



BUILDING A **BETTER** WORLD »



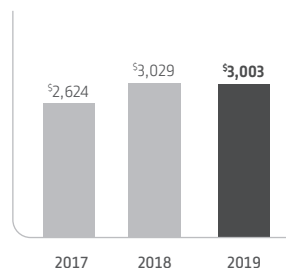
**LINCOLN
ELECTRIC**
A HIGHER STANDARD

2019 Annual Report &
2020 Proxy Statement

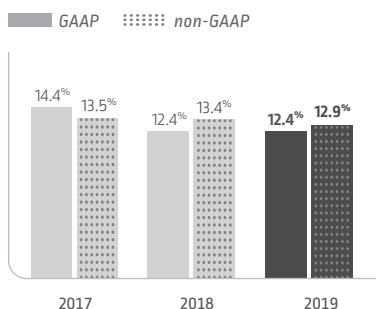
FINANCIAL HIGHLIGHTS >>

Years ended December 31 [dollars in millions, except per share]

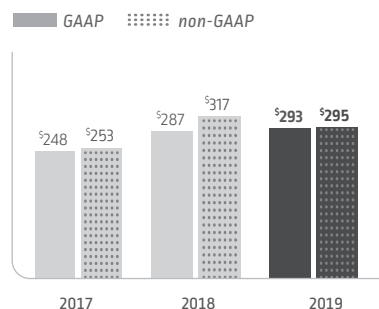
Net Sales



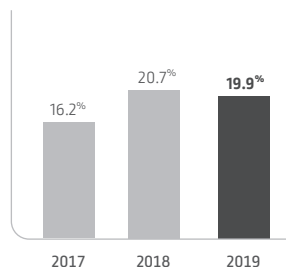
Operating Income Margin*



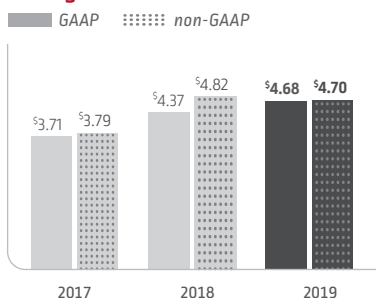
Net Income*



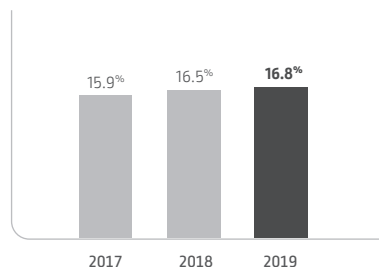
Return on Invested Capital*



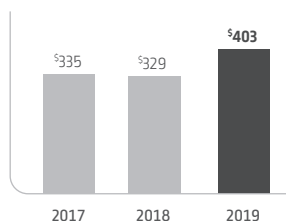
Earnings Per Common Share*



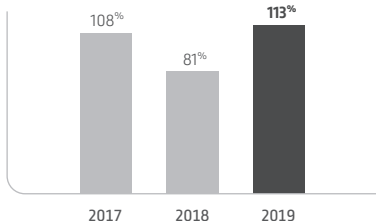
Average Operating Working Capital Ratio*



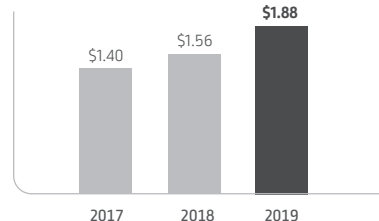
Cash Flow From Operations



Cash Conversion Ratio*



Annual Cash Dividend per Common Share



*Please see Appendix A for definitions and reconciliation of non-GAAP results to the most comparable GAAP results.

SUSTAINABILITY HIGHLIGHTS >>



CEO ACTION FOR DIVERSITY & INCLUSION

Please visit <https://sustainability.lincolnelectric.com> to learn more about our sustainability programs and performance.



SAFETY

2020 GOAL: 75% REDUCTION

75% DART Reduction [2019 vs. 2011]



WATER USAGE

24% Reduction [2019 vs. 2011]



GHG EMISSIONS

2020 GOAL: 15% REDUCTION

3026% Reduction [2019 vs. 2011]



RECYCLING

2020 GOAL: 70%

74% in 2019



ENERGY INTENSITY

2020 GOAL: 30% REDUCTION

32% Reduction [2019 vs. 2011]



LANDFILL AVOIDANCE

95% in 2019

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The CEO Action for Diversity & Inclusion™ is the largest CEO-driven business commitment to advance diversity and inclusion within the U.S. workplace.



“We’re operating by a higher standard to BUILD A BETTER WORLD.”

—Chris Mapes, Chairman, President & CEO



DEAR SHAREHOLDERS,

I am proud to celebrate Lincoln Electric’s 125th anniversary as the leader in the arc welding and cutting industry. We achieved this notable milestone through an unwavering commitment to integrity, innovation and excellence, which distinguishes our exceptional employees and our brand. Our customers, shareholders and partners have been instrumental in our success, and together, we share a common purpose of operating by a higher standard to build a better world. On behalf of the Board of Directors and the Executive Team, we thank all of our stakeholders for their tremendous support.

We built our business on a returns-driven value proposition. Our focus has always been to align the interests of our stakeholders to maximize their individual returns. We do this by driving a balanced business model that advances innovation, encourages employee engagement, and seeks to achieve operational excellence, financial discipline and superior returns over the long-term. This approach has been foundational to Lincoln Electric’s competitiveness for 125-years.

In 2019, we made significant progress against our strategic initiatives and operational priorities. We held sales relatively steady year-over-year despite slowing industrial demand in key regions and end markets. We successfully mitigated the unfavorable impact of lower volumes with acquisitions, a strong pipeline of new product launches, diligent cost management, and operational initiatives. We achieved relatively steady adjusted operating income margin performance in our core business (excluding acquisitions), record cash flow from operations, over 100 percent cash conversion, top decile average operating working capital performance, and top quartile returns on invested capital versus our proxy peers. In addition, we returned \$411 million to our shareholders through share repurchases and a higher dividend payout rate. Our solid performance was achieved with improvement across all of our safety and environmental metrics in 2019 and we continue to exceed three of our four 2020 safety and environmental goals.

We expanded our technologies and enhanced customer engagement to deliver value to our customers. We launched over 40 new products in 2019 and are seeing strong pull through by customers, as reflected in a 100 basis point increase in our equipment systems' 'Vitality Index'¹ to 53 percent. In addition, we invested in our global network of weld tech centers with a new flagship facility in Germany, as well as new sites and upgrades in Thailand, Dubai, and Brazil. Our network of 38 weld tech centers allow us to demonstrate and train customers locally and collaborate on customized solutions for their unique applications. Additionally, we launched our new additive solutions platform in 2019 and are actively working with aerospace, automotive and industrial customers to test the viability of this new technology in their manufacturing processes. To deliver customers with a "file-to-finished part" solution, we acquired Baker Industries to provide downstream machining capabilities of our 3D-printed parts and also expanded our capacity of large-scale metal additive cells in Cleveland. While still in its early stages, we are excited about the long-term growth opportunity that this new technology offers.

In 2019, we rolled out our new "Higher Standard 2025 Strategy" (HS2025) globally and departments aligned their key initiatives to HS2025 priorities on "journey maps" centered on: serving customers, employee development, valued solutions, and operational excellence. HS2025 seeks to build upon the successes of our prior strategy by amplifying customer-focused initiatives and employee engagement to help recruit and retain the next generation of diverse Lincoln contributors and leaders. HS2025 also establishes new, long-term safety and environmental goals for the organization to advance responsible growth.

In 2020, our HS2025 priorities focus on:

- Investing in growth to ensure Lincoln is well-positioned as end markets recover;
- Investing in new technologies and processes to enhance customers' experience with us;
- Further engaging employees through enhanced connectivity and professional development programs;
- Delivering substantial cost savings from further rationalization in our international platform and cost reduction activities in Americas Welding;
- Achieving our safety and environmental goals; and
- Returning excess capital to shareholders.

I am confident that Lincoln Electric's best days are ahead. By living our values, staying true to our guiding principle and purpose, our industry-leading team, strong product portfolio, and solid balance sheet will continue to bolster our competitiveness and help us build a better world. All of us at Lincoln Electric are thankful for your continued investment and support.



