Cash and cash equivalents [4]	32,148	(52,478)	74,996		

(1) Cash provided by operating activities decreased for the twelve months ended December 31, 2018 compared with the twelve months ended December 31, 2017 due to increased investment in working capital, partially offset by improved Company performance. Cash provided by operating activities increased for the twelve months ended December 31, 2017 compared with the twelve months ended December 31, 2016 primarily due to improved Company performance.

(2) Cash provided by investing activities increased predominately due to the proceeds from marketable securities in 2018, partially offset by cash used in the acquisition of businesses. Cash used by investing activities increased in the twelve months ended December 31, 2017 compared with the twelve months ended December 31, 2016 predominantly due to the purchase of marketable securities in 2017. The Company currently anticipates capital expenditures of $70,000 to $80,000 in 2019. Anticipated capital expenditures include 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.

(3) Cash used by financing activities increased in the twelve months ended December 31, 2018 compared with the twelve months ended December 31, 2017 due to higher purchases of common shares for treasury. Cash used by financing activities increased in the twelve months ended December 31, 2017 compared with the twelve months ended December 31, 2016 due to higher proceeds from long-term borrowings in 2016 partially offset by higher purchases of common shares for treasury in 2016.

(4) Cash and cash equivalents increased 9.8%, or $32,148, to $358,849 during the twelve months ended December 31, 2018, from $326,701 as of December 31, 2017. The increase was predominately due to cash provided by operating activities and proceeds from marketable securities, partially offset by purchases of common shares for treasury and cash dividends paid to shareholders. Cash and cash equivalents decreased 13.8%, or $52,478, to $326,701 during the twelve months ended December 31, 2017, from $379,179 as of December 31, 2016. This decrease was predominantly due to the purchase of marketable securities.

The Company paid $102,058 and $92,452 in cash dividends to its shareholders in the twelve months ended December 31, 2018 and 2017, respectively, reflecting a 10.4% increase in dividends paid. In January 2019, the Company paid a cash dividend of $0.47 per share, or $29,867, to shareholders of record on December 31, 2018.

Working Capital Ratios

	December 31,		
	2018	2017	2016
Average operating working capital to net sales [1]	16.5%	15.9%	15.6%
Days sales in Inventories	95.1	88.9	92.1
Days sales in Accounts receivable	52.7	52.4	47.7
Average days in Trade accounts payable	55.5	54.5	48.9

(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 7 to the consolidated financial statements for a discussion of the Company's rationalization plans. 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 4 to the consolidated financial statements for a discussion of the Company's recent acquisitions.

Debt

At December 31, 2018 and 2017, the fair value of long-term debt, including the current portion, was approximately $649,714 and $687,428, respectively, which was determined using available market information and methodologies requiring judgment. Since 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. 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. Interest on the notes are payable semi-annually. The proceeds were used for general corporate purposes. The 2015 Notes and 2016 Notes contain certain affirmative and negative covenants. As of December 31, 2018, the Company was in compliance with all of its debt covenants.

The Company's total weighted average effective interest rate and remaining weighted average term, inclusive of the 2015 Notes and 2016 Notes, is 3.3% and 15 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”). 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. The Company amended and restated the Credit Agreement on June 30, 2017, extending the maturity of the line of credit to June 30, 2022. 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, 2018, the Company was in compliance with all of its covenants and had no outstanding borrowings under the Credit Agreement.

Shelf Agreements

On November 27, 2018, the Company entered into seven uncommitted master note facilities (the "Shelf Agreements") that allow borrowings up to $700,000 in the aggregate. The Shelf Agreements have a five-year term and the average life of borrowings cannot exceed 15 years. The Company is required to comply with covenants similar to those contained in the 2015 Notes and 2016 Notes. As of December 31, 2018, the Company was in compliance with all of its covenants and had no outstanding borrowings under the Shelf Agreements.

Short-term Borrowings

The Company had short-term borrowings included in Amounts due banks of $2,020 at December 31, 2017. Amounts due banks included the borrowings of subsidiaries at weighted average interest rates of 31.8% at December 31, 2017.

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, 2018, 2017 and 2016 were as follows:

Return on Invested Capital	2018	2017	2016
Adjusted net income [(1)]	$ 316,639	$ 252,709	$ 224,454
Plus: Interest expense (after-tax)	18,386	14,947	11,775
Less: Interest income (after-tax)	5,206	2,955	1,291
Net operating profit after taxes	329,819	264,701	234,938
Invested capital	1,590,252	1,638,720	1,417,799
Return on invested capital	20.7%	16.2%	16.6%

(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, 2018 are as follows:

	Payments Due By Period				
	Total	2019	2020 to 2021	2022 to 2023	2024 and Beyond
Long-term debt, including current portion	$ 711,015	$ 99	$ 204	$ 10,712	$ 700,000
Interest on long-term debt	374,828	23,295	46,584	46,501	258,448
Operating leases	54,957	16,920	19,635	8,369	10,033
Purchase commitments[(1)]	184,202	183,211	991	—	—
Transition Tax[(2)]	18,697	833	—	852	17,012
Total	$ 1,343,699	$ 224,358	$ 67,414	$ 66,434	$ 985,493

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

(2) Federal income taxes on the Company's transition tax pursuant to the U.S. Tax Act is payable over eight years. Amounts reflect the utilization of 2017 overpayments and foreign tax credits.

As of December 31, 2018, there were $15,562 of tax liabilities related to unrecognized tax benefits and a $26,524 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 total fair values as of December 31, 2018 of $2,100 for contingent consideration arrangements. The amount of future cash flows associated with these liabilities will be contingent upon actual results of the acquired entities. Refer to Notes 14 and 16 to the 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, 2018, there were 3,710,464 common shares available for future grant under all plans.

Under these plans, options, restricted shares and restricted stock units granted were 322,338 in 2018, 341,770 in 2017 and 449,415 in 2016. 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 2018, 2017 and 2016.

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 2018, 2017 and 2016 was $18,554, $12,698 and $10,332, respectively, with a related tax benefit of $4,632, $4,861 and $3,955, respectively. As of December 31, 2018, total unrecognized stock-based compensation expense related to non-vested stock options, restricted shares and restricted stock units was $21,223, which is expected to be recognized over a weighted average period of approximately 2.0 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, 2018 was $22,411 and $23,714, respectively. The total intrinsic value of awards exercised during 2018, 2017 and 2016 was $4,779, $19,328 and $30,967 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 2018. 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, administrative 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 applied guidance in SAB 118 when accounting for the enactment-date effects of the U.S. Tax Act in 2017 and throughout 2018. At December 31, 2017, the Company had not completed its accounting related to the U.S. Tax Act. All provisional amounts were based on reasonable estimates using the best information available at the time. At December 31, 2018, the Company has now completed its accounting related to the U.S. Tax Act. The Company reports income taxes based upon the application of regulations and guidance around the provisions of the U.S. Tax Act, which could be further modified, clarified or restated by the Department of Treasury and Internal Revenue Service.

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. Refer to Note 14 to the consolidated financial statements for further discussion of uncertain income tax positions.

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. At December 31, 2017, the Company remeasured its deferred tax assets and liabilities as a result of passage of the U.S Tax Act. The provisional amount recorded for the remeasurement was a tax benefit of $14,532. The Company finalized the remeasurement of deferred tax assets and liabilities during 2018. The result was an increase of $329 to the December 31, 2017 provisional benefit.

The Company previously considered the earnings in non-U.S. subsidiaries to be indefinitely reinvested and, accordingly, recorded no deferred income taxes. As a result of the U.S. Tax Act, at December 31, 2017 the Company determined that it would repatriate earnings for certain non-U.S. subsidiaries, which are subject to foreign withholding taxes. At December 31, 2017, the provisional amount recorded for such foreign withholding taxes was $6,667. Based on the Company’s final U.S. Tax Act transition tax calculations, an adjustment of $4,424 was recorded in 2018 to reduce the foreign withholding taxes associated with the planned repatriation set forth in 2017. The Company considers remaining earnings in all other non-U.S. subsidiaries to be indefinitely reinvested and has not recorded any deferred taxes as such estimate is not practicable.

At December 31, 2018, the Company had approximately $116,296 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, 2018, a valuation allowance of $69,400 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.

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 plans. 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 12 to the consolidated financial statements for additional information.

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 4.9% and 5.8% at December 31, 2018 and 2017, 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 2018, investment returns were a loss of 3.8% compared with a return of 14.8% in 2017. A 25 basis point change in the expected return on plan assets would increase or decrease pension expense by approximately $1,300.

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 3.8% at December 31, 2018 and 4.1% at December 31, 2017. A 10 basis point change in the discount rate would not have a significant impact to pension expense.

The Company's defined benefit plan expense was $3,068, $2,517 and $13,988 in 2018, 2017 and 2016, respectively. Pension expense includes $6,289 and $8,252 in settlement charges in 2018 and 2017, respectively. The Company's defined contribution plan expense was $26,477, $25,285 and $8,361 in 2018, 2017 and 2016, respectively. Excluding the pension settlement charges in 2018, the Company expects total 2019 expense related to retirement plans to increase by a range of approximately $2,500 to $3,500. The increase is the result of lower expected return on assets. Refer to Note 12 to the consolidated financial statements for additional information.

The Accumulated other comprehensive loss, excluding tax effects, recognized on the Consolidated Balance Sheet was $111,771 as of December 31, 2018 and $116,690 as of December 31, 2017. The decrease is primarily the result of the amortization of net losses and settlements in 2018.

The Company made contributions to its defined benefit plans of $2,777, $1,739 and $21,373 in 2018, 2017 and 2016, respectively. The Company does not expect to make significant contributions to the defined benefit plans in 2019.

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 37% and 32% of total inventories at December 31, 2018 and 2017, respectively. Cost of other inventories is determined by costing methods that approximate a 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 $79,626 at December 31, 2018 and $68,641 at December 31, 2017.

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. For quantitative testing, the Company compares the fair value of each reporting unit with its carrying amount. If the carrying amount exceeds the fair value, an impairment charge is recognized 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.

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 discount rates to value estimated cash flows. Changes in economic and operating conditions, actual growth below the assumed market participant assumptions or an increase in the discount rate could result in an impairment charge in a future period.

Acquisitions

Upon acquisition of a business, the Company uses the income, market or cost approach (or a combination thereof) for the valuation as appropriate. The valuation inputs in these models and analyses are based on market participant assumptions. Market participants are considered to be buyers and sellers unrelated to the Company in the principal or most advantageous market for the asset or liability.

Fair value estimates are based on a series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. Management values property, plant and equipment using the cost approach supported where available by observable market data, which includes consideration of obsolescence. Management values acquired intangible assets using the relief from royalty method, a form of the income approach supported by observable market data for peer companies. Acquired inventories are marked to fair value. For certain items, the carrying value is determined to be a reasonable approximation of fair value based on information available to the Company. Refer to Note 4 to the consolidated financial statements for additional details.

Revenue Recognition

On January 1, 2018, the Company adopted ASU 2014-09 (“Topic 606”) using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting.

Revenue is recognized when obligations under the terms of a contract are satisfied and control is transferred to the customer. Revenue is measured as the amount of consideration the Company expects to be entitled to in exchange for goods or services. 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. Taxes collected by the Company, including sales tax and value add tax, are excluded from Net sales. The Company recognizes freight billed as a component of Net sales and shipping costs as a component of Cost of goods sold when control transfers to the customer. Sales commissions are expensed when incurred because the amortization period is generally one year or less. These costs are recorded within Selling, general and administrative expenses in the Company's Consolidated Statements of Income.

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, 2018 and a 100 basis point increase in effective interest rates at December 31, 2018. The derivative, borrowing and investment arrangements in effect at December 31, 2018 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, 2018, the Company hedged certain third-party and intercompany purchases and sales. The gross notional amount of these foreign exchange contracts at December 31, 2018 was $45,909. At December 31, 2018, a hypothetical 10% strengthening or weakening in the U.S. dollar would have changed Accumulated other comprehensive income (loss) by $1,241.

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, 2018 was $328,534. A hypothetical 10% change in the year-end exchange rates would have resulted in an increase or decrease to Income before income taxes of $5,751 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 2018.

Interest Rate Risk

At December 31, 2018, the Company had various floating interest rate swaps used to convert $125,000 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, 2018 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 swaps. 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 at December 31, 2018 approximated cost due to the 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, 2018 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, 2018.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2018 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 2018 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 2019 proxy statement pursuant to Regulation 14A of the Exchange Act within 120 days after December 31, 2018.

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 2019 proxy statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the 2019 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 2019 proxy statement.

For further information on the Company's equity compensation plans, see Note 1 and Note 10 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 2019 proxy statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference from the 2019 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 Statements of Income – Years ended December 31, 2018, 2017 and 2016

Consolidated Statements of Comprehensive Income – Years ended December 31, 2018, 2017 and 2016

Consolidated Balance Sheets – December 31, 2018 and 2017

Consolidated Statements of Equity – Years ended December 31, 2018, 2017 and 2016

Consolidated Statements of Cash Flows – Years ended December 31, 2018, 2017 and 2016

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).
3.3	Amended and Restated Articles of Incorporation of Lincoln Electric Holdings, Inc. as amended on February 18, 2019 (filed as Exhibit 3.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on February 21, 2019, 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 June 30, 2017, 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 July 6, 2017 SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.2	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).
10.3	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 as Exhibit 10.4 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2016, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).

Exhibit No.	Description
10.4	Uncommitted Master Note Facility, dated as of November 27, 2018, 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., MetLife Investment Advisors, LLC and/or one or more of its affiliates or related funds, as purchasers thereunder (filed as Exhibit 10.1, to Form 8-K of Lincoln Electric Holdings, Inc. filed on November 29, 2018, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.5	Uncommitted Master Note Facility, dated as of November 27, 2018, 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., Voya Retirement Insurance and Annuity Company and/or one or more of its affiliates or related funds, as purchasers thereunder (filed as Exhibit 10.2, to Form 8-K of Lincoln Electric Holdings, Inc. filed on November 29, 2018, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.6	Uncommitted Master Note Facility, dated as of November 27, 2018, 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., State Farm Life Insurance Company and/or one or more of its affiliates or related funds, as purchasers thereunder (filed as Exhibit 10.3, to Form 8-K of Lincoln Electric Holdings, Inc. filed on November 29, 2018, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.7	Uncommitted Master Note Facility, dated as of November 27, 2018, 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., AIG Asset Management (U.S.), LLC and/or one or more of its affiliates or related funds, as purchasers thereunder (filed as Exhibit 10.4, to Form 8-K of Lincoln Electric Holdings, Inc. filed on November 29, 2018, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.8	Uncommitted Master Note Facility, dated as of November 27, 2018, 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., John Hancock Life Insurance Company (U.S.A.) and/or one or more of its affiliates or related funds, as purchasers thereunder (filed as Exhibit 10.5, to Form 8-K of Lincoln Electric Holdings, Inc. filed on November 29, 2018, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.9	Uncommitted Master Note Facility, dated as of November 27, 2018, 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., Thrivent Financial for Lutherans and/or one or more of its affiliates or related funds, as purchasers thereunder (filed as Exhibit 10.6, to Form 8-K of Lincoln Electric Holdings, Inc. filed on November 29, 2018, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.10	Uncommitted Master Note Facility, dated as of November 27, 2018, 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., Allianz Life Insurance Company of North America and/or one or more of its affiliates or related funds, as purchasers thereunder (filed as Exhibit 10.7, to Form 8-K of Lincoln Electric Holdings, Inc. filed on November 29, 2018, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.11*	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).
10.12*	Amendment No. 1 to Supplemental Executive Retirement Plan (As Amended and Restated as of December 31, 2008) dated November 29, 2016 (filed as Exhibit 10.6 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2016, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.13*	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).
10.14*	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).
10.15*	Non-Employee Directors' Deferred Compensation Plan (Amended and Restated as of January 1, 2019) (filed herewith).
10.16*	2005 Deferred Compensation Plan for Executives (Amended and Restated as of January 1, 2018) (filed as Exhibit 10.10 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2017, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).

Exhibit No.	Description
10.17*	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).
10.18*	The Lincoln Electric Company Employee Savings Plan As Amended and Restated Effective January 1, 2017 dated December 20, 2016 (filed as Exhibit 10.11 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2016, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.19*	Amendment No. 1 to The Lincoln Electric Company Employee Savings Plan As Amended and Restated Effective January 1, 2017 dated July 25, 2017 (filed as Exhibit 10.13 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2017, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.20*	The Lincoln Electric Company Employee Savings Plan As Amended and Restated Effective January 1, 2019 (filed herewith).
10.21*	Form of Change in Control Severance Agreement (as entered into by the Company and its executive officers) (filed as Exhibit 10.1 to Form 8-K of Lincoln Electric Holdings, Inc. filed on November 21, 2017, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.22*	2006 Equity and Performance Incentive Plan (Restated as of March 3, 2011) (filed as Annex A to 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).
10.23*	2006 Stock Plan for Non-Employee Directors (filed as Appendix C to 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).
10.24*	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).
10.25*	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).
10.26*	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).
10.27*	2015 Equity and Incentive Compensation Plan (filed as Appendix B to 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).
10.28*	2015 Stock Plan for Non-Employee Directors (filed as Appendix C to 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).
10.29*	Amendment No. 1 to the 2015 Stock Plan for Non-Employee Directors (filed as Appendix C to Lincoln Electric Holdings, Inc. proxy statement dated March 20, 2017, SEC File No. 0-1402 and incorporated by reference and made a part hereof).
10.30*	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).
10.31*	Form of Restricted Share Agreement for Non-Employee Directors (filed as Exhibit 10.24 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2017, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.32*	Form of Restricted Stock Unit Agreement for Non-Employee Directors (filed herewith).
10.33*	Form of Stock Option Agreement for Executive Officers (filed as Exhibit 10.4 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended September 30, 2010, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.34*	Form of Stock Option Agreement for Executive Officers (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).
10.35*	Form of Stock Option Agreement for Executive Officers (filed as Exhibit 10.27 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2017, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).

Exhibit No.	Description
10.36*	Form of Stock Option Agreement for Executive Officers (filed as Exhibit 10.28 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2017, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.37*	Form of Stock Option Agreement for Executive Officers (filed herewith).
10.38*	Form of Restricted Stock Unit Agreement for Executive Officers (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).
10.39*	Form of Restricted Stock Unit Agreement for Executive Officers (filed as Exhibit 10.21 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2015, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.40*	Form of Restricted Stock Unit Agreement for Executive Officers (filed as Exhibit 10.33 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2017, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.41*	Form of Restricted Stock Unit Agreement for Executive Officers (filed herewith).
10.42*	Form of Performance Share Award Agreement for Executive Officers (filed as Exhibit 10.22 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2015, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.43*	Form of Performance Share Award Agreement for Executive Officers (filed as Exhibit 10.35 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2017, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
10.44*	Form of Performance Share Award Agreement for Executive Officers (filed herewith).
10.45*	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).
10.46*	Form of Director Indemnification Agreement (effective February 23, 2012) (filed as Exhibit 10.2 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, Strategy and Business Development
(principal accounting officer)
February 27, 2019

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 27, 2019

/s/ VINCENT K. PETRELLA

Vincent K. Petrella,
Executive Vice President, Chief Financial Officer and Treasurer
(principal financial officer)
February 27, 2019

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman,
Senior Vice President, Strategy and Business Development
(principal accounting officer)
February 27, 2019

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Curtis E. Espeland, Director
February 27, 2019

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Patrick P. Goris, Director
February 27, 2019

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Stephen G. Hanks, Director
February 27, 2019

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Michael F. Hilton, Director
February 27, 2019

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
G. Russell Lincoln, Director
February 27, 2019

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Kathryn Jo Lincoln, Director
February 27, 2019

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
William E. MacDonald, III, Director
February 27, 2019

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Phillip J. Mason, Director
February 27, 2019

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Ben Patel, Director
February 27, 2019

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Hellene S. Runtagh, Director
February 27, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Lincoln Electric Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Lincoln Electric Holdings, Inc. (the Company) as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes and the financial statement schedule listed in the Index as Item 15 (a) (2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, 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 27, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since at least 1923, but we are unable to determine the specific year.

Cleveland, OH

February 27, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Lincoln Electric Holdings, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Lincoln Electric Holdings, Inc.'s internal control over financial reporting as of December 31, 2018, 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). In our opinion, Lincoln Electric Holdings, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, 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, 2018, and the related notes and the financial statement schedule listed in the Index as Item 15 (a) (2), and our report dated February 27, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's 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. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ Ernst & Young LLP

Cleveland, Ohio

February 27, 2019

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

	Year Ended December 31,		
	2018	2017	2016
Net sales	$ 3,028,674	$ 2,624,431	$ 2,274,614
Cost of goods sold	2,000,153	1,749,324	1,488,055
Gross profit	1,028,521	875,107	786,559
Selling, general & administrative expenses	627,697	541,225	468,597
Rationalization and asset impairment charges (Notes 5 and 7)	25,285	6,590	—
Loss on deconsolidation of Venezuelan subsidiary (Note 1)	—	—	34,348
Bargain purchase gain (Note 4)	—	(49,650)	—
Operating income	375,539	376,942	283,614
Interest expense, net	17,565	19,432	16,987
Other income (expense) (Note 13)	10,686	8,726	10,761
Income before income taxes	368,660	366,236	277,388
Income taxes (Note 14)	81,667	118,761	79,015
Net income including non-controlling interests	286,993	247,475	198,373
Non-controlling interests in subsidiaries' loss	(73)	(28)	(26)
Net income	$ 287,066	$ 247,503	$ 198,399
Basic earnings per share	$ 4.42	$ 3.76	$ 2.94
Diluted earnings per share	$ 4.37	$ 3.71	$ 2.91
Cash dividends declared per share	$ 1.64	$ 1.44	$ 1.31

See notes to these consolidated financial statements.