Chris Mapes
Chairman, President & CEO

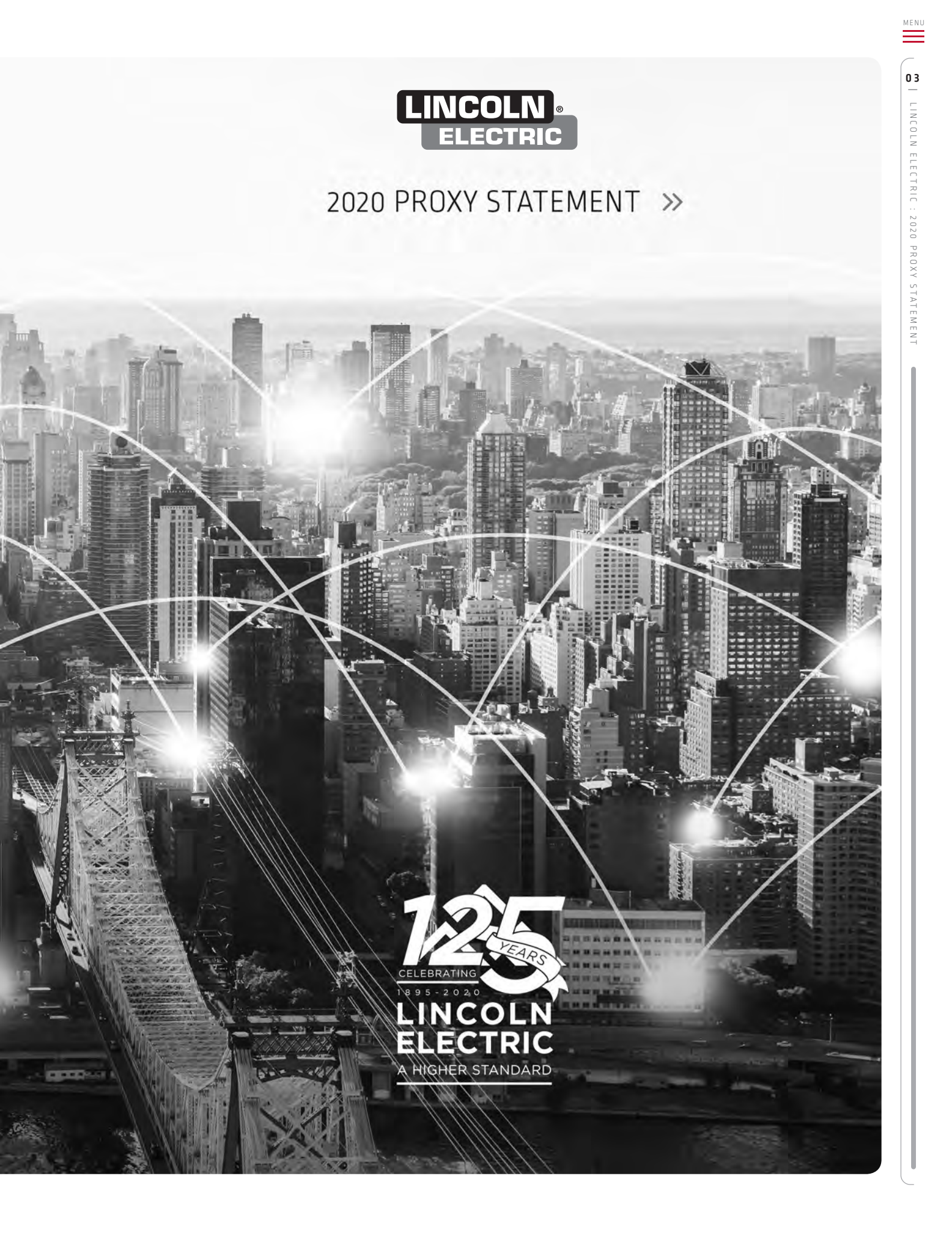
¹ Vitality Index represents the percentage of 2019 sales from new products launched in the last five years. Excludes International Welding and customized automation sales.

“Our culture has been shaped by integrity, ethics and The Golden Rule.”





2020 PROXY STATEMENT »





NOTICE OF ANNUAL MEETING

ANNUAL MEETING OF SHAREHOLDERS

ITEMS TO BE VOTED ON	RECOMMENDATION	
PROPOSAL 1 To elect eleven Director nominees named in this Proxy Statement to hold office until the 2021 Annual Meeting	FOR all Director nominees	PAGE 18
PROPOSAL 2 To ratify the appointment of Ernst & Young LLP as Lincoln Electric's independent registered public accounting firm for the year ending December 31, 2020	FOR this proposal	PAGE 78
PROPOSAL 3 To approve, on an advisory basis, the compensation of our named executive officers (NEOs) for 2019	FOR this proposal	PAGE 80

DATE & TIME
 WEDNESDAY, APRIL 22, 2020
 11:00 am ET

PLACE
 Online at www.virtualshareholdermeeting.com/LECO2020

ACCESS
 Visit www.virtualshareholdermeeting.com/LECO2020 to access the Annual Meeting. You must have your 16-digit control number that is printed on your proxy card.

PARTICIPATION
 Submit pre-meeting questions online by visiting www.proxyvote.com before Monday April 20, 2020 at 5:00 pm ET.

RECORD DATE
 Shareholders of record on the close of business on February 28, 2020 are entitled to vote at the 2020 Annual Meeting.

By Order of the Board of Directors,

Christopher L. Mapes
 Chairman, President and Chief Executive Officer

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

WE WILL BEGIN MAILING THIS PROXY STATEMENT ON OR ABOUT MARCH 20, 2020.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on April 22, 2020:

This Proxy Statement and the related form of proxy, along with our 2019 Annual Report on Form 10-K, are available free of charge at www.lincolnelectric.com/proxymaterials.

HOW TO CAST YOUR VOTE

Your vote is important! Please vote your shares promptly in one of the following ways:



BY INTERNET
 Visit www.proxyvote.com until April 21, 2020



BY PHONE
 Call 1-800-690-6903 by April 21, 2020



BY MAIL
 Sign, date and return your proxy card or voting instruction form, which must be received by April 21, 2020



DURING MEETING
 Vote online on April 22, 2020 during the Annual Meeting at www.virtualshareholdermeeting.com/LECO2020

BUSINESS OVERVIEW

FAST FACTS

FOUNDED 1895	EMPLOYEES WORLDWIDE 11,000	NASDAQ STOCK SYMBOL LECO
COUNTRY FOOTPRINT/DISTRIBUTION 18/160+	MANUFACTURING FACILITIES 59	CORPORATE HEADQUARTERS CLEVELAND, OH
BROADEST SOLUTIONS PORTFOLIO GLOBALLY	2019 REVENUE \$3.0B	LARGEST GLOBAL NETWORK OF WELD TECH CENTERS 38
NEW PRODUCT VITALITY INDEX¹ 34%	LARGEST COMMERCIAL & TECHNICAL TEAM	

(1) Vitality index represents the percentage of 2019 sales from new products launched in the last five years. Excludes the International Welding segment and customized automation sales.

Lincoln Electric is the world leader in the design, development and manufacture of arc welding products, automated joining, assembly and cutting systems, plasma and oxyfuel cutting equipment, and has a leading global position in brazing and soldering alloys. Headquartered in Cleveland, Ohio, U.S., we operate 59 manufacturing locations in 18 countries and distribute to over 160 countries. In 2019, we generated \$3.0 billion in sales. As an innovation leader with the broadest portfolio of solutions and the industry's largest team of technical sales representatives and application experts, we are known as the Welding Experts®. Our portfolio of welding and cutting solutions is designed to help customers achieve greater productivity and quality in their manufacturing and fabrication processes. We leverage our global presence and broad distribution network to serve an array of customers across various end markets including: general metal fabrication, energy, structural steel construction and infrastructure (commercial buildings and bridges), heavy industries (agricultural, mining, construction and rail equipment, as well as shipbuilding), and automotive/transportation.

OUR GLOBAL FOOTPRINT



For 125 years, we have achieved success through innovation and by aligning our stakeholders by providing:

- Customers with a market leading product offering and superior technical application capability
- Employees with an incentive and results driven culture, and
- Shareholders with above market returns.

Our ten year “2020 Vision and Strategy” has focused on expanding our position as a valued, technical solutions-provider in our industry by accelerating innovation, operational excellence, and achieving best-in-class financial results through an economic cycle. The strategy is founded on our values and our six core capabilities and competitive advantages to drive growth and improve margin and return performance. Our six core capabilities are: welding process expertise, commercial excellence, product development, global network and reach, operational excellence and financial discipline.



In executing our “2020 Vision and Strategy,” we have pursued an aggressive acquisition strategy, accelerated our investments in R&D to enhance the value proposition and positioning of our solutions, and have emphasized engineered solutions for

mission-critical applications. Additionally, we have focused on expanding our brand’s geographic and channel reach into attractive areas such as automation. Our efforts have largely been successful. Contributions from acquisitions, a strong vitality index of new products, and expanded market presence have helped improve margin performance and returns. Our focus on operational excellence, safety and sustainability initiatives have helped structurally improve our operations and have contributed to improved margins, cash flow generation and returns. We are well positioned for improved long-term operating performance of the business through the economic cycle.

Our financial performance against our “2020 Vision & Strategy” goals reflects progress across most metrics during the strategic plan period:

Key Financial Metrics	2020 Goal	2009–2019 Achievement ¹	Key Initiatives and Focus
Sales Growth CAGR	10% CAGR	6% Reported Sales CAGR // 7% Sales CAGR excluding FX and Venezuela results	<ul style="list-style-type: none"> • Increase R&D investments to raise our new product vitality index • Active acquisition program
Operating Income Margin	15% Average	12.1% Average Reported // 12.9% Average Adjusted (Achieved a 5-year average 13.7% adjusted margin)	<ul style="list-style-type: none"> • Target attractive growth opportunities • Richen the portfolio mix through differentiated technologies and applications • Operational excellence
Return on Invested Capital (ROIC)	15% Average	17.3% Average	<ul style="list-style-type: none"> • Disciplined acquisition program with stringent ROIC and IRR goals • Margin expansion • Cash management
Average Operating Working Capital Ratio	15% at 2020	16.8% at 2019 (640 bps improvement vs. 2009)	<ul style="list-style-type: none"> • Effective cash cycle management • Inventory management

(1) See Appendix A for definitions and/or reconciliations of these metrics to results reported in accordance with generally accepted accounting principles (GAAP).



In 2019, the Company introduced its new long-term strategy, the “Higher Standard 2025 Strategy” (HS2025). HS2025 builds upon the financial and sustainability achievements from our “2020 Vision and Strategy” to ensure Lincoln Electric continues to deliver superior value to its stakeholders. The growth strategy leverages an active acquisition program and organic growth across our global footprint emphasizing differentiated, value-added solutions and technologies. The strategy continues to focus on achieving best-in-class financial and sustainability performance, as well as amplifying employee engagement. HS2025 leverages local and regionally-led investments and initiatives to advance four key areas in the Company, which will generate superior long-term value:

Customer Focused: Enhance our value proposition and the ease of doing business with us by leveraging our leading CRM system and investments in industry-segment market-facing teams, product portfolios and weld tech centers.

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

Solutions & Value: Develop solutions that improve customers’ ability to make their products better, safer and easier. Key initiatives include accelerated growth in automated solutions and additive services, enhanced software (IoT and AI), and designing greater efficiency and sustainability into new products.

Operational Excellence: Improve our quality, costs and processes by maximizing continuous improvement through our Lincoln Business System, further digitization of our operations and processes, and achievement of our sustainability goals.

The Higher Standard 2025 Strategy continues to emphasize performance against the following key financial metrics, which align with substantially all of the Company’s key short-term and long-term compensation metrics.