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

	Year Ended December 31,		
	2018	**2017**	**2016**
Net income including non-controlling interests	$ 286,993	$ 247,475	$ 198,373
Other comprehensive income (loss), net of tax:			
Unrealized gain on derivatives designated and qualifying as cash flow hedges, net of tax of $346 in 2018; $17 in 2017; $(21) in 2016	819	288	39
Defined pension plan activity, net of tax of $1,691 in 2018; $19,252 in 2017; $4,297 in 2016	3,228	10,662	3,837
Currency translation adjustment	(50,693)	71,016	(36,752)
Other comprehensive income (loss)	(46,646)	81,966	(32,876)
Comprehensive income	240,347	329,441	165,497
Comprehensive income (loss) attributable to non-controlling interests	(166)	87	(132)
Comprehensive income attributable to shareholders	$ 240,513	$ 329,354	$ 165,629

See notes to these consolidated financial statements.

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

	December 31,	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 358,849	$ 326,701
Accounts receivable (less allowance for doubtful accounts of $12,827 in 2018; $15,943 in 2017)	396,885	395,279
Inventories (Note 17)	361,829	348,667
Marketable securities	—	179,125
Other current assets	120,236	123,836
Total Current Assets	1,237,799	1,373,608
Property, plant and equipment, net (Note 1)	478,801	477,031
Intangibles, net (Note 5)	147,946	127,452
Goodwill (Note 5)	281,294	234,582
Deferred income taxes (Note 14)	20,395	15,937
Other assets	183,590	177,937
TOTAL ASSETS	$ 2,349,825	$ 2,406,547
LIABILITIES AND EQUITY		
Current Liabilities		
Amounts due banks (Note 9)	$ —	$ 2,020
Trade accounts payable	268,600	269,763
Accrued employee compensation and benefits	94,202	91,902
Dividends payable	29,867	25,608
Customer advances	17,023	19,683
Other current liabilities	128,379	119,655
Current portion of long-term debt (Note 9)	111	111
Total Current Liabilities	538,182	528,742
Long-term debt, less current portion (Note 9)	702,549	704,136
Deferred income taxes (Note 14)	45,985	40,716
Other liabilities	175,517	200,500
Total Liabilities	1,462,233	1,474,094
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 2018 and 2017; outstanding – 63,545,878 shares in 2018 and 65,662,546 shares in 2017	9,858	9,858
Additional paid-in capital	360,308	334,309
Retained earnings	2,564,440	2,388,219
Accumulated other comprehensive loss	(293,739)	(247,186)
Treasury shares, at cost – 35,035,556 shares in 2018 and 32,918,888 shares in 2017	(1,753,925)	(1,553,563)
Total Shareholders' Equity	886,942	931,637
Non-controlling interests	650	816
Total Equity	887,592	932,453
TOTAL LIABILITIES AND EQUITY	$ 2,349,825	$ 2,406,547

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, 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 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
Net income				247,503			(28)	247,475
Unrecognized amounts from defined benefit pension plans, net of tax					10,662			10,662
Unrealized gain on derivatives designated and qualifying as cash flow hedges, net of tax					288			288
Currency translation adjustment					70,901		115	71,016
Cash dividends declared – $1.44 per share				(95,355)				(95,355)
Stock-based compensation activity	470		24,892			4,433		29,325
Purchase of shares for treasury	(481)					(43,164)		(43,164)
Balance at December 31, 2017	65,663	9,858	334,309	2,388,219	(247,186)	(1,553,563)	816	932,453
Net income				287,066			(73)	286,993
Unrecognized amounts from defined benefit pension plans, net of tax					3,228			3,228
Unrealized gain on derivatives designated and qualifying as cash flow hedges, net of tax					819			819
Currency translation adjustment					(50,600)		(93)	(50,693)
Cash dividends declared – $1.64 per share				(106,802)				(106,802)
Stock-based compensation activity	158		21,956			1,288		23,244
Purchase of shares for treasury	(2,275)					(201,650)		(201,650)
Other			4,043	(4,043)				—
Balance at December 31, 2018	63,546	$ 9,858	$ 360,308	$ 2,564,440	$ (293,739)	$ (1,753,925)	$ 650	$ 887,592

See notes to these consolidated financial statements.

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

	Year Ended December 31,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 287,066	$ 247,503	$ 198,399
Non-controlling interests in subsidiaries' loss	(73)	(28)	(26)
Net income including non-controlling interests	286,993	247,475	198,373
Adjustments to reconcile Net income including non-controlling interests to Net cash provided by operating activities:			
Rationalization and asset impairment net (gains) charges (Notes 5 and 7)	(5,978)	1,441	—
Loss on deconsolidation of Venezuelan subsidiary (Note 1)	—	—	34,348
Bargain purchase gain (Note 4)	—	(49,650)	—
Net impact of U.S. Tax Act (Note 14)	399	28,616	—
Depreciation and amortization	72,346	68,115	65,073
Equity earnings in affiliates, net	(3,034)	(337)	(261)
Deferred income taxes (Note 14)	1,490	4,058	(9,805)
Stock-based compensation (Note 10)	18,554	12,698	10,332
Pension expense, settlements and curtailments (Note 12)	3,068	2,517	13,988
Other, net	(11,002)	1,402	(26,560)
Changes in operating assets and liabilities, net of effects from acquisitions:			
Increase in accounts receivable	(4,061)	(16,811)	(12,314)
(Increase) decrease in inventories	(23,904)	19,448	14,601
Decrease (increase) in other current assets	1,324	(8,143)	1,532
Increase in trade accounts payable	3,636	17,871	29,627
Decrease in other current liabilities	(13,657)	(13)	(9,286)
Net change in other assets and liabilities	2,978	6,158	2,909
NET CASH PROVIDED BY OPERATING ACTIVITIES	329,152	334,845	312,557
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(71,246)	(61,656)	(49,877)
Acquisition of businesses, net of cash acquired (Note 4)	(101,792)	(72,468)	(71,567)
Proceeds from sale of property, plant and equipment	16,755	2,301	1,127
Purchase of marketable securities	(268,335)	(205,584)	(38,920)
Proceeds from marketable securities	447,459	65,380	—
Other investing activities	(2,000)	—	(709)
NET CASH PROVIDED BY (USED BY) INVESTING ACTIVITIES	20,841	(272,027)	(159,946)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	—	—	1,892
Payments on short-term borrowings	—	—	(1,822)
Amounts due banks, net	(835)	(491)	1,469
Proceeds from long-term borrowings	—	34	350,261
Payments on long-term borrowings	(107)	(39)	(481)
Proceeds from exercise of stock options	4,690	16,627	25,049
Purchase of shares for treasury	(201,650)	(43,164)	(342,003)
Cash dividends paid to shareholders	(102,058)	(92,452)	(87,330)
Other financing activities	(2,170)	(15,552)	(19,043)
NET CASH USED BY FINANCING ACTIVITIES	(302,130)	(135,037)	(72,008)
Effect of exchange rate changes on cash and cash equivalents	(15,715)	19,741	(5,607)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,148	(52,478)	74,996
Cash and cash equivalents at beginning of year	326,701	379,179	304,183
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 358,849	$ 326,701	$ 379,179

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 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.

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 $4,885, $5,654 and $3,741 in 2018, 2017 and 2016, 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, 2018. 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.

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.

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.

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. At December 31, 2018 and 2017, approximately 37% and 32% of total inventories, respectively, were valued using the LIFO method. Cost of other inventories is determined by costing methods that approximate a first-in, first-out ("FIFO") basis. Refer to Note 17 to the consolidated financial statements 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 $24,502 and $27,544 at December 31, 2018 and 2017, respectively.

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 $17,078 and $15,599 at December 31, 2018 and 2017, respectively.

Equity Investments

Investments in businesses which the Company does not own a majority interest and does not have the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. 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 $22,704 and $19,670 at December 31, 2018 and 2017, respectively.

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,	
	2018	2017
Land	$ 61,784	$ 66,653
Buildings	414,698	421,722
Machinery and equipment	781,136	776,436
	1,257,618	1,264,811
Less accumulated depreciation	778,817	787,780
Total	$ 478,801	$ 477,031

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.

In performing the annual impairment test, 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. For quantitative testing, the Company compares the fair value of each reporting unit with its carrying amount. If the carrying amount exceeds the fair value, an impairment charge is recognized 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.

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 discount rates to value estimated cash flows. Changes in economic and operating conditions, actual growth below the assumed market participant assumptions or an increase in the discount rate could result in an impairment charge in a future period. Refer to Note 5 to the consolidated financial statements 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 5 and 7 to the consolidated financial statements 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 following hierarchy is used to classify the inputs that 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 12 and 16 to the consolidated financial statements 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 20 to the consolidated financial statements for additional details.

Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2014-09 (“Topic 606”) using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting. The cumulative impact of adopting Topic 606 as of January 1, 2018 did not have a material impact to the consolidated financial statements. The Company does not expect the impact of the adoption of Topic 606 to be material to the consolidated financial statements on an ongoing basis.

Revenue is recognized when obligations under the terms of a contract are satisfied and control is transferred to the customer. Revenue is measured as the amount of consideration the Company expects to be entitled to in exchange for goods or services. 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. Taxes collected by the Company, including sales tax and value add tax, are excluded from Net sales. The Company recognizes freight billed as a component of Net sales and shipping costs as a component of Cost of goods sold when control transfers to the customer. Sales commissions are expensed when incurred because the amortization period is generally one year or less. These costs are recorded within Selling, general and administrative expenses in the Company's Consolidated Statements of Income.

The Company’s payment terms vary by the type and location of the customer and the products or services offered. The Company does not offer any payment terms that would meet the requirements for consideration as a financing component under Topic 606.

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 10 to the consolidated financial statements 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 Net cash provided by 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. 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 Net 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. 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, 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 foreign exchange forward contracts which are not designated as hedges. These derivatives are held as hedges of certain balance sheet exposures. 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. Refer to Note 15 to the consolidated financial statements for additional details.

Research and Development

Research and development costs are charged to Selling, general & administrative expenses as incurred and totaled $54,168, $47,899 and $44,720 in 2018, 2017 and 2016, respectively.

Bonus

Included in Selling, general & administrative expenses are the costs related to the Company's discretionary employee bonus programs, which for certain U.S.-based employees are net of hospitalization costs. Bonus costs were $123,799, $97,392 and $83,620 in 2018, 2017 and 2016, respectively.

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.

Provisions of the U.S. Tax Cuts and Jobs Act ("U.S. Tax Act") became effective for the Company in 2018. The Foreign-Derived Intangible Income (“FDII”) provision generates a deduction against the Company’s U.S. taxable income for U.S. earnings derived offshore that utilize intangibles held by the Company in the U.S. Conversely, the Global Intangible Low-Taxed Income (“GILTI”) provision requires the Company to subject to U.S. taxation a portion of its foreign subsidiary earnings that exceed an allowable return. The Company has elected to treat any GILTI inclusion as a period expense in the year incurred. Refer to Note 14 to the consolidated financial statements for additional details.