	HS2025 STRATEGIC PRIORITIES	SHORT-TERM COMPENSATION METRICS	LONG-TERM COMPENSATION METRICS
Sales Growth (organic & inorganic)	X	X (Individual Performance Goals or Business Unit Performance Goals May include Sales Growth)	
Operating income margin expansion	X	X ¹ (Representative of EBITB)	
Average Operating Working Capital Ratio	X	X ¹	
Return on Invested Capital (ROIC)	X		X ¹

⁽¹⁾ Performance measures used in the design of the executive compensation program are defined in Appendix A

THE HIGHER STANDARD 2025 STRATEGY SUSTAINABILITY GOALS

The Higher Standard 2025 Strategy also incorporates new long-term 2025 safety and environmental goals as follows (goals reflect targeted 2025 performance versus our 2018 baseline):



SAFETY

Reduce Total Recordable Case Rates (TRCR) 52% [10% YoY]



GREENHOUSE GAS (GHG) EMISSIONS

Reduce Absolute GHG emissions 10% [1.5% YoY]*



ENERGY INTENSITY

Reduce intensity 16% [2.5% YoY]



RECYCLING & LANDFILL AVOIDANCE

Increase recycling of all waste to 80% and divert 97% of eligible waste from landfills



WATER USE

Reduce absolute water use 14% [2.1% YoY]

*Our GHG target is aligned with methodology 2 for science based targets and exceeds the annual threshold rate.

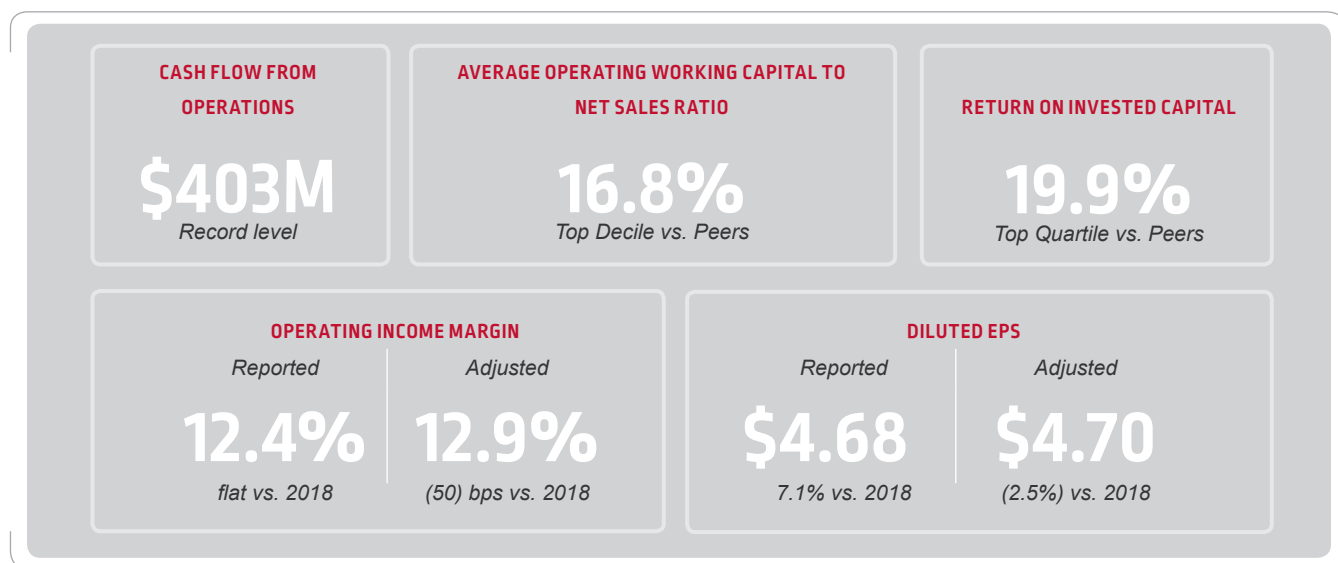
In addition, we focus on product stewardship to advance energy efficiency in our customers’ welding operations. We measure energy efficiency improvements achieved in our welding equipment as we transition our equipment portfolio from a transformer-based platform to a more efficient digital, inverter-based system.

PROXY SUMMARY

This section provides an overview of important items related to this Proxy Statement and the 2020 Annual Meeting. We encourage you to read the entire Proxy Statement for more information before voting.

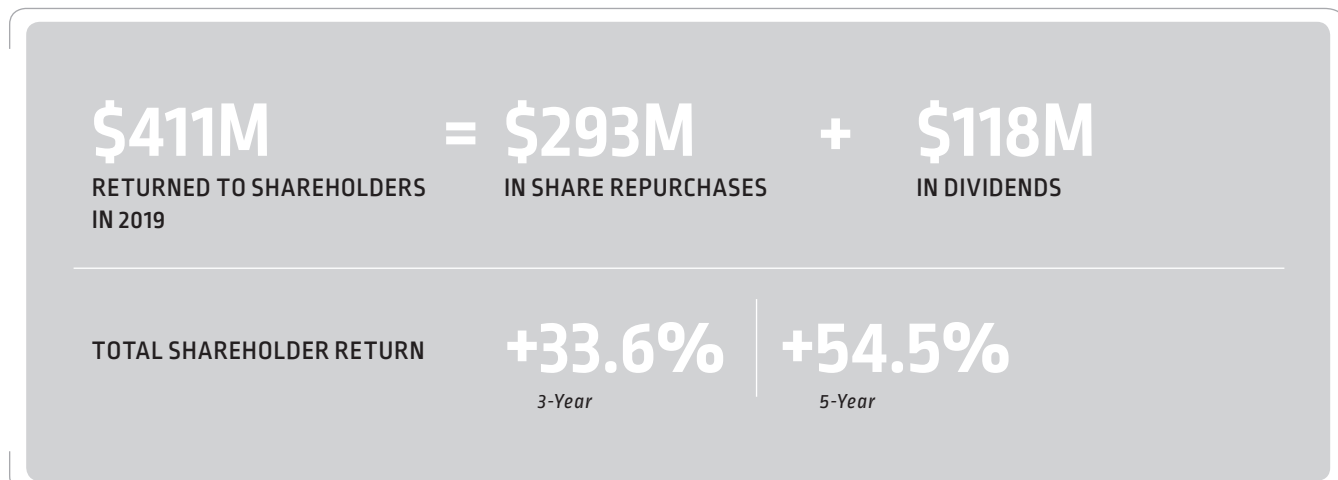
2019 PERFORMANCE HIGHLIGHTS

We achieved solid returns, record cash flow generation, and 113% cash conversion in 2019, despite slowing industrial sector demand and weaker customer capital spending. Sales decreased approximately 1% to \$3.0 billion primarily due to 3.5% lower organic sales, which were partially offset by a 4.3% benefit to sales from acquisitions. We held both operating income margin and adjusted operating income margin relatively steady by substantially mitigating the unfavorable impact of lower volumes on profitability with new products, price management, disciplined expense controls and operational initiatives. Our focus on operational excellence was reflected in our ability to exceed three of four of our long-term 2020 safety and environmental goals. These results demonstrate the continued structural improvements achieved in the business through our “2020 Vision and Strategy” and how the organization continues to advance towards best-in-class performance.



See Appendix A for definitions and/or reconciliation of these metrics to results reported in accordance with GAAP. Performance measures used in the design of the executive compensation program are presented within the Compensation Discussion and Analysis section.

We continue to focus on generating long-term value for our shareholders. In 2019, we returned \$411 million to shareholders through our dividend program and share repurchases. Our financial performance and balanced approach to capital allocation resulted in a continued trend of strong total shareholder returns as detailed below.



CORPORATE GOVERNANCE HIGHLIGHTS

Lincoln Electric has a solid track record of integrity and corporate governance practices that promote thoughtful management by its officers and Board of Directors, facilitating profitable growth while strategically balancing risk to maximize shareholder value. Below is a summary of certain Board and governance information with respect to 2019:

BOARD COMPOSITION AND PRACTICES

Size of Board	11
Number of independent Directors	10
Average age of Directors	63
Percent diverse (among independent directors)	30%
Board meetings held in 2019	5
New Directors in the last 5 years	3
Average tenure (years)	12.2
Annual election of Directors	✓
Majority voting policy for Directors	✓
Lead Independent Director	✓

Number of fully independent Board committees	4
Independent Directors meet without management	✓
Director attendance at Board & committee meetings	>75%
Mandatory retirement age (75)	✓
Stock ownership guidelines for Directors	✓
Annual Board and committee self-assessments	✓
Code of Conduct and Ethics for Directors, officers & employees	✓
No overboarded Directors (per ISS or Glass Lewis)	✓
Succession planning and implementation process	✓
Strategy, environmental & risk management oversight	✓
Corporate culture, diversity and inclusion oversight	✓

SHAREHOLDER PROTECTIONS

One share, One vote standard	✓
Dual-class common stock or Poison pill	✗
Cumulative voting	✗
Vote standard for Code of Regulations amendment	67%
Shareholder right to call a special meeting	✓*
Annual election of Directors	✓
Majority voting policy for Directors	✓
Lead Independent Director	✓
Executive sessions without management present	✓

* Special meetings can be called by shareholders holding not less than 25% of the voting power



COMPENSATION PRACTICES

Pay for Performance	✓
Annual Say-on-Pay Advisory Vote	✓
Compensation aligned with strategic goals and individual performance	✓
Incentive plans do not encourage excessive risk taking	✓
No excessive perquisites	✓
Robust stock ownership guidelines for NEOs	✓
Clawback policy	✓
Double-trigger change-in-control	✓
Anti-hedging/pledging policy	✓
CEO Pay Ratio	155:1

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) POLICIES AND ENVIRONMENTAL GOALS

Board oversight of corporate culture, diversity and inclusion	✓
Board oversight of ESG matters	✓
Global Code of Conduct and Ethics	✓
Human Rights Policy	✓
No-Harassment Policy	✓
Anti-Corruption Policy	✓
Supplier Code of Conduct	✓
Environmental, Health & Safety Policy	✓
Long-term Safety and Environmental Goals	✓

DIRECTOR NOMINEES AND BOARD SUMMARY

<p>PROPOSAL 1</p> <p>Election of 11 Directors to Serve until 2021 Annual Meeting</p>	 	<p>The Board recommends a vote FOR all Director Nominees. Our Nominating and Corporate Governance Committee and our Board of Directors have determined that each of the Director nominees possesses the right skills, qualifications and experience to effectively oversee Lincoln Electric's long-term business strategy.</p> <p>See "Proposal 1 – Election of Directors" beginning on page 18 of this Proxy Statement.</p>
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You are being asked to vote on the election of eleven Director nominees. Selected biographical information of each Director nominee, as well as committee membership and committee chair information is listed below. Additional information can be found in the Director biographies under Proposal 1.

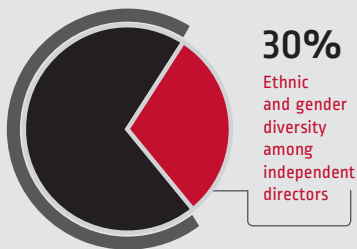
DIRECTOR NOMINEES

Name	Age	Director Since	Independent	Audit	Compensation & Executive Development	Nominating & Corporate Governance	Finance	Other Public Company Boards
Curtis E. Espeland <i>(Lead Independent Director)</i> Executive Vice President, Eastman Chemical Company	55	2012	✓	●			●	–
Patrick P. Goris Senior Vice President and CFO, Rockwell Automation, Inc.	48	2018	✓	●		●		–
Stephen G. Hanks Retired President and CEO, Washington Group International	69	2006	✓	◆			●	–
Michael F. Hilton Retired President and CEO, Nordson Corporation	65	2015	✓		●	●		2
G. Russell Lincoln President, N.A.S.T. Inc.	73	1989	✓	●			●	–
Kathryn Jo Lincoln Chair and CIO, Lincoln Institute of Land Policy	65	1995	✓		●	◆		–
William E. MacDonald, III Retired Vice Chairman, National City Corporation	73	2007	✓		◆		●	–
Christopher L. Mapes (Chairman) President and CEO, Lincoln Electric Holdings, Inc.	58	2010						1
Phillip J. Mason Retired President, EMEA Sector of Ecolab, Inc.	69	2013	✓		●		◆	1
Ben P. Patel Senior Vice President and Chief Technology Officer, Cooper Tire & Rubber Company	52	2018	✓	●		●		–
Hellene S. Runtagh Retired President and CEO, Berwind Group	71	2001	✓		●	●		–

◆ Chair ● Member

COMPOSITION OF DIRECTOR NOMINEES

DIVERSITY

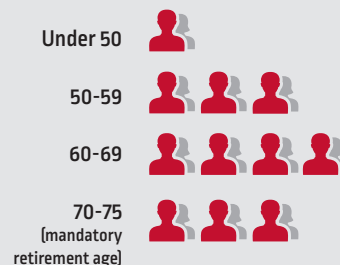


TENURE



Average tenure: **12.2 years**

AGE





Average age: **63**



SKILLS, EXPERIENCE AND BACKGROUND



RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM SUMMARY

<p>PROPOSAL 2</p> <p>Ratification of Independent Registered Public Accounting Firm</p>		<p>The Board recommends a vote FOR this proposal. Our Board of Directors recommends that shareholders vote “FOR” the ratification of the appointment Ernst & Young LLP as Lincoln Electric’s independent registered public accounting firm for the year ending December 31, 2020.</p>
		<p>See “Proposal 2 – Ratification of Independent Registered Public Accounting Firm” beginning on page 78 of this Proxy Statement.</p>

EXECUTIVE COMPENSATION PROGRAM HIGHLIGHTS

<p>PROPOSAL 3</p> <p>Approval, on an Advisory Basis, of Named Executive Officer Compensation</p>		<p>The Board recommends a vote FOR this proposal. Our Board of Directors recommends that shareholders vote “FOR” the approval, on an advisory basis, of compensation of our named executive officers (NEOs) for 2019.</p>
		<p>See “Proposal 3 – Approval, on an Advisory Basis, of Named Executive Officer Compensation” beginning on page 80 of this Proxy Statement and “Compensation Discussion and Analysis” beginning on page 37 of this Proxy Statement.</p>

We have a long history of driving an incentive management culture, emphasizing **pay for performance** to align compensation with the achievement of enterprise, segment and individual goals.

We believe our compensation program and practices provide an appropriate **balance** between profitability, cash flow and returns, on the one hand, and suitable levels of risk-taking, on the other. This balance, in turn, aligns compensation strategies with shareholder interests, as reflected by the consistently high level of shareholders voting for the compensation of our NEOs.

2019 NAMED EXECUTIVE OFFICERS

The Compensation Discussion and Analysis (CD&A) provides information regarding our executive compensation programs for the following NEOs in 2019:



Christopher L. Mapes
Chairman, President and Chief Executive Officer



Steven B. Hedlund
Executive Vice President, President, International Welding



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



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



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

ACTIONS TO FURTHER ALIGN EXECUTIVE COMPENSATION WITH SHAREHOLDER INTERESTS

The Compensation and Executive Development Committee of the Board reviews the framework of our executive compensation program to ensure executive pay aligns with our pay for performance philosophy. Our Compensation and Executive Development Committee has made a number of changes over the last few years to help ensure corporate performance aligns with shareholder interests, which has been reflected in the high approval of our “say-on-pay” proposals on the compensation of our NEOs at the 2019 Annual Meeting. In 2019, our Compensation and Executive Development Committee reviewed the overall design of our executive compensation program, particularly in light of the transition to the Higher Standard 2025 Strategy. The overall design of our executive compensation program was held consistent with policies developed in prior years.

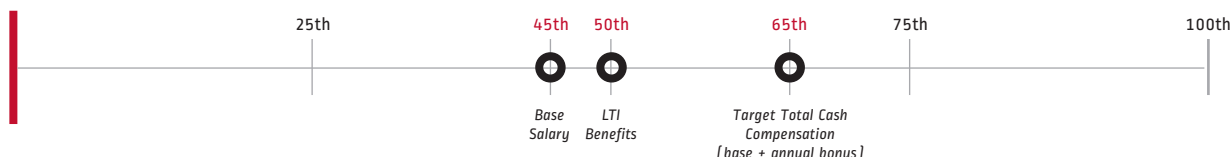
2019 EXECUTIVE COMPENSATION PRACTICES

What We Do		What We Don't Do	
We have long-term compensation programs focused on profitability, net income growth, ROIC and total shareholder returns	✓	We do not allow hedging or pledging of our shares	✗
We use targeted performance metrics to align pay with performance	✓	We do not reprice stock options and do not issue discounted stock options without shareholder approval	✗
We maintain stock ownership guidelines (5x base salary for CEO; 3x base salary for other NEOs)	✓	We do not provide excessive perquisites	✗
We have shareholder-approved incentive plans	✓	We do not have multi-year guarantees for compensation increases	✗
We have a broad clawback policy	✓		
We have a double-trigger change in control policy	✓		

COMPENSATION FRAMEWORK & PHILOSOPHY

Our compensation program is designed to attract and retain exceptional employees. We also maintain a strong pay for performance culture. As indicated below, we design our compensation system to reflect current best practices, including setting base pay below the competitive market for each position, targeting incentive-based cash compensation above the competitive market and promoting quality corporate governance in compensation decisions. We believe these practices result in sustained, long-term shareholder value and reflect our philosophy that the pay for our best performers should align with the results of our long-term goals.

Percentile Rank

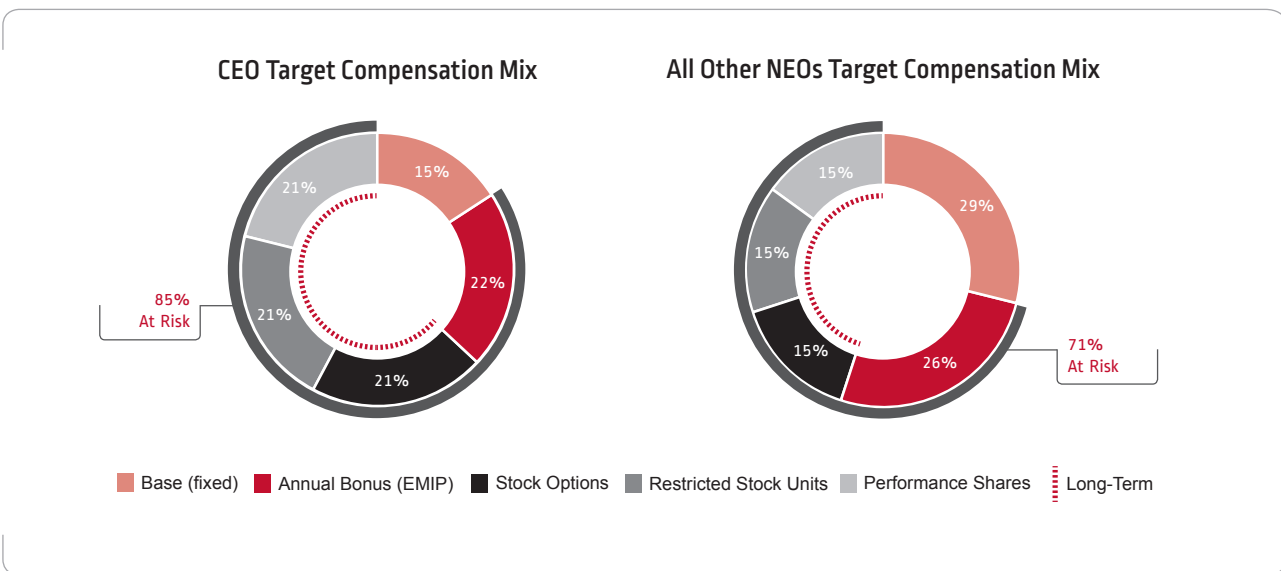


Our executive compensation program consists of three primary elements of total direct compensation: base salary (fixed), short-term incentive compensation (at-risk) in the form of an annual bonus (EMIP), and long-term incentive compensation (at-risk) in the form of stock options, restricted stock units (RSUs) and performance shares.