Acquisitions

Upon acquisition of a business, the Company uses the income, market or cost approach (or a combination thereof) for the valuation as appropriate. The valuation inputs in these models and analyses are based on market participant assumptions. Market participants are considered to be buyers and sellers unrelated to the Company in the principal or most advantageous market for the asset or liability.

Fair value estimates are based on a series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. Management values property, plant and equipment using the cost approach supported where available by observable market data, which includes consideration of obsolescence. Management values acquired intangible assets using the relief from royalty method, a form of the income approach supported by observable market data for peer companies. Acquired inventories are marked to fair value. For certain items, the carrying value is determined to be a reasonable approximation of fair value based on information available to the Company. Refer to Note 4 to the consolidated financial statements 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 ASUs issued by the Financial Accounting Standards Board ("FASB") that are applicable to the Company.

The following ASUs were adopted as of January 1, 2018 and did not have a significant financial impact on the Company's consolidated financial statements unless otherwise described within the table below:

Standard	Description
ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, issued August 2017.	ASU 2017-12 provides updated guidance to more closely align hedge accounting with a company's risk management strategy, to simplify the application of hedge accounting and to better portray the economic results of hedging instruments in the financial statements. The Company early adopted the ASU on January 1, 2018.
ASU No. 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Period Pension Cost and Net Periodic Postretirement Benefit Cost*, issued March 2017.	ASU 2017-07 requires an entity to report the service cost component of the net periodic benefit cost in the same income statement line item as other employee compensation costs. The other components of the net periodic benefit cost are required to be presented in the income statement separately from the service cost component and outside of any subtotal of operating income. Additionally, only the service cost component will be eligible for capitalization in assets. The impact of the adoption resulted in the reclassification of the other components of net periodic benefit cost from Cost of goods sold and Selling, general and administrative expenses to Other income (expense). The reclassification resulted in a decrease in Operating income of $769 as a result of increases in Cost of goods sold of $5,219 and Selling, general & administrative expenses of $3,700 partially offset by a decrease in Pension settlement charges of $8,150 for the year ended December 31, 2017. The reclassification resulted in a decrease in Operating income of $4,660 as a result of a increases in Cost of goods sold of $2,739 and Selling, general and administrative expenses of $1,921 for the year ended December 31, 2016. Refer to Note 12 to the consolidated financial statements for further details.
ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business,* issued January 2017.	ASU 2017-01 provides updated guidance for evaluating whether certain transactions should be accounted for as an acquisition (or disposal) of an asset or a business.
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.
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.
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.
ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* issued May 2014 and ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, issued August 2015.	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 standard 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. ASU 2015-14 deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted ASU 2014-09 as of January 1, 2018 using the modified retrospective transition method applied to those contracts that were not completed as of that date. The adoption did not have a material impact on the consolidated financial statements. Refer to Note 2 to the consolidated financial statements for further details.

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

Standard	Description
ASU No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20)*, issued August 2018.	ASU 2018-14 modifies disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU also requires an entity to disclose the weighted-average interest crediting rates for cash balance plans and to explain the reasons for significant gains and losses related to changes in the benefit obligation. The ASU is effective January 1, 2020 and early adoption is permitted.
ASU No. 2018-13, *Fair Value Measurement (Topic 944)*, issued August 2018.	ASU 2018-13 eliminates, amends and adds disclosure requirements related to fair value measurements. The ASU impacts various elements of fair value disclosure, including but not limited to, changes in unrealized gains or losses, significant unobservable inputs and measurement uncertainty. The ASU is effective January 1, 2020 and early adoption is permitted.
ASU No. 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220)*, issued February 2018.	ASU 2018-02 allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Act (as defined within Note 14 to the consolidated financial statements). The ASU only applies to the income tax effects of the U.S. Tax Act, all other existing guidance remains the same. The ASU is effective January 1, 2019, early adoption is permitted and the ASU should be applied retrospectively to each period impacted by the U.S. Tax Act.
ASU No. 2016-02, *Leases (Topic 842)*, issued February 2016	ASU 2016-02 ("Topic 842") aims to increase transparency and comparability among organizations by recognizing a right of use asset and lease liability on the balance sheet for all leases with a lease term greater than twelve months. Topic 842 also requires the disclosure of key information about leasing agreements. The Company adopted Topic 842 on January 1, 2019 using the modified retrospective transition option of applying the new standard at the adoption date. The Company also elected the package of practical expedients, which among other things, allows it to not reassess the identification, classification and initial direct costs of leases commencing before the effective date of Topic 842. Although the Company is finalizing its review of operating leases as of the adoption date, the Company expects to record a right of use asset and lease liability for its operating leases of less than three percent of Total assets. The Company also expects to provide additional disclosures in the periods subsequent to adoption. The Company does not expect Topic 842 to have a material impact to the Consolidated Statements of Income, Cash Flows or debt covenants.

NOTE 2 — REVENUE RECOGNITION

The following table presents the Company's Net sales disaggregated by product line:

	Year Ended December 31, 2018
Consumables	$ 1,755,652
Equipment	1,273,022
Net sales	$ 3,028,674

Consumable sales consist of electrodes, fluxes, specialty welding consumables and brazing and soldering alloys. Equipment sales consist of arc welding power sources, welding accessories, fabrication, plasma cutters, wire feeding systems, robotic welding packages, integrated automation systems, fume extraction equipment, CNC plasma and oxy-fuel cutting systems and regulators and torches used in oxy-fuel welding, cutting and brazing. Consumable and Equipment products are sold within each of the Company's operating segments.

Substantially all of the Company's sales arrangements are short-term in nature involving a single performance obligation. The Company recognizes revenue when the performance obligation is satisfied and control of the product is transferred to the customer based upon shipping terms.

Within the Equipment product line, there are certain customer contracts related to automation products that may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines the standalone selling price based on the prices charged to customers or using expected cost plus margin. In addition, certain customized automation performance obligations within the Equipment product line, are accounted for over time. Under this method, revenue recognition is primarily 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. Less than 10% of the Company's Net sales are recognized over time.

At December 31, 2018, the Company recorded $17,023 related to advance customer payments and $17,013 related to billings in excess of revenue recognized. These contract liabilities are included in Other current liabilities in the Condensed Consolidated Balance Sheets. At January 1, 2018, the balances related to advance customer payments and billings in excess of revenue recognized were $19,683 and $11,132, respectively. Substantially all of the Company's contract liabilities are recognized within twelve months based on contract duration. The Company records an asset for contracts where it has recognized revenue, but has not yet invoiced the customer for goods or services. At December 31, 2018 and January 1, 2018, $25,032 and $22,229, respectively, related to these future customer receivables was included in Other current assets in the Condensed Consolidated Balance Sheets. Contract asset amounts are expected to be billed within the next twelve months.

NOTE 3 - EARNINGS PER SHARE

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

	Year Ended December 31,		
	2018	2017	2016
Numerator:			
Net income	$ 287,066	$ 247,503	$ 198,399
Denominator:			
Basic weighted average shares outstanding	64,886	65,739	67,462
Effect of dilutive securities - Stock options and awards	796	904	694
Diluted weighted average shares outstanding	65,682	66,643	68,156
Basic earnings per share	$ 4.42	$ 3.76	$ 2.94
Diluted earnings per share	$ 4.37	$ 3.71	$ 2.91

For the years ended December 31, 2018, 2017 and 2016, common shares subject to equity-based awards of 324,688, 157,033 and 774,502, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

NOTE 4 – ACQUISITIONS

During December 2018, the Company acquired the soldering business of Worthington Industries ("Worthington"). The Worthington business, based in Winston Salem, North Carolina, broadens the Harris Products Group's portfolio of industry-leading consumables with the addition of premium solders and fluxes.

Also during December 2018, the Company acquired Coldwater Machine Company ("Coldwater") and Pro Systems. Coldwater, based in Coldwater, Ohio, is a flexible automation integrator and precision machining and assembly manufacturer serving diverse end markets. Pro Systems, based in Churubusco, Indiana, is an automation systems designer and integrator serving automotive, industrial, electrical and medical applications. The acquisitions accelerate growth and expand the Company's industry-leading portfolio of automated cutting and joining solutions.

Also during December 2018, the Company acquired Inovatech Engineering Corporation ("Inovatech"). Inovatech, based in Ontario, Canada, is a manufacturer of advanced robotic plasma cutting solutions for structural steel applications. The acquisition scales our automated cutting solutions and application expertise and supports long-term growth in that market.

During July 2017, the Company completed its acquisition of Air Liquide Welding, a subsidiary of Air Liquide. The agreed upon purchase price was $135,123, which was adjusted for certain debt like obligations, for a net purchase price of $61,953, net of cash acquired. The primary debt like obligation was a pension liability. The acquisition was accounted for as a business combination. The funding of the cash portion of the purchase price and acquisition costs was provided for with available cash.

The complementary business enhanced the Company's global specialty consumables portfolio and extended its channel reach for equipment systems and cutting, soldering and brazing solutions in Europe. The acquisition also offered European customers more comprehensive welding solutions, greater technical application expertise and improved service levels.

The fair value of the net assets acquired exceeded the purchase consideration by $49,650, resulting in a bargain purchase gain at acquisition, which is included in Bargain purchase gain in the Company's Consolidated Statements of Income. The Company believes that the bargain purchase gain was primarily the result of the divestiture by Air Liquide of the welding business, which was outside Air Liquide's core business, as part of an overall repositioning of its core business.

The following table summarizes the purchase price allocation for the Air Liquide Welding acquisition:

Assets acquired and liabilities assumed	As of July 31, 2017
Accounts receivable	$ 89,442
Inventory (1)	97,803
Property, plant and equipment (2)	73,056
Intangible assets (3)	11,715
Accounts payable	(65,640)
Pension liability	(67,563)
Bargain purchase gain	(49,650)
Net other assets and liabilities (4)	(27,210)
Total purchase price, net of cash acquired(5)	$ 61,953

(1) Inventories acquired were sold in 2017 resulting in a $4,578 increase in cost of sales for the amortization of step up in the value of acquired inventories.

(2) Property, plant and equipment acquired includes a number of manufacturing and distribution sites, including the related facilities, land and leased sites, and machinery and equipment for use in manufacturing operations.

(3) $7,099 of the intangible asset balance was assigned to a trade name expected to have an indefinite life. Of the remaining amount, $1,183 was assigned to a finite-lived trade name (10 year weighted average useful life) and $3,433 was assigned to other intangible assets (9 year weighted average life).

(4) Consists primarily of other accrued liabilities.

(5) Reflects a receivable from seller for an agreed upon purchase price adjustment. The payment of $10,983 was received in the first quarter of 2018.

In 2018 and 2017, the Company recognized $4,498 and $15,002, respectively, in acquisition transaction and integration costs related to the acquisition of Air Liquide Welding. Such costs were expensed as incurred and are included in the "Selling, general and administrative expenses" line item in the Consolidated Statements of Income.

Beginning August 1, 2017, the Company's Consolidated Statements of Income include the results of the Air Liquide Welding businesses, including sales revenue of $182 million through December 31, 2017. The impact on net income in the year ended December 31, 2017 from Air Liquide Welding businesses was immaterial.

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.

Pro forma information related to the acquisitions discussed above 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 5 – GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill by reportable segments for the years ended December 31, 2018 and 2017 were as follows:

	Americas Welding	International Welding	The Harris Products Group	Consolidated
Balance as of December 31, 2016	$ 196,378	$ 23,664	$ 11,877	$ 231,919
Additions and adjustments [1]	(76)	—	(301)	(377)
Impairment charges [2]	(1,091)	—	—	(1,091)
Foreign currency translation	2,048	2,003	80	4,131
Balance as of December 31, 2017	197,259	25,667	11,656	234,582
Additions and adjustments [3]	44,408	1,224	6,525	52,157
Foreign currency translation	(2,452)	(2,643)	(350)	(5,445)
Balance as of December 31, 2018	$ 239,215	$ 24,248	$ 17,831	$ 281,294

(1) Adjustments to Harris Products Group include the tax benefit attributable to the amortization of tax deductible goodwill in excess of goodwill recorded for financial reporting purposes.

(2) The Company performed an interim goodwill impairment test, using a combination of income and market valuation approaches, resulting in a non-cash impairment charge to the carrying value of goodwill. The impairment charge is recorded within Rationalization and asset impairment charges in the accompanying Consolidated Statements of Income.

(3) Additions to Americas Welding reflect goodwill recognized in the acquisitions of Coldwater, Pro Systems and Inovatech in 2018. Additions to The Harris Products Group reflect goodwill recognized in the acquisition of Worthington in 2018.

Gross carrying values and accumulated amortization of intangible assets other than goodwill by asset class were as follows:

	December 31, 2018		December 31, 2017	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangible assets not subject to amortization				
Trademarks and trade names	$ 23,385		$ 24,235	
Intangible assets subject to amortization				
Trademarks and trade names	$ 50,458	$ 26,357	$ 41,203	$ 24,147
Customer relationships	113,837	52,518	93,139	47,175
Patents	26,848	13,307	27,777	12,978
Other	60,373	34,773	57,351	31,953
Total intangible assets subject to amortization	$ 251,516	$ 126,955	$ 219,470	$ 116,253

During 2018, 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, 2018	
	Purchase Price Allocation	Weighted Average Life
Acquired intangible assets subject to amortization		
Trademarks and trade names	8,786	10
Customer relationships	21,493	10
Other	5,632	9
Total acquired intangible assets subject to amortization	35,911	

Aggregate amortization expense was $15,744, $15,671 and $14,525 for 2018, 2017 and 2016, respectively. Estimated annual amortization expense for intangible assets for each of the next five years is $17,316 in 2019, $16,101 in 2020, $15,264 in 2021, $13,801 in 2022 and $12,441 in 2023.

NOTE 6 – 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.

Segment performance is measured and resources are allocated based on a number of factors, the primary measure being the adjusted earnings before interest and income taxes ("Adjusted EBIT") profit measure. 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, 2018, 2017 and 2016 approximately 37%, 32% and 40%, respectively, 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 [1]	International Welding [2]	The Harris Products Group	Corporate / Eliminations [3]	Consolidated
For the Year Ended December 31, 2018					
Net sales	$ 1,806,514	$ 919,771	$ 302,389	$ —	$ 3,028,674
Inter-segment sales	118,936	18,576	6,969	(144,481)	$ —
Total	$ 1,925,450	$ 938,347	$ 309,358	$ (144,481)	$ 3,028,674
Adjusted EBIT	$ 340,744	$ 54,273	$ 36,564	$ (8,887)	$ 422,694
Special items charge (gain)	6,686	25,285	—	4,498	$ 36,469
EBIT	$ 334,058	$ 28,988	$ 36,564	$ (13,385)	$ 386,225
Interest income					6,938
Interest expense					(24,503)
Income before income taxes					$ 368,660
Total assets	$ 1,418,905	$ 827,132	$ 203,095	$ (99,307)	$ 2,349,825
Equity investments in affiliates	4,204	27,024	—	—	$ 31,228
Capital expenditures	42,053	26,284	2,909	—	$ 71,246
Depreciation and amortization	47,008	22,384	3,045	(91)	$ 72,346
For the Year Ended December 31, 2017					
Net sales	$ 1,609,779	$ 724,024	$ 290,628	$ —	$ 2,624,431
Inter-segment sales	97,382	18,860	8,190	(124,432)	$ —
Total	$ 1,707,161	$ 742,884	$ 298,818	$ (124,432)	$ 2,624,431
Adjusted EBIT	$ 291,866	$ 41,721	$ 36,442	$ 309	$ 370,338
Special items charge (gain)	9,242	10,076	—	(34,648)	$ (15,330)
EBIT	$ 282,624	$ 31,645	$ 36,442	$ 34,957	$ 385,668
Interest income					4,788
Interest expense					(24,220)
Income before income taxes					$ 366,236
Total assets	$ 1,253,411	$ 919,995	$ 175,151	$ 57,990	$ 2,406,547
Equity investments in affiliates	4,037	24,489	—	—	$ 28,526
Capital expenditures	43,158	14,549	3,949	—	$ 61,656
Depreciation and amortization	47,038	18,364	2,885	(172)	$ 68,115
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

(1) Special items in 2018 reflect pension settlement charges of $6,686 in Americas Welding related to lump sum pension payments.

2017 special items reflect pension settlement charges of $8,150 related to lump sum pension payments, as well as non-cash charges of $1,091 related to the impairment of goodwill.

(2) 2018 special items reflect charges of $25,285 related to employee severance, asset impairments, gains or losses on disposal of assets and other related costs.

2017 special items reflect amortization of step up in value of acquired inventories of $4,578 related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements, as well as charges of $5,498 related to employee severance, asset impairments and other related costs.

(3) 2018 special items reflect acquisition and acquisition transaction and integration costs of $4,498 related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements.

2017 special items reflect a bargain purchase gain of $49,650 and acquisition transaction and integration costs of $15,002 related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements.

2016 special items reflect a loss of $34,348 related to the deconsolidation of the Company's Venezuelan subsidiary.

Export sales (excluding inter-company sales) from the United States were $160,064 in 2018, $151,630 in 2017 and $134,216 in 2016. No individual customer comprised more than 10% of the Company's total revenues for any of the three years ended December 31, 2018.

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,		
	2018	**2017**	**2016**
Net sales:			
United States	$ 1,554,688	$ 1,388,816	$ 1,308,635
Foreign countries	1,473,986	1,235,615	965,979
Total	$ 3,028,674	$ 2,624,431	$ 2,274,614

	December 31,		
	2018	**2017**	**2016**
Property, plant and equipment, net:			
United States	$ 214,943	$ 194,491	$ 176,041
Foreign countries	264,110	282,931	196,679
Eliminations	(252)	(391)	(343)
Total	$ 478,801	$ 477,031	$ 372,377

NOTE 7 – RATIONALIZATION AND ASSET IMPAIRMENTS

The Company recorded rationalization and asset impairment net charges of $25,285 and $6,590 for the years ended December 31, 2018 and 2017. The charges are primarily related to employee severance, asset impairments and gains or losses on the disposal of assets. A description of each restructuring plan and the related costs follows:

International Welding Plans:

During 2018, the Company initiated rationalization plans within International Welding. The plans include headcount restructuring and the consolidation of manufacturing operations to better align the cost structures with economic conditions and operating needs. At December 31, 2018, liabilities relating to the International Welding plans of $10,903 were recognized in Other current liabilities. The Company does not anticipate significant additional charges related to the completion of these plans.

During 2017, the Company initiated rationalization plans within International Welding. The plans include headcount restructuring and the consolidation of manufacturing operations to better align the cost structures with economic conditions and operating needs. Liabilities related to these plans were substantially paid at December 31, 2018.

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:

	Consolidated
Balance at December 31, 2016	$ 5,190
Payments and other adjustments	(3,536)
Charged to expense	5,149
Balance at December 31, 2017	$ 6,803
Payments and other adjustments	(26,874)
Charged to expense	31,263
Balance at December 31, 2018	$ 11,192

NOTE 8 – 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, 2018 and 2017:

	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, 2016	$ 587	$ (95,939)	$ (233,685)	$ (329,037)
Other comprehensive income (loss) before reclassification	(2,074)	2,736 (2)	70,901 (3)	71,563
Amounts reclassified from AOCI	2,362 (1)	7,926 (2)	—	10,288
Net current-period other comprehensive income (loss)	288	10,662	70,901	81,851
Balance at December 31, 2017	$ 875	$ (85,277)	$ (162,784)	$ (247,186)
Other comprehensive income (loss) before reclassification	624	(4,396) (2)	(50,600) (3)	(54,372)
Amounts reclassified from AOCI	195 (1)	7,624 (2)	—	7,819
Net current-period other comprehensive income (loss)	819	3,228	(50,600)	(46,553)
Balance at December 31, 2018	$ 1,694	$ (82,049)	$ (213,384)	$ (293,739)

(1) During 2018, this AOCI reclassification is a component of Net sales of $(152) (net of tax of $(73) and Cost of goods sold of $43 (net of tax of $(40)); during 2017, the reclassification is a component of Net sales of $1,860 (net of tax of $693) and Cost of goods sold of $502 (net of tax of $93). Refer to Note 15 to the consolidated financial statements for additional details.

(2) This AOCI component is included in the computation of net periodic pension costs (net of tax of $1,691 and $19,252 during the years ended December 31, 2018 and 2017, respectively). Refer to Note 12 to the consolidated financial statements for additional details.

(3) The Other comprehensive income before reclassifications excludes $(93) and $115 attributable to Non-controlling interests in the years ended December 31, 2018 and 2017, respectively. The reclassified AOCI component is included in the computation of Non-controlling interests. Refer to the Consolidated Statements of Equity for additional details.

NOTE 9 – DEBT

At December 31, 2018 and 2017, debt consisted of the following:

	December 31, 2018	December 31, 2017
Long-term debt		
Senior Unsecured Notes due through 2045, interest at 2.8% to 4.0% (net of debt issuance costs of $1,392 and $1,491 at December 31, 2018 and 2017, respectively), swapped $125,000 to variable interest rates of 3.1% to 4.4%	$ 691,877	$ 693,424
Other borrowings due through 2023, interest up to 8.0%	10,783	10,823
	702,660	704,247
Less current portion	111	111
Long-term debt, less current portion	702,549	704,136
Short-term debt		
Amounts due banks, interest at 31.8% in 2017	—	2,020
Current portion long-term debt	111	111
Total short-term debt	111	2,131
Total debt	$ 702,660	$ 706,267

At December 31, 2018 and 2017, the fair value of long-term debt, including the current portion, was approximately $649,714 and $687,428, respectively, which was determined using available market information and methodologies requiring judgment. Since 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. 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. Interest on the notes are payable semi-annually. The proceeds were used for general corporate purposes. The 2015 Notes and 2016 Notes contain certain affirmative and negative covenants. As of December 31, 2018, the Company was in compliance with all of its debt covenants.