- Base salary is the only component of total direct compensation that is fixed
- Short-term incentive compensation is based on annual consolidated and, if applicable, segment performance, and individual performance
- Long-term incentive compensation is based on our financial performance over a three-year cycle
- Variable, “at risk,” pay is a significant percentage of total compensation

AVERAGE MIX OF KEY COMPENSATION COMPONENTS AND KEY COMPENSATION METRICS

The following charts present the mix of 2019 target direct compensation for our Chief Executive Officer and all of our other NEOs. As shown below, 85% of our CEO's compensation value and, on average, 71% of all of our other NEOs' compensation value was "at risk," with the actual amounts realized based on annual and long-term performance as well as our stock price.



We use the following six key financial performance measures to evaluate results across short-term and long-term periods.

Key Performance Metrics Tied to Executive Compensation

Metric	Short-Term Compensation (Annual Bonus)	Long-Term Incentive Compensation Program (3-yr Performance Cycle)
EBITB ^{1,2} (Earnings before interest, taxes and bonus)	✓	
Average Operating Working Capital to Sales ² ratio	✓	
Consolidated, segment and individual performance	✓	
Adjusted Net Income ² growth		✓
Return on Invested Capital (ROIC) ²		✓
Total Shareholder Return (TSR) ²		✓

(1) EBITB is an internal measure that tracks our adjusted operating income.

(2) Performance measures used in the design of the executive compensation program are defined in Appendix A.



LINCOLN ELECTRIC HOLDINGS, INC.

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Cautionary Note on Forward-Looking Statements: This Proxy Statement contains forward-looking statements regarding Lincoln Electric's strategy and current expectations within the applicable securities laws and regulations. These statements reflect management's current expectations and involve a number of risks and uncertainties. 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. The factors include, but are not limited to: general economic and market conditions; the effectiveness of operating initiatives; completion of planned divestitures; interest rates; disruptions, uncertainty or volatility in the credit markets that may limit our access to capital; currency exchange rates and devaluations; adverse outcome of pending or potential litigation; actual costs of the Company's rationalization plans; possible acquisitions, including the Company's ability to successfully integrate acquisitions; market risks and price fluctuations related to the purchase of commodities and energy; global regulatory complexity; the effects of changes in tax law; tariff rates in the countries where the Company conducts business; and the possible effects of events beyond our control, such as political unrest, acts of terror, natural disasters and pandemics (such as COVID-19/coronavirus), on the Company or its customers, suppliers and the economy in general. For additional discussion, see "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019. These forward-looking statements speak only as of the date on which such statements were made, and we undertake no obligation to update these statements except as required by federal securities law.

PROPOSAL 1—ELECTION OF DIRECTORS

DIRECTOR NOMINEES

Curtis E. Espeland

Patrick P. Goris

Stephen G. Hanks

Michael F. Hilton

G. Russell Lincoln

Kathryn Jo Lincoln

William E. MacDonald, III

Christopher L. Mapes

Phillip J. Mason

Ben P. Patel

Hellene S. Runtagh

All of the Director nominees have been previously elected by our shareholders.

Each of the nominees has agreed to stand for re-election. The biographies of all of our Director nominees can be found later in this section.

If any Director nominee is unable to stand for election, the Board may provide for a lesser number of nominees or designate a substitute. In the latter event, shares represented by proxies solicited by the Directors may be voted for the substitute. We have no reason to believe that any of the nominees will be unable to stand for election.

MAJORITY VOTING POLICY

The Director nominees receiving the greatest number of votes will be elected (plurality standard). However, our majority voting policy states that any Director who fails to receive a majority of the votes cast in an uncontested director election in his/her favor is required to submit his/her resignation to the Board. The Nominating and Corporate Governance Committee of the Board would then consider each resignation and determine whether to accept or reject it, with full Board approval of such decision. Abstentions and broker non-votes will have no effect on the election of a Director and are not counted under our majority voting policy. Holders of common stock do not have cumulative voting rights with respect to the election of a Director.

YOUR BOARD RECOMMENDS A VOTE FOR EACH DIRECTOR NOMINEE LISTED ABOVE

ANNUAL MEETING ATTENDANCE; NO SPECIAL ARRANGEMENTS

Directors are expected to attend each annual meeting. The Director nominees plan to attend this year's Annual Meeting. At the 2019 Annual Meeting, all of our then-current Directors were in attendance, except for Mr. Goris, who was unable to attend in person.

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

DIRECTOR NOMINEES

CURTIS E. ESPELAND

Director since 2012
Lead Independent Director since 2018

COMMITTEES:
Audit
Finance

AGE: 55

OTHER PUBLIC COMPANY DIRECTORSHIPS: None



Experience

Mr. Espeland has served as the Executive Vice President of Eastman Chemical Company, an advanced materials and specialty additives manufacturer, since February 2020. He also served as Executive Vice President and Chief Financial Officer from January 2014 to February 2020, Senior Vice President and Chief Financial Officer from 2008 to January 2014 and Vice President, Finance and Chief Accounting Officer from 2005 to 2008 at Eastman Chemical Company.

Reasons for Nomination

- Extensive experience in corporate finance and accounting, having served in various finance and accounting roles, and ultimately as the Chief Financial Officer, at a large publicly-traded company.
- Significant experience in the areas of strategy, mergers and acquisitions, taxation and enterprise risk management.
- International auditing experience having served as an independent auditor at Arthur Andersen LLP, working in both the United States and abroad (Europe and Australia).
- The Board has determined that Mr. Espeland's extensive accounting and financial experience qualifies him as an "audit committee financial expert."
- Valuable insight into advancing the business priorities of Lincoln Electric's international operations gained from his international business experience.
- Valuable knowledge of key governance matters gained as a director of Lincoln Electric.

PATRICK P. GORIS

Director since 2018

COMMITTEES:
Audit
Nominating and Corporate Governance

AGE: 48

OTHER PUBLIC COMPANY DIRECTORSHIPS: None



Experience

Mr. Goris has served as the Senior Vice President and Chief Financial Officer of Rockwell Automation, a global industrial automation and information solutions provider, since February 2017. He also served as Vice President, Investor Relations and Vice President, Finance, Architecture and Software from 2015 to 2017 and Vice President, Finance, Architecture and Software and Operations and Engineering Services from 2013 to 2015 at Rockwell Automation.

Reasons for Nomination

- Relevant global financial expertise from serving in various finance roles, and ultimately as the Chief Financial Officer, of a publicly-traded, multinational organization.
- Extensive experience in accounting, financial planning and analysis, investor relations and mergers and acquisitions.
- Experience with a global industrial automation and information solutions company provides Mr. Goris with broad exposure to digital operations and "smart" manufacturing solutions using data and analytics, which enhances operational intelligence, productivity and risk management in manufacturing processes. These are key initiatives for our business and our customers' businesses.
- The Board has determined that Mr. Goris' extensive accounting and financial experience qualifies him as an "audit committee financial expert."
- Valuable knowledge of key governance matters gained as a director of Lincoln Electric.

STEPHEN G. HANKS

Director since 2006

COMMITTEES:
Audit (Chair)
Finance

AGE: 69

**OTHER PUBLIC COMPANY
DIRECTORSHIPS:** None

**Experience**

Mr. Hanks spent 30 years with global engineering and construction company Morrison Knudsen Corporation and its successor, Washington Group International, Inc., serving the last eight years as President, Chief Executive Officer and a member of its Board of Directors, retiring in January 2008. Mr. Hanks also formerly served as Washington Group's Executive Vice President, Chief Legal Officer and Secretary. In addition, Mr. Hanks has extensive board experience, previously serving as a director of McDermott International, Inc. (NYSE: MDR) from 2009 to May 2018 and Babcock & Wilcox Enterprises, Inc. (NYSE: BW) from 2010 to March 2018.

Reasons for Nomination

- Executive leadership experience, both as CEO and CFO, of a U.S., publicly-traded company with international reach.
- Diverse professional skill set, including finance (having served as CFO of Morrison Knudsen) and legal and governance competencies (such as enterprise risk management, corporate compliance and legal strategy).
- The Board has determined that Mr. Hanks' experience as a CEO and CFO of a publicly-traded company qualifies him as an "audit committee financial expert."
- Valuable knowledge of key governance matters gained as a director of Lincoln Electric and several other publicly-traded companies.

MICHAEL F. HILTON

Director since 2015

COMMITTEES:
Compensation and Executive
Development
Nominating and Corporate
Governance

AGE: 65

**OTHER PUBLIC COMPANY
DIRECTORSHIPS:**
Ryder Systems, Inc. (NYSE: R)
since 2012
Regal Beloit Corporation
(NYSE: RBC) since December
2019

**Experience**

Mr. Hilton recently retired as the President and Chief Executive Officer of Nordson Corporation (Nasdaq: NDSN), a company that engineers, manufactures and markets differentiated products and systems used for precision dispensing of adhesives, coatings, sealants, biomaterials, polymers, plastics and other materials, fluid management, test inspection, UV curing and plasma surface treatment, a position he held since 2010. During his tenure at Nordson Corporation, Mr. Hilton also served as a director. Prior to joining Nordson, Mr. Hilton was Senior Vice President and General Manager for Air Products and Chemicals, Inc., a global company that provides a unique portfolio of atmospheric gases, process and specialty gases, performance materials, and equipment and services, with specific responsibility for leading its \$2 billion global Electronics and Performance Materials segment.

Reasons for Nomination

- With over 30 years of global manufacturing experience, Mr. Hilton brings to the Board an intimate understanding of management leadership.
- Extensive experience with strategy development and day-to-day operations of a multi-national company, including product line management, new product technology, talent development, manufacturing, distribution and other sales channels, business processes, international operations and global markets expertise.
- Valuable knowledge of key governance matters gained as a director of Lincoln Electric and several other publicly-traded companies.

G. RUSSELL LINCOLN

Director since 1989

COMMITTEES:

Audit
Finance

AGE: 73

OTHER PUBLIC COMPANY

DIRECTORSHIPS: None

**Experience**

Mr. Lincoln has served as the president of N.A.S.T. Inc., a personal investment firm, since 1996. Prior to joining N.A.S.T. Inc., Mr. Lincoln served as the Chairman and Chief Executive Officer of Algan, Inc.