The maturity and interest rates of the 2015 Notes and 2016 Notes are as follows:

	Amount	Maturity Date	Interest Rate
2015 Notes			
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, 2035	4.02%
2016 Notes			
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 remaining weighted average term, inclusive of the 2015 Notes and 2016 Notes, is 3.3% and 15 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”). 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. The Company amended and restated the Credit Agreement on June 30, 2017, extending the maturity of the line of credit to June 30, 2022. 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, 2018, the Company was in compliance with all of its covenants and had no outstanding borrowings under the Credit Agreement.

Shelf Agreements

On November 27, 2018, the Company entered into seven uncommitted master note facilities (the "Shelf Agreements") that allow borrowings up to $700,000 in the aggregate. The Shelf Agreements have a five-year term and the average life of borrowings cannot exceed 15 years. The Company is required to comply with covenants similar to those contained in the 2015 Notes and 2016 Notes. As of December 31, 2018, the Company was in compliance with all of its covenants and had no outstanding borrowings under the Shelf Agreements.

Other

Maturities of long-term debt, including payments for amounts due banks, for the five years succeeding December 31, 2018 are $111 in 2019, $114 in 2020, $110 in 2021, $107 in 2022, $10,607 in 2023 and $700,000 thereafter. Total interest paid was $23,790 in 2018, $23,820 in 2017 and $15,332 in 2016. 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 swap contract discussed in Note 16 to the consolidated financial statements.

NOTE 10 – 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, 2018, there were 3,710,464 common shares available for future grant under all plans.

Stock Options

The following table summarizes stock option activity for the year ended December 31, 2018 under all Plans:

	Number of Options	Weighted Average Exercise Price
Balance at beginning of year	1,362,448	$ 58.45
Options granted	171,843	90.70
Options exercised	(101,272)	46.20
Options canceled	(1,981)	58.79
Balance at end of year	1,431,038	63.19
Exercisable at end of year	1,070,594	56.70

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 2018. In 2018, 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 were as follows:

	2018	2017	2016
Expected volatility	25.36%	25.77%	28.86%
Dividend yield	1.92%	1.62%	1.70%
Risk-free interest rate	2.69%	1.90%	1.27%
Expected option life (years)	4.6	4.5	4.5
Weighted average fair value per option granted during the year	$ 18.97	$ 17.50	$ 12.55

The following table summarizes non-vested stock options for the year ended December 31, 2018:

	Number of Options	Weighted Average Fair Value at Grant Date
Balance at beginning of year	409,559	$ 15.47
Granted	171,843	18.97
Vested	(220,958)	15.75
Balance at end of year	360,444	17.21

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, 2018 was $22,411 and $23,714, respectively. The total intrinsic value of awards exercised during 2018, 2017 and 2016 was $4,779, $19,328 and $30,967, respectively. The total fair value of options that vested during 2018, 2017 and 2016 was $3,511, $3,040 and $2,865, respectively.

The following table summarizes information about awards outstanding as of December 31, 2018:

	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	447,315	$ 39.78	3.0	447,315	$ 39.79	3.0
$50.00 - $59.99	217,143	58.12	7.1	144,768	58.11	7.1
Over $60.00	766,580	78.28	7.0	478,511	72.09	5.9
	1,431,038		5.8	1,070,594		4.9

Restricted Share Awards ("RSAs")

The following table summarizes restricted share award activity for the year ended December 31, 2018 under all Plans:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance at beginning of year	47,856	$ 71.54
Shares granted	1,662	91.02
Shares vested	(32,922)	82.48
Shares forfeited	(4,158)	78.65
Balance at end of year	12,438	80.98

RSAs are valued at the quoted market price on the grant date. The majority of RSAs vest over a period of one to three years. The Company issued common shares from treasury upon the granting of RSAs in 2018. Restricted shares issued in 2018 were under the 2015 Director Plan. The remaining weighted average vesting period of all non-vested RSAs is 1 year as of December 31, 2018.

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

The following table summarizes RSU and PSU activity for the year ended December 31, 2018 under all Plans:

	Number of Units	Weighted Average Grant Date Fair Value
Balance at beginning of year	418,966	$ 69.98
Units granted	148,833	89.51
Units vested	(49,653)	69.24
Units forfeited	(12,116)	74.16
Balance at end of year	506,030	75.69

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 1,980 RSUs to common shares in 2018 were deferred as part of the 2005 Deferred Compensation Plan for Executives (the "2005 Plan"). As of December 31, 2018, 99,801 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 2018, 117,073 RSUs were issued under the Employee Plan and the 2015 Director Plan. The remaining weighted average vesting period of all non-vested RSUs is 1.4 years as of December 31, 2018.

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 2018, the Company issued 31,760 PSU's and has 107,045 PSUs outstanding under the Employee Plan at a weighted average fair value of $76.20 per share. The remaining weighted average vesting period of all non-vested PSUs is 1 year as of December 31, 2018.

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 2018, 2017 and 2016 was $18,554, $12,698 and $10,332, respectively. The related tax benefit for 2018, 2017 and 2016 was $4,632, $4,861 and $3,955, respectively. As of December 31, 2018, total unrecognized stock-based compensation expense related to non-vested stock options, RSAs, RSUs and PSUs was $21,223, which is expected to be recognized over a weighted average period of approximately 2 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 8,324 in 2018, 10,458 in 2017 and 15,827 in 2016.

NOTE 11 – 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, 2018, the Company purchased a total of 2.3 million shares at an average cost per share of $88.84. As of December 31, 2018, 6.2 million shares remained available for repurchase under the stock repurchase program. The treasury shares have not been retired.

NOTE 12 – 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,			
	2018		2017	
	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans
Change in benefit obligations				
Benefit obligations at beginning of year	$ 507,075	$ 193,523	$ 484,758	$ 79,972
Service cost	139	3,252	608	2,678
Interest cost	18,084	3,703	19,497	3,253
Plan participants' contributions	—	196	—	176
Acquisitions & other adjustments (1)	—	(5,322)	—	100,551
Actuarial (gain) loss	(46,924)	(5,674)	46,144	4,926
Benefits paid	(7,973)	(9,723)	(6,409)	(4,909)
Settlements/curtailments (2)	(31,456)	(1,886)	(37,523)	(700)
Currency translation	—	(9,258)	—	7,576
Benefit obligations at end of year	438,945	168,811	507,075	193,523
Change in plan assets				
Fair value of plan assets at beginning of year	568,388	113,344	528,744	70,341
Actual return on plan assets	(23,012)	(2,855)	82,732	5,770
Employer contributions	690	2,087	55	1,684
Plan participants' contributions	—	196	—	176
Acquisitions (1)	—	586	—	32,599
Benefits paid	(7,047)	(5,904)	(5,620)	(3,196)
Settlements (2)	(26,941)	(1,455)	(37,523)	(22)
Currency translation	—	(5,812)	—	5,992
Fair value of plan assets at end of year	512,078	100,187	568,388	113,344
Funded status at end of year	73,133	(68,624)	61,313	(80,179)
Unrecognized actuarial net loss	85,624	25,581	90,679	25,987
Unrecognized prior service cost	—	534	—	(11)
Unrecognized transition assets, net	—	32	—	35
Net amount recognized	$ 158,757	$ (42,477)	$ 151,992	$ (54,168)

(1) Acquisitions in 2017 relate to acquisition of Air Liquide Welding as discussed in Note 4 to the consolidated financial statements.

(2) Settlements in 2018 and 2017 resulting from lump sum pension payments.

In October 2016, The Lincoln Electric Company amended the plan to freeze all benefit accruals for participants under the Lincoln Electric Retirement Annuity Program ("RAP") effective as of December 31, 2016. The RAP includes approximately 1,500 domestic employees who fully transitioned 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 did not make significant contributions to the defined benefit plans in the United States in 2018 or 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, 2018 were $81,580, $446 and $23, 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 2019 are $3,924, $59 and $3, respectively.

Amounts Recognized in Consolidated Balance Sheets

	December 31,			
	2018		2017	
	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans
Prepaid pensions [1]	$ 87,786	$ 77	$ 81,485	$ 368
Accrued pension liability, current [2]	(786)	(2,996)	(5,332)	(3,483)
Accrued pension liability, long-term [3]	(13,867)	(65,705)	(14,840)	(77,064)
Accumulated other comprehensive loss, excluding tax effects	85,624	26,147	90,679	26,011
Net amount recognized in the balance sheets	$ 158,757	$ (42,477)	$ 151,992	$ (54,168)

(1) Included in Other assets.

(2) Included in Other current liabilities.

(3) Included in Other liabilities.

Components of Pension Cost for Defined Benefit Plans

	Year Ended December 31,					
	2018		2017		2016	
	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans
Service cost	$ 139	$ 3,252	$ 608	$ 2,678	$ 15,474	$ 2,215
Interest cost	18,084	3,703	19,497	3,253	20,676	2,902
Expected return on plan assets	(27,052)	(5,057)	(31,530)	(4,270)	(31,682)	(4,034)
Amortization of prior service cost	—	1	—	15	(412)	18
Amortization of net loss [1]	1,498	2,211	2,133	1,881	7,717	2,176
Settlement/curtailment loss (gain) [2]	6,686	(397)	8,150	102	(1,062)	—
Pension cost for defined benefit plans [3]	$ (645)	$ 3,713	$ (1,142)	$ 3,659	$ 10,711	$ 3,277

(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.

(2) Pension settlement charges for the years ended December 31, 2018 and 2017 resulting from lump sum pension payments.

(3) The decrease in pension cost for defined benefit plans for the years ended December 31, 2018 and 2017 was due to the U.S. plan freeze effective December 31, 2016.

The components of Pension cost for defined benefit plans, other than service cost, are included in Other income (expense) in the Company's Consolidated Statements of Income.

Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets

	December 31,			
	2018		2017	
	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans
Projected benefit obligation	$ 14,653	$ 158,746	$ 26,149	$ 182,512
Accumulated benefit obligation	14,406	152,724	25,870	174,667
Fair value of plan assets	—	90,076	5,977	102,107

The total accumulated benefit obligation for all plans was $600,998 as of December 31, 2018 and $691,827 as of December 31, 2017.