Reasons for Nomination

- As an entrepreneurial businessman with executive leadership and investment experience, including 25 years running a \$50 million business, Mr. Lincoln understands business risk and the importance of hands on management.
- Experience as a board member of various organizations, including as a board member of the Cleveland Museum of Natural History.
- As the grandson of James F. Lincoln and as a long-term trustee, Mr. Lincoln provides the Board with his historic perspective on the Company's unique culture and its incentive management system.
- Valuable knowledge of key governance matters gained as a director of Lincoln Electric.

KATHRYN JO LINCOLN

Director since 1995

COMMITTEES:

Compensation and Executive
Development
Nominating and Corporate
Governance [Chair]

AGE: 65

OTHER PUBLIC COMPANY

DIRECTORSHIPS: None

**Experience**

Ms. Lincoln has served as the Board Chair and Chief Investment Officer of the Lincoln Institute of Land Policy, an independent, global foundation focused on addressing significant policy issues through innovation land use and taxation methods, since 1996. As Chief Investment Officer, Ms. Lincoln manages and directs all aspects of the Institute's endowment, including strategic asset allocation and policy development, which have contributed to its current \$600 million asset base. In her role as Chair, she plays a crucial role in the strategic direction and planning of the Institute, with ongoing involvement in the development of education programs, demonstration projects and impact measurement. Ms. Lincoln is a member of the Board of HonorHealth Network, and Claremont Lincoln University, and formerly served as a director of Johnson Bank Arizona, N.A. She is also the Co-Chair of the International Center for Land Policy Studies and Training in Taiwan.

Reasons for Nomination

- Extensive leadership experience, addressing strategic planning, asset allocation matters and corporate governance.
- As a Lincoln family member and long-standing Director of Lincoln Electric, Ms. Lincoln has a keen sense of knowledge about Lincoln Electric, its culture and the founding principles.
- Broad experience and commitment to board and corporate governance excellence, named as a Board Leadership Fellow of the National Association of Corporate Directors.
- Valuable knowledge of key governance matters gained through her various directorships, including as a director of Lincoln Electric.

WILLIAM E. MACDONALD, III

Director since 2007

COMMITTEES:

Compensation and Executive Development (Chair)
Finance

AGE: 73

OTHER PUBLIC COMPANY

DIRECTORSHIPS: None



CHRISTOPHER L. MAPES

Director since 2010
Chairman since 2013

COMMITTEES:

None

AGE: 58

OTHER PUBLIC COMPANY

DIRECTORSHIPS:
The Timken Company
(NYSE: TKR) since 2014



Experience

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

Reasons for Nomination

- Extensive experience leading a large corporate organization with over 35,000 employees and structuring complex financing solutions for large and middle-market businesses.
- Experience addressing human resources and development challenges facing a publicly-traded company.
- Valuable knowledge of key governance matters gained as a director of Lincoln Electric and several other publicly-traded companies.

Experience

Mr. Mapes is the Chairman, President and Chief Executive Officer of Lincoln Electric. Mr. Mapes has served as President and Chief Executive Officer since December 2012. In December 2013, Mr. Mapes was appointed as Chairman of the Board in addition to his other responsibilities. From September 2011 to December 2012, Mr. Mapes served as the Chief Operating Officer of Lincoln Electric. From 2004 to August 2011, Mr. Mapes served as an Executive Vice President of A.O. Smith Corporation, a global manufacturer with a water heating and water treatment technologies business, which has residential, commercial, industrial and consumer applications, and the President of its former Electrical Products unit. Mr. Mapes started his career with General Motors and has held roles in industrial manufacturing for over 35 years.

Reasons for Nomination

- Extensive leadership experience in large, global publicly-traded companies engaged in manufacturing operations.
- Keen understanding of the manufacturing industry and challenges organizations face growing globally.
- In addition to business management experience, Mr. Mapes has an MBA and a law degree.
- Valuable knowledge of key governance matters gained as a director of Lincoln Electric.

PHILLIP J. MASON

Director since 2013

COMMITTEES:

Compensation and Executive Development
Finance (Chair)

AGE: 69

OTHER PUBLIC COMPANY

DIRECTORSHIPS:

GCP Applied Technologies
(NYSE: GCP) since 2016



Experience

Mr. Mason is the former President of the Europe, Middle East & Africa Sector (EMEA Sector) of Ecolab, Inc., a leading provider of food safety, public health and infection prevention products and services, a position he held from 2010 until his retirement in 2012. Prior to leading Ecolab's EMEA Sector, Mr. Mason had responsibility for Ecolab's Asia Pacific and Latin America businesses as President of Ecolab's International Sector from 2005 to 2010 and as Senior Vice President, Strategic Planning in 2004.

Reasons for Nomination

- Executive leadership experience in an international business unit for a U.S. publicly-traded company, providing Mr. Mason extensive international business expertise, business-to-business and industrial sector experience.
- Extensive international business experience, starting, developing and growing businesses abroad, in both mature and emerging markets, having established businesses in China, South Korea, Southeast Asia, Brazil, India, Russia, Africa and the Middle East.
- Strong finance and strategic planning proficiency, including merger and acquisition experience, along with significant experience working with and advising boards on diverse issues confronting companies with international operations.
- Valuable knowledge of key governance matters gained as a director of Lincoln Electric.

BEN P. PATEL

Director since 2018

COMMITTEES:

Audit
Nominating and Corporate Governance

AGE: 52

OTHER PUBLIC COMPANY

DIRECTORSHIPS: None



Experience

Mr. Patel has served as Senior Vice President, Chief Technology Officer of Cooper Tire & Rubber Company, a global manufacturer of specialized passenger car, light truck, medium truck, motorcycle and racing tires since November 2019. He previously served as Senior Vice President and Chief Technology Officer of Tenneco, Inc., a manufacturer of automotive emission control and ride control products and systems. During his 8-year tenure at Tenneco, beginning in 2011, he held roles leading regional advanced technology development and establishing a global research and development organization. Prior to joining Tenneco, Mr. Patel held numerous positions with increasing responsibility, including senior scientist, at the General Electric Company during his thirteen-year tenure with the organization.

Reasons for Nomination

- Over 20 years of experience serving with publicly-traded, global products and technology companies.
- Broad expertise in material science, automation and "smart" systems, as well as extensive research and development experience.
- Mr. Patel has been a leader in global innovation and research initiatives, which lends tremendous support to our focus on being an innovation leader in our industry and our advanced manufacturing growth strategy, which helps customers identify value and efficiencies in their welding and cutting operations.
- Valuable knowledge of key governance matters gained as a director of Lincoln Electric.

HELLENE S. RUNTAGH

Director since 2001

COMMITTEES:

Compensation and Executive
Development
Nominating and Corporate
Governance

AGE: 71

OTHER PUBLIC COMPANY

DIRECTORSHIPS: None

**Experience**

Ms. Runtagh is the former President and Chief Executive Officer of the Berwind Group, a diversified pharmaceutical services, industrial manufacturing and real estate company, a position she held in 2001. From 1997 through 2001, Ms. Runtagh was Executive Vice President of Universal Studios, a media and entertainment company. Prior to joining Universal Studios, Ms. Runtagh spent 27 years at General Electric Company, a diversified industrial company, in a variety of leadership positions. In addition, Ms. Runtagh has extensive board experience, previously serving as a director of Harman International Industries (NYSE: HAR) from 2008 to 2017, NeuStar, Inc. (NYSE: NSR) from 2006 to 2017, and several other publicly-traded companies.

Reasons for Nomination

- Over 30 years of experience in management positions with technology focused global companies, with responsibilities in management ranging from marketing and sales to finance, as well as engineering and manufacturing.
- Diverse management experience, including growing businesses while maintaining high corporate governance standards.
- Extensive experience as a director of publicly-traded companies.
- Valuable knowledge of key governance matters gained as a director of Lincoln Electric and several other publicly-traded companies.

CORPORATE GOVERNANCE

GOVERNANCE FRAMEWORK

At Lincoln Electric, we are committed to effective corporate governance and high ethical standards. We adhere to our ethical commitments in every aspect of our business, including our commitments to each other, in the marketplace and in the global, governmental and political arenas. These commitments are spelled out in our Code of Corporate Conduct and Ethics, which applies to all of our employees (including our principal executive and senior financial officers) and Directors.

We encourage you to visit our website at www.lincolnelectric.com, where you can find detailed information about our corporate governance programs/policies including:

- Code of Corporate Conduct and Ethics
- Charters for our Board Committees
- Governance Guidelines
- Director Independence Standards

CORPORATE GOVERNANCE HIGHLIGHTS

BOARD OF DIRECTORS

- Our Board held five meetings in 2019
- During 2019, each of our Directors attended at least 75% of the total full Board meetings and meetings of committees on which he or she served
- Size of Board—11
- Plurality vote with director resignation policy for failures to receive a majority vote in uncontested director elections
- Lead Independent Director
- All Directors are expected to attend the Annual Meeting

BOARD COMPOSITION

- Number of independent Directors—10
- Diverse Board including a complementary mix of backgrounds, experiences and expertise, as well as balanced mix of ages, tenure of service and gender
- Several current and former CEOs
- Global experience
- Audit Committee has multiple financial experts

BOARD PROCESSES

- Independent Directors meet without management present
- Annual Board and Committee self-assessments
- Board orientation program
- Governance Guidelines approved by Board
- Board plays active role in risk oversight
- Full Board review of succession planning annually

BOARD ALIGNMENT WITH SHAREHOLDERS

- Annual equity grants align interests of Directors and officers with shareholders
- Annual advisory approval of named executive officer compensation
- No poison pill
- Stock ownership guidelines for Directors and officers

COMPENSATION

- No employment agreements
- Executive compensation is tied to performance—85% of CEO target pay and 71% of all of our other NEO target pay is performance-based (at risk)
- Anti-hedging and anti-pledging policies for Directors and officers
- Recoupment/clawback policy

INTEGRITY AND COMPLIANCE

- Code of Conduct and Ethics for employees, officers and Directors
- Environmental, health and safety guidelines and goals, including long-term sustainability goals
- Annual compliance training relative to ethical behavior
- Enterprise risk management program with Board oversight

SHAREHOLDER ENGAGEMENT

Lincoln Electric is committed to engaging in constructive conversations with shareholders and nurturing long-term relationships with the investment community. We maintain an active shareholder engagement program where executives and management from various departments meet with shareholders regularly to discuss a variety of topics including business performance, strategic initiatives, corporate governance practices, corporate sustainability initiatives, executive compensation, and other matters of shareholder interest. In addition, director attendance at our annual meeting provides shareholders an opportunity to communicate with Board members. The Board values an active investor relations program as they believe that shareholder input strengthens their role as an informed and engaged fiduciary.