Benefit Payments for Plans

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

Estimated Payments	U.S. pension plans	Non-U.S. pension plans
2019	$ 28,101	$ 8,278
2020	31,581	8,243
2021	26,998	8,513
2022	28,754	8,055
2023	30,593	7,966
2024 through 2028	137,369	42,925

Assumptions

Weighted average assumptions used to measure the benefit obligation for the Company's significant defined benefit plans as of December 31, 2018 and 2017 were as follows:

	December 31,			
	2018		2017	
	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans
Discount Rate	4.4%	2.3%	3.7%	2.0%
Rate of increase in compensation	2.5%	2.6%	2.5%	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 were as follows:

	December 31,					
	2018		2017		2016	
	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans
Discount rate	3.7%	2.0%	4.2%	2.2%	4.5%	3.9%
Rate of increase in compensation	2.5%	2.7%	2.5%	2.5%	2.6%	3.7%
Expected return on plan assets	5.0%	4.6%	6.0%	4.5%	6.2%	5.7%

To develop the discount rate assumptions, 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 10% to 20% equity securities and 80% to 90% debt securities.

The following table sets forth, by level within the fair value hierarchy, the pension plans' assets as of December 31, 2018:

	Pension Plans' Assets at Fair Value as of December 31, 2018			
	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	$ 13,029	$ —	$ —	$ 13,029
Equity securities [1]	3,851	—	—	3,851
Fixed income securities [2]				
U.S. government bonds	16,743	—	—	16,743
Corporate debt and other obligations	—	392,090	—	392,090
Investments measured at NAV [3]				
Common trusts and 103-12 investments [4]				151,153
Private equity funds [5]				35,399
Total investments at fair value	$ 33,623	$ 392,090	$ —	$ 612,265

The following table sets forth, by level within the fair value hierarchy, the pension plans' assets as of December 31, 2017:

	Pension Plans' Assets at Fair Value as of December 31, 2017			
	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	$ 8,922	$ —	$ —	$ 8,922
Equity securities [1]	4,566	—	—	4,566
Fixed income securities [2]				
U.S. government bonds	33,205	—	—	33,205
Corporate debt and other obligations	—	398,578	—	398,578
Investments measured at NAV [3]				
Common trusts and 103-12 investments [4]				199,066
Private equity funds [5]				37,395
Total investments at fair value	$ 46,693	$ 398,578	$ —	$ 681,732

(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 maintained 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 $1,268, $772 and $2,113 in 2018, 2017 and 2016, respectively. The projected benefit obligation associated with this plan is also included in the pension disclosure shown above and was $12,183, $17,047 and $16,738 at December 31, 2018, 2017 and 2016, 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”) 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, 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 was effective January 1, 2017. The Savings Plan provides that eligible employees receive up to 6% of employees' annual compensation 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 are also 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 $26,477, $25,285 and $8,361 in 2018, 2017 and 2016, 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 13 — OTHER INCOME (EXPENSE)

The components of Other income (expense) were as follows:

	Year Ended December 31,		
	2018	2017	2016
Equity earnings in affiliates	$ 5,481	2,742	$ 2,928
Other components of net periodic pension (cost) income [(1)]	502	769	4,660
Other income	4,703	5,215	3,173
Total Other income (expense)	$ 10,686	8,726	$ 10,761

(1) Other components of net periodic pension (cost) income includes pension settlements and curtailments. Refer to Note 12 to the consolidated financial statements for details.

NOTE 14 – INCOME TAXES

The components of income before income taxes for the three years ended December 31, 2018 were as follows:

	Year Ended December 31,		
	2018	2017	2016
U.S.	$ 255,088	$ 213,171	$ 209,409
Non-U.S.	113,572	153,065	67,979
Total	$ 368,660	$ 366,236	$ 277,388

The components of income tax expense (benefit) for the three years ended December 31, 2018 were as follows:

	Year Ended December 31,		
	2018	2017	2016
Current:			
Federal	$ 45,521	$ 89,182	$ 57,090
Non-U.S.	28,894	25,746	23,344
State and local	10,515	7,640	8,386
	84,930	122,568	88,820
Deferred:			
Federal	(691)	(4,391)	(1,716)
Non-U.S.	(3,121)	(82)	(8,261)
State and local	549	666	172
	(3,263)	(3,807)	(9,805)
Total	$ 81,667	$ 118,761	$ 79,015

The U.S. Tax Act was enacted on December 22, 2017. The U.S. Tax Act reduced the U.S. federal corporate income tax rate to 21% from 35%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and created new taxes on certain foreign-sourced earnings. The SEC staff issued SAB 118 related to the U.S. Tax Act, which provided for a one-year measurement period and guidance for the application of ASC Topic 740, *Income Taxes*. At December 31, 2017, the Company had not completed its accounting related to the U.S. Tax Act. All provisional amounts were based on reasonable estimates using the best information available at the time. At December 31, 2018, the Company has completed its accounting related to the U.S. Tax Act. In 2018, the Company recognized a net adjustment of $399 to provisional amounts recorded at December 31, 2017, resulting in an increase to income tax expense. As described in more detail below, the net adjustment includes additional transition tax expense, offset by a tax benefit from the remeasurement of deferred tax assets and liabilities and a reduction of foreign withholding taxes.

The one-time transition tax is based on total post-1986 earnings and profits for which the Company had previously deferred from U.S. income taxes. At December 31, 2017, the Company recorded a provisional amount of $36,387 for the one-time transition tax resulting in an increase to income tax expense. The transition tax is based partially on the earnings and profits held in cash and partially on the earnings and profits invested in assets. Considering all additional guidance and regulations proposed and issued during the year, the Company finalized calculations of the transition tax liability during 2018. The result was an increase of $5,152 to the December 31, 2017 provisional amount. The Company has elected to pay the transition tax liability over the eight-year period provided in the U.S. Tax Act.

At December 31, 2017, the Company recorded a provisional tax benefit of $14,532 related to the remeasurement of deferred tax assets and liabilities as a result of the U.S. Tax Act. The Company finalized the remeasurement of deferred tax assets and liabilities during 2018. The result was an increase of $329 to the December 31, 2017 provisional benefit.

At December 31, 2017, the provisional amount recorded for taxes on the planned repatriation of certain earnings and profits subject to the transition tax was $6,667. This additional tax pertains to foreign withholding taxes associated with the repatriation of earnings that are not indefinitely reinvested in the foreign operations. Based on the Company’s final transition tax calculations, an adjustment of $4,424 was recorded in 2018 to reduce the foreign withholding taxes associated with the planned repatriation set forth in 2017.

Other provisions of the U.S. Tax Act became effective for the Company in 2018. The Foreign-Derived Intangible Income (“FDII”) provision generates a deduction against the Company’s U.S. taxable income for U.S. earnings derived offshore that utilize intangibles held by the Company in the U.S. Conversely, the Global Intangible Low-Taxed Income (“GILTI”) provision requires the Company to subject to U.S. taxation a portion of its foreign subsidiary earnings that exceed an allowable return. The Company has elected to treat any GILTI inclusion as a period expense in the year incurred.

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, 2018 were as follows:

	Year Ended December 31,		
	2018	2017	2016
Statutory rate applied to pre-tax income	$ 77,419	$ 128,182	$ 97,086
State and local income taxes, net of federal tax benefit	8,844	5,671	5,554
Excess tax benefits resulting from exercises of stock-based compensation	(1,094)	(6,276)	—
Net impact of the U.S. Tax Act	4,823	21,949	—
Foreign withholding taxes	(4,424)	6,667	—
Intangible and asset impairments/(write-off)	—	—	(4,438)
Foreign rate variance	(4,560)	(13,929)	(8,128)
Venezuela deconsolidation/devaluation	—	—	5,192
Bargain purchase gain	—	(17,556)	—
Valuation allowances	5,596	102	(8,525)
Manufacturing deduction	—	(5,922)	(5,190)
Research and development credit	(3,859)	(2,688)	(2,748)
Other	(1,078)	2,561	212
Total	$ 81,667	$ 118,761	$ 79,015
Effective tax rate	22.2%	32.4%	28.5%

The 2018 effective tax rate is impacted by the reduced corporate income tax rate associated with the U.S. Tax Act, rationalization charges in regions with low or no tax benefit, as well as the incremental adjustments recognized in 2018 related to the U.S. Tax Act provisional amounts, as discussed in the paragraphs above. Total income tax payments, net of refunds, were $85,805 in 2018, $81,691 in 2017 and $72,965 in 2016.

Deferred Taxes

Significant components of deferred tax assets and liabilities at December 31, 2018 and 2017, were as follows:

	December 31,	
	2018	2017
Deferred tax assets:		
Tax loss and credit carry-forwards	$ 60,756	$ 60,454
Inventory	3,544	2,501
Other accruals	13,172	14,873
Employee benefits	22,963	18,468
Pension obligations	12,122	12,363
Other	3,739	4,923
Deferred tax assets, gross	116,296	113,582
Valuation allowance	(69,400)	(68,694)
Deferred tax assets, net	46,896	44,888
Deferred tax liabilities:		
Property, plant and equipment	28,606	21,427
Intangible assets	10,950	10,729
Inventory	4,814	5,891
Pension obligations	19,346	16,137
Other	8,770	15,483
Deferred tax liabilities	72,486	69,667
Total deferred taxes	$ (25,590)	$ (24,779)

At December 31, 2018, certain subsidiaries had net operating loss carry-forwards of approximately $61,931 that expire in various years from 2019 through 2034, plus $214,438 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, 2018, a valuation allowance of $69,400 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 previously considered the earnings in non-U.S. subsidiaries to be indefinitely reinvested and, accordingly, recorded no deferred income taxes. As a result of the U.S. Tax Act, the Company determined it will repatriate earnings for certain non-U.S. subsidiaries, which are subject to foreign withholding taxes. The Company has estimated the associated tax to be $2,243. The Company considers remaining earnings and outside basis in all other non-U.S. subsidiaries to be indefinitely reinvested and has not recorded any deferred taxes as such estimate is not practicable.

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 benefits of $1,277 for the year ended December 31, 2018 and expense of $1,079 for the year ended December 31, 2017 for interest and penalties. For those same years, the Company's accrual for interest and penalties related to unrecognized tax benefits totaled $6,655 and $8,135, respectively.

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

	2018	2017
Balance at beginning of year	$ 28,449	$ 18,499
Increase related to current year tax provisions	1,431	1,448
Increase related to prior years' tax positions	4,917	1,460
Increase related to acquisitions	—	8,223
Decrease related to settlements with taxing authorities	(111)	(522)
Resolution of and other decreases in prior years' tax liabilities	(1,501)	(1,734)
Other	(4,381)	1,075
Balance at end of year	$ 28,804	$ 28,449

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $25,069 at December 31, 2018 and $25,024 at December 31, 2017.

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 2014. The Company is currently subject to U.S. federal, various 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 $1,759 in prior years' unrecognized tax benefits in 2019.

NOTE 15 – 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, 2018.

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, 2018. 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 $45,909 at December 31, 2018 and $35,489 at December 31, 2017.

Fair value hedges

Certain interest rate swap agreements were qualified and designated as fair value hedges. At December 31, 2018, the Company had interest rate swap agreements outstanding that effectively convert notional amounts of $125,000 of debt from a fixed interest rate to a variable interest rate based on three-month LIBOR plus a spread of between 0.5% and 1.8%. The variable rates reset every three months, at which time payment or receipt of interest will be settled.