Our shareholder engagement program includes participation at investor conferences, holding meetings and tours at Lincoln Electric, visiting investors at their offices, hosting tradeshow tours, being accessible to shareholder inquiries throughout the year and communicating with transparency. In 2019, we implemented an investment community perception study and sought participation from shareholders who represent over 41 percent of our outstanding shares, sellside analysts, and nonshareholders. In addition, we reached out to investors representing over 44 percent of our outstanding shares to discuss corporate governance and sustainability matters. We gained good insights on our practices and policies and received positive feedback on the execution of our strategy, corporate governance, executive compensation, environmental, health and safety practices, and our investor relations program.

CORPORATE SUSTAINABILITY MATTERS

The Board recognizes the importance of achieving our goals responsibly and the alignment of our key stakeholders drives long-term value creation.

Our approach to sustainability began 125 years ago by our founders who established the Company under the guiding principle of The Golden Rule: Treating others how you would like to be treated. Our culture, values and our commitment to diversity and inclusion reflect The Golden Rule and guide our purpose of operating by a higher standard to build a better world.

Our governance structure for sustainability includes Board oversight with sustainability metrics incorporated into our CEO's annual goals. Our Executive Vice President and General Counsel oversees environmental, health and safety (EH&S) initiatives and global reporting, and works closely with business unit leadership and local facilities to implement, monitor and measure our results.

The following policies and business practices exemplify Lincoln Electric's commitment to sustainability matters:

- Our guiding principle is The Golden Rule;
- Our Code of Conduct and Ethics;
- Our Supplier Code of Conduct;
- Health, safety and wellness initiatives for our employees, customers and communities, including diversity councils and various resource groups;
- Our Human Rights Policy;
- Equal employment opportunities, along with our pledge to treat employees fairly, with dignity, and without discrimination in any form;
- Focus on improving environmental performance, including long-term safety and environmental goals and reporting;
- Training and development programs to attract and retain high performing employees and help them reach their full potential;
- Community engagement through employee-led fundraisers, grants provided by The Lincoln Electric Foundation, in-kind gifts, and an employee matching and "Dollars for Doers" program to support volunteerism; and
- Positively impacting manufacturing and industry by promoting the art and science of welding among students and young professionals through our business initiatives, partnerships with schools and associations, and programming at the J.F. Lincoln Foundation.

OUR BOARD OF DIRECTORS

Our Board oversees management in the long-term interest of Lincoln Electric and our shareholders. The Board's major responsibilities include:

- Overseeing the conduct of our business
- Reviewing and approving key financial objectives, strategic and operating plans and other significant actions
- Evaluating CEO and senior management performance and determining executive compensation
- Planning for CEO succession and monitoring management's succession planning for other key executives
- Establishing an appropriate governance structure, including appropriate Board composition and succession planning
- Overseeing enterprise risk management
- Overseeing the ethics and compliance program
- Overseeing ESG and diversity matters

HOW WE SELECT DIRECTOR NOMINEES

In evaluating Director candidates, including persons nominated by shareholders, the Nominating and Corporate Governance Committee expects that any candidate must have these minimum qualifications:

- Demonstrates character, integrity and judgment
- High-level managerial experience or experience dealing with complex business matters
- Ability to work effectively with others
- Sufficient time to devote to the affairs of Lincoln Electric
- Specialized experience and background that will add to the depth and breadth of the Board
- Independence as defined by the Nasdaq listing standards (for non-employee Directors)
- Financial literacy

BOARD DIVERSITY

To maintain Board diversity, the Nominating and Corporate Governance Committee is committed to include in each director candidate search individuals that represent diversity of race and gender. The Nominating and Corporate Governance committee also considers diversity of national origin, professional background and capabilities, knowledge of specific industries, and geographic experience. Throughout 2019, the Nominating and Corporate Governance Committee reviewed the skills, qualifications and experience of each Director nominee to ensure that each can effectively oversee Lincoln Electric's long-term business strategy.

Lincoln Electric is also committed to having Director candidates that can provide perspective on the industry challenges that we face and our long-term commitment to a pay for performance culture. When recruiting new Director candidates, the process typically involves a recognized search firm, the CEO and/or a member of the Nominating and Corporate Governance Committee (usually, the Chair) contacting the prospective director to gauge his or her interest and availability. The candidate will then meet with several members of the Board, including our Lead Independent Director. At the same time, the search firm will contact references for the prospect. A background check is completed before a final recommendation is made to the Board to appoint a candidate to the Board.

Shareholders may nominate one or more persons for election as Director of Lincoln Electric. The process for doing so is set forth in the FAQs section of this Proxy Statement.

DIRECTOR INDEPENDENCE

Each of our non-employee Directors meets the independence standards set forth in the Nasdaq listing standards, which are reflected in our Director Independence Standards. To be considered independent, the Nominating and Corporate Governance Committee must affirmatively determine that the director has no material relationship with Lincoln Electric.

During 2019, the independent Directors met in regularly scheduled Executive Sessions in conjunction with each of the Board meetings. The Lead Independent Director presided over these sessions.

BOARD LEADERSHIP

Our Chairman, President and CEO is responsible for planning, formulating and coordinating the development and execution of our corporate strategy, policies, goals and objectives. He is accountable for Lincoln Electric's performance and:

- reports directly to our Board, who reviews and approves his annual performance objectives;
- works closely with our management to develop our strategic plan;
- works with our management on transactional matters by networking with strategic relationships;
- promotes and monitors the Board's fulfillment of its oversight and governance responsibilities;
- encourages the Board to set and implement our goals and strategies;
- establishes procedures to govern our Board's work;
- oversees the execution of the financial and other decisions of our Board;
- makes available to all members of our Board opportunities to acquire sufficient knowledge and understanding of our business to enable them to make informed judgments;
- presides over meetings of our shareholders; and
- sets the agenda for, and presides over, Board meetings.

Mr. Mapes, our President and CEO, serves as Chairman in addition to his other responsibilities. Our Board believes having one individual serve as Chairman and CEO is beneficial to us because the dual role enhances Mr. Mapes' ability to provide direction and insight on strategic initiatives impacting us and our shareholders. The Board also believes the dual role is consistent with good corporate governance practices because it is complemented by a Lead Independent Director.

LEAD INDEPENDENT DIRECTOR

Our Lead Independent Director focuses on overseeing the Board's processes and prioritizing the right areas of focus. Our Lead Independent Director is appointed each year by the independent Directors and serves as a liaison between the Chairman of the Board and the independent Directors. Specifically, the Lead Independent Director has the following duties, responsibilities, and expectations:

- Collaborates with the Chairman, the Secretary and senior management on the format and adequacy of the information that Directors receive and on the effectiveness of the Board meeting process.
- Acts independently of the Chairman to review and approve Board meeting agendas and schedules.
- Acts as a sounding board to the Chairman of the Board on key aspects of the business, and assists in promoting sound corporate governance practices.



Mr. Curtis Espeland currently serves as our Lead Independent Director, a position he has held since the 2018 Annual Meeting. Mr. Espeland was elected to our Board in February 2012. During his tenure on our

Board, he has established strong working relationships with his fellow directors, and assisted with the onboarding of our two most recently elected directors.

- Calls meetings of the independent Directors as he or she sees fit, presiding over such meetings.
- Speaks on behalf of Lincoln Electric, as the Board determines necessary.

BOARD ROLE IN ENTERPRISE RISK MANAGEMENT

In the ordinary course of business, we face various strategic, operating and compliance risks. Our enterprise risk management process seeks to identify and address risks to the organization. Our Board oversees the management of these risks on an enterprise-wide basis, and the Lead Independent Director promotes our Board's engagement in this process. A fundamental part of the process is to understand the Company's risks, and to provide oversight as to how management is addressing these risks. The full Board reviews with management its process for enterprise risk management. In addition, the Audit Committee is charged with overseeing the Company's risk assessment and management process each year, including ensuring that management has instituted processes to identify critical risks and has developed plans to manage such risks.

The Company maintains a risk management review process where risk is assessed throughout our entire organization, and is reported to a corporate risk committee comprised of members of our various business units and control functions. Each year, the committee identifies critical risks to the organization and those that are determined to be "high priority" risks are reported to the executive management committee and the Board. Thereafter, "high priority" risks are assigned, as appropriate, to various Board Committees, or to the Board as a whole, for further review, analysis and development of appropriate plans for management and mitigation.

BOARD ROLE IN STRATEGY OVERSIGHT

One of the Board's key responsibilities is overseeing the Company's strategic planning process, including reviewing the steps taken to develop strategic plans and approving the final plans. In 2019, this included overseeing the implementation and execution of the Higher Standard 2025 Strategy. Developing the Higher Standard 2025 Strategy involved a high level of engagement between senior management and the Board. Our Board regularly discusses the key priorities of our Company, taking into consideration global economic, consumer and other significant trends. The Company's long-term strategic plan is reviewed regularly with the Board, along with its annual operating plan, capital structure and sustainability performance.

COMPENSATION-RELATED RISK

We regularly assess risks related to our compensation and benefit programs, including our executive compensation programs, and our Compensation and Executive Development Committee is actively involved in those assessments. In addition, Willis Towers Watson, a compensation consultant engaged by management, has provided a risk assessment of our executive compensation programs in the past. Although we have a long history of pay for performance and incentive-based compensation, we believe our compensation programs contain many mitigating factors to ensure that our employees are not encouraged to take unnecessary risks.

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

RELATED PARTY TRANSACTIONS

Any related party transactions concerning Lincoln Electric and any of its Directors, officers or other employees (or any of their immediate family members) are to be disclosed to, reviewed by and approved by the Chief Compliance Officer and the Audit Committee. We define "related party transactions" generally as transactions in which the self-interest of the employee, officer or Director may be at odds or conflict with the interests of Lincoln Electric, such as doing business with entities that are or may be controlled or significantly influenced by such persons or their immediate family members. We have adopted a related party transaction policy which has been approved by our full Board.

In February 2020, the Audit Committee considered and approved a related party transaction involving P&R Specialty, Inc., a supplier to Lincoln Electric. Greg D. Blankenship, the brother of George D. Blankenship, our Executive Vice President, President, Americas Welding, is the sole stockholder and President of P&R Specialty, Inc. During 2019, we purchased approximately \$2.2 million worth of products from P&R Specialty in ordinary course of business transactions. George D. Blankenship has no ownership interest in or any involvement with P&R Specialty. We believe that the transactions with P&R Specialty were, and are, on terms no less favorable to us than those that could have been obtained from unaffiliated parties.

OUR BOARD COMMITTEES

We have separately designated standing Audit, Compensation and Executive Development, and Nominating and Corporate Governance Committees established in accordance with applicable provisions of the Securities Exchange Act of 1934 (the "Exchange Act") and SEC and Nasdaq rules. The Board also has designated a standing Finance Committee.

Each committee has a charter, which details all of the committee's roles and responsibilities. The following summaries set forth the principal responsibilities of each of committee, as well as other information regarding their makeup and operations. A copy of each committee's charter may be found on our website at www.lincolnelectric.com.

Audit Committee

Chair:

Stephen G. Hanks (Chair)

Members:

**Curtis E. Espeland
Patrick P. Goris
G. Russell Lincoln
Ben P. Patel**

Meetings held in 2019: 7

Key Responsibilities

- Independent auditor engagement
- Reviews financial statements and disclosures, interim financial reports and earnings press releases
- Reviews significant litigation and legal matters
- Oversees enterprise risk management, risk assessment, ethics and compliance programs
- Reviews and evaluates the scope and performance of the internal audit function
- Review of internal controls over financial reporting

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

Compensation and Executive Development Committee

Chair:

William E. MacDonald, III

Members:

**Michael F. Hilton
Kathryn Jo Lincoln
Phillip J. Mason
Hellene S. Runtagh**

Meetings held in 2019: 6

Key Responsibilities

- Reviews and recommends to the Board total compensation of our CEO, and reviews and establishes total compensation of our other executive officers
- Evaluates performance (along with full Board) of our CEO and other executive officers
- Monitors development, selection process and succession planning of key management
- Reviews and recommends to the Board, in conjunction with the Nominating and Corporate Governance Committee, the appointment and removal of elected officers
- Oversees executive compensation policies, practices and programs, as further described in the CD&A
- Reviews and recommends to the Board new or amended executive compensation plans with our executive officers

Each of the members of our Compensation and Executive Development Committee meets the independence standards set forth in the Nasdaq listing standards and each of whom is deemed to be (1) an outside Director within the meaning of Section 162(m) of the U.S. Internal Revenue Code, and (2) a "non-employee director" within the meaning of Rule 16b-3 of the Exchange Act. The Compensation and Executive Development Committee may, in its discretion, delegate specific duties, responsibilities and authority to a subcommittee, one or more Committee members or one or more executive officers, to the extent permitted by applicable law and stock exchange rules and regulations.

Nominating and Corporate Governance Committee

Chair:

Kathryn Jo Lincoln

Members:

*Patrick P. Goris
Michael F. Hilton
Ben P. Patel
Hellene S. Runtagh*

Meetings held in 2019: 6

Key Responsibilities

- Reviews our corporate governance framework including external developments related to corporate governance matters
- Reviews appropriate composition of the Board, identifies Board candidates and recommends Director nominees
- Reviews shareholder proposals and shareholder engagement activities
- Reviews non-employee Director compensation program in light of best practices and makes recommendations to the Board
- Reviews Director independence and makes recommendations to the Board
- Oversees the self-evaluation process of the Board and Committees
- Reviews environmental, social and governance matters

Each of the members of our Nominating and Corporate Governance Committee meets the independence standards set forth in the Nasdaq listing standards.

Finance Committee

Chair:

Phillip J. Mason

Members:

*Curtis E. Espeland
Stephen G. Hanks
G. Russell Lincoln
William E. MacDonald, III*

Meetings held in 2019: 5

Key Responsibilities

- Reviews financial performance, including comparing financial performance to budgets and goals
- Reviews capital allocation strategy, dividend and share repurchasing strategies
- Reviews operating budgets
- Reviews capital expenditures
- Reviews M&A activity and integration performance
- Oversees strategic planning and financial policy matters

Each of the members of our Finance Committee meets the independence standards set forth in the Nasdaq listing standards. All of our Directors typically attend the Finance Committee meetings, a practice that has been in place for the past several years.

DIRECTOR COMPENSATION

OUR BOARD COMPENSATION PROGRAM

Based upon the recommendations of the Nominating and Corporate Governance Committee, the Board determines our non-employee Director compensation. The Nominating and Corporate Governance Committee periodically reviews all elements of Board compensation in relation to our proxy peer group (as identified in the CD&A), trends in Board compensation and other factors it deems appropriate. In connection with its review in 2019, with Korn Ferry as an independent advisor, the Nominating and Corporate Governance Committee recommended certain adjustments to Board compensation to better align with our peer group. As a result of that review, in July 2019, the Board approved the following adjustments to our non-employee Director compensation program:

- Effective with the December 2019 award, an increase in the approximate value of the annual restricted stock unit award (and the initial equity award for any newly elected director) from \$125,000 to \$135,000 per year.
- Effective January 2020, an increase in the retainer for the Lead Independent Director from \$25,000 to \$28,000, an increase in the retainer for the Audit Committee Chair from \$18,000 to \$20,000, and an increase in the retainer for the other Committee Chairs from \$13,000 (with respect to the Compensation and Executive Development Committee) and \$10,000 (with respect to the Finance Committee and Nominating and Corporate Governance Committee) to \$15,000.

The objectives of our non-employee Director compensation programs are to attract highly qualified and diverse individuals to serve on our Board and to align their interests with those of our shareholders. An employee of Lincoln Electric who also serves as a Director does not receive any additional compensation for serving as a Director.

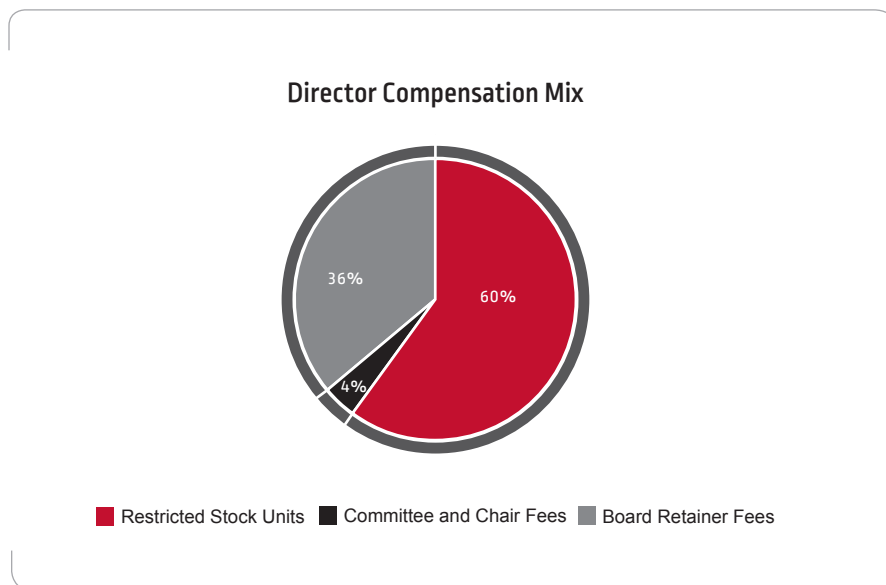
All non-employee Directors receive cash retainers and an annual stock-based award for serving on our Board. Stock-based compensation is provided under our 2015 Stock Plan for Non-Employee Directors.

GOOD GOVERNANCE PRACTICES

Lincoln Electric seeks to attract and retain highly qualified individuals to serve on the Board of Directors. To that end, Lincoln Electric maintains the philosophy of paying non-employee Directors fairly and reasonably, considering external market factors, consistent with good governance practices. With respect to our non-employee Director compensation program, our governance practices include:

What We Do	What We Don't Do
Reasonable limits on non-employee Directors' annual equity awards included in 2015 Stock Plan for Non-Employee Directors ✓	No Hedging or Pledging of Lincoln Electric Stock ✗
Total compensation is positioned at the peer median ✓	No Excessive Perquisites ✗
Non-employee Director compensation approved by full Board ✓	No Excise Tax Gross-Ups or Tax Reimbursements ✗
Full-value equity award granted at a fixed-value ✓	
Double Trigger Provisions for Change in Control ✓	
Stock Ownership Guidelines ✓	
Independent Compensation Committee and Consultant ✓	

The following is a summary of our current Director compensation program:



		Board Level	Lead Independent Director	Committee Chairs
Cash	Retainer	\$ 80,000	Additional \$28,000	Additional \$20,000 for Audit \$15,000 for Compensation and Executive Development, Finance and Nominating and Corporate Governance
	Meeting Fees ¹	—	—	—
Equity	Annual Restricted Stock Unit Award approx. value ²	\$135,000	—	—
	Initial Restricted Stock Unit Award approx. value ³	\$135,000	—	—

- (1) We do not have separate meeting fees, except if there are more than eight full Board or Committee meetings in any given year, Directors will receive \$1,500 for each full Board meeting in excess of eight meetings and Committee members will receive \$1,000 for each Committee meeting in excess of eight meetings in total.
- (2) Directors have the ability to defer restricted stock units under the Non-Employee Directors' Deferred Compensation Plan.
- (3) The initial award will be pro-rated based on the Director's length of service during the twelve-month period preceding the next regularly scheduled annual equity grant, which normally occurs in the fourth quarter of each year.

2019 DIRECTOR COMPENSATION TABLE

Director	Fees Earned or Paid in Cash (\$)	Stock Awards ¹ (\$)	Total (\$)
Curtis E. Espeland	105,000 ²	134,920	239,920
Patrick P. Goris	80,000 ²	134,920	214,920
Stephen