Net investment hedges

From time to time, the Company executes foreign currency forward contracts that qualify and are designated as net investment hedges. No such contracts were outstanding at December 31, 2018 and December 31, 2017.

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 $328,534 at December 31, 2018 and $340,884 at December 31, 2017.

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

	December 31, 2018				December 31, 2017		
Derivatives by hedge designation	**Other Current Assets**	**Other Current Liabilities**	**Other Assets**	**Other Liabilities**	**Other Current Assets**	**Other Current Liabilities**	**Other Liabilities**
Designated as hedging instruments:							
Foreign exchange contracts	$ 647	$ 404	$ —	$ —	$ 519	$ 604	$ —
Interest rate swap agreements	—	—	302	7,033	—	—	5,085
Not designated as hedging instruments:							
Foreign exchange contracts	6,375	829	—	—	2,257	3,747	—
Total derivatives	$ 7,022	$ 1,233	$ 302	$ 7,033	$ 2,776	$ 4,351	$ 5,085

The effects of undesignated derivative instruments on the Company's Consolidated Statements of Income for the years ended December 31, 2018 and 2017 consisted of the following:

		Year Ended December 31,	
Derivatives by hedge designation	**Classification of gains**	**2018**	**2017**
Not designated as hedges:			
Foreign exchange contracts	Selling, general & administrative expenses	$ 7,452	$ 17,590

The effects of designated cash flow hedges on AOCI and the Company's Consolidated Statements of Income for the years ended December 31, 2018 and 2017 consisted of the following:

	December 31,	
Total gain (loss) recognized in AOCI, net of tax	**2018**	**2017**
Foreign exchange contracts	$ 173	$ (224)
Net investment contracts	1,521	1,099

The Company expects a gain of $173 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.

Derivative type	Gain (loss) reclassified from AOCI to:	Year Ended December 31, 2018	Year Ended December 31, 2017
Foreign exchange contracts	Net sales	$ (225)	$ 1,860
	Cost of goods sold	(3)	502

NOTE 16 – FAIR VALUE

The following table provides a summary of fair value assets and liabilities as of December 31, 2018 measured at fair value on a recurring basis:

Description	Balance as of December 31, 2018	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	$ 7,022	$ —	$ 7,022	$ —
Interest rate swap agreements	302	—	302	—
Total assets	$ 7,324	$ —	$ 7,324	$ —
Liabilities:				
Foreign exchange contracts	$ 1,233	$ —	$ 1,233	$ —
Interest rate swap agreements	7,033	—	7,033	—
Contingent considerations	2,100	—	—	2,100
Deferred compensation	26,524	—	26,524	—
Total liabilities	$ 36,890	$ —	$ 34,790	$ 2,100

The following table provides a summary of fair value assets and liabilities as of December 31, 2017 measured at fair value on a recurring basis:

Description	Balance as of December 31, 2017	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	$ 2,776	$ —	$ 2,776	$ —
Marketable securities	179,125	—	179,125	—
Total assets	$ 181,901	$ —	$ 181,901	$ —
Liabilities:				
Foreign exchange contracts	$ 4,351	$ —	$ 4,351	$ —
Interest rate swap agreements	5,085	—	5,085	—
Contingent considerations	7,086	—	—	7,086
Deferred compensation	25,397	—	25,397	—
Total liabilities	$ 41,919	$ —	$ 34,833	$ 7,086

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. During the year ended December 31, 2018, 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 consideration liabilities, which will be paid 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.

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, 2018 and December 31, 2017. Refer to Note 9 to the consolidated financial statements for the fair value estimate of debt.

NOTE 17 – INVENTORY

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

	December 31,	
	2018	2017
Raw materials	$ 103,820	$ 97,577
Work-in-process	53,950	50,695
Finished goods	204,059	200,395
Total	$ 361,829	$ 348,667

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, 2018 and 2017, approximately 37% and 32% of total inventories, respectively, were valued using the LIFO method. The excess of current cost over LIFO cost was $79,626 at December 31, 2018 and $68,641 at December 31, 2017.

NOTE 18 – 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 $25,720 in 2018, $20,450 in 2017 and $16,897 in 2016.

At December 31, 2018, total future minimum lease payments for noncancelable operating leases were $16,920 in 2019, $11,915 in 2020, $7,720 in 2021, $4,744 in 2022, $3,625 in 2023 and $10,033 thereafter.

NOTE 19 – 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, employment-related 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. For claims or litigation that are material, if an unfavorable outcome is determined to be reasonably possible and the amount of loss can be reasonably estimated, or if an unfavorable outcome is determined to be probable and the amount of loss cannot be reasonably estimated, disclosure would be provided. 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 20 – PRODUCT WARRANTY COSTS

The changes in product warranty accruals for 2018, 2017 and 2016 were as follows:

	December 31,		
	2018	2017	2016
Balance at beginning of year	$ 22,029	$ 21,053	$ 19,469
Accruals for warranties	8,897	9,901	13,058
Settlements	(11,403)	(11,500)	(11,434)
Foreign currency translation and other adjustments [(1)]	255	2,575	(40)
Balance at end of year	$ 19,778	$ 22,029	$ 21,053

(1) At December 31, 2017, Foreign currency translation and other adjustments includes $2,299 for an acquired liability related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements.

NOTE 21 – QUARTERLY FINANCIAL DATA (UNAUDITED)

	First [1]	Second [2]	Third [3]	Fourth [4]
2018				
Net sales	$ 757,696	$ 790,052	$ 737,099	$ 743,827
Gross profit	256,554	270,116	251,552	250,299
Income before income taxes	84,198	94,263	95,744	94,455
Net income	60,824	68,864	70,539	86,839
Basic earnings per share [5]	$ 0.93	$ 1.05	$ 1.09	$ 1.36
Diluted earnings per share [5]	$ 0.92	$ 1.04	$ 1.07	$ 1.35
2017				
Net sales	$ 580,897	$ 626,858	$ 669,491	$ 747,185
Gross profit	202,663	216,311	217,881	238,252
Income before income taxes	77,900	83,966	130,642	73,728
Net income	55,844	61,352	106,126	24,181
Basic earnings per share [5]	$ 0.85	$ 0.93	$ 1.61	$ 0.37
Diluted earnings per share [5]	$ 0.84	$ 0.92	$ 1.59	$ 0.36

(1) 2018 includes special item charges of $758 ($569 after-tax) for pension settlement charges, $10,175 ($7,870 after-tax) for rationalization and asset impairment charges, an adjustment to taxes on unremitted foreign earnings related to the U.S. Tax Act of $2,500 and $1,907 ($1,520 after-tax) for acquisition transaction and integration costs.

2017 includes special item charges of $3,615 ($2,734 after-tax) related to acquisition transaction costs.

(2) 2018 includes special item charges of $11,542 ($10,362 after-tax) for rationalization and asset impairment charges and $788 ($675 after-tax) for acquisition transaction and integration costs.

2017 includes special item charges of $4,498 ($3,494 after-tax) related to acquisition transaction and integration costs.

(3) 2018 includes special item charges of $4,232 ($3,176 after-tax) for pension settlement charges, $2,636 ($2,575 after-tax) for rationalization and asset impairment charges, an adjustment to taxes on unremitted foreign earnings related to the U.S. Tax Act of $2,323 and acquisition-related items including $970 ($797 after-tax) for acquisition transaction and integration costs.

2017 includes special item charges of $5,283 ($3,260 after-tax) for pension settlement charges and acquisition-related items including $2,314 ($1,745 after-tax) in amortization of step up in value of acquired inventories, $3,273 ($2,229 after-tax) for acquisition transaction and integration costs and a $51,585 bargain purchase gain.

(4) 2018 includes special item charges of $1,696 ($1,272 after-tax) for pension settlement charges, $932 ($841 gain after-tax) for rationalization and asset impairment charges and gains or losses on the disposal of assets, a $4,424 credit related to the U.S. Tax Act and acquisition-related items including $833 ($690 after-tax) for acquisition transaction and integration costs.

2017 includes special item charges of $2,867 ($1,770 after-tax) for pension settlement charges, $6,590 ($6,198 after-tax) for rationalization and asset impairment charges, $28,616 for the net impact of the U.S. Tax Act and acquisition-related items including $2,264 ($1,708 after-tax) in amortization of step up in value of acquired inventories, $3,616 ($3,102 after-tax) for acquisition transaction and integration costs and a $1,935 adjustment to the bargain purchase gain.

(5) 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, 2018	$ 15,943	$ 1,743	$ (1,037)	$ 3,822	$ 12,827
Year Ended December 31, 2017	7,768	1,172	9,501	2,498	15,943
Year Ended December 31, 2016	7,299	1,657	72	1,260	7,768
Deferred tax asset valuation allowance:					
Year Ended December 31, 2018	$ 68,694	$ 1,891	$ 2,437	$ (3,622)	$ 69,400
Year Ended December 31, 2017	47,849	16,222	4,854	(231)	68,694
Year Ended December 31, 2016	51,294	3,704	3,923	(11,072)	47,849

(1) Currency translation adjustment, additions from acquisitions 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.

LINCOLN ELECTRIC HOLDINGS, INC.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Patrick P. Goris
Senior Vice President and
Chief Financial Officer,
Rockwell Automation, 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

Ben P. Patel
Senior Vice President and
Chief Technology Officer,
Tenneco Inc.

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

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Senior Vice President
Strategy and Business Development

Jennifer I. Ansberry*
Executive Vice President
General Counsel and Secretary

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

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Executive Vice President
President, Americas Welding

Gabriel Bruno*
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Finance

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President, Cleveland Operations

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Chairman, President and
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Research and Development

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Vincent K. Petrella*
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Chief Financial Officer and Treasurer

Michael J. Whitehead*
Senior Vice President
President, Global Automation,
Cutting & Additive Businesses

**Member of the Management Committee*

CORPORATE INFORMATION

For additional corporate information and copies of Lincoln Electric's 2018 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 Computershare Inc.:

Mail
Computershare
Attn: Shareholder Services
P.O. Box 505000
Louisville, Kentucky 40233-5000

Courier
Computershare
Attn: Shareholder Services
462 South 4th Street, Suite 1600
Louisville, Kentucky 40202

Direct
(800) 763-3001 or (781) 575-3100
Email: webqueries@computershare.com
Online: www.computershare.com

SUSTAINABILITY

Visit https://sustainability.lincolnelectric.com to learn about our policies and programs.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP

ANNUAL MEETING

Wednesday, April 24, 2019
11:00 a.m. Eastern Time
Lincoln Electric Welding Technology & Training Center
22800 St. Clair Avenue, Cleveland, Ohio 44117

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, 2018: 1,745

OPERATE JOIN BUILD DESIGN CUT ENGAGE

LINCOLN ELECTRIC HOLDINGS, INC.

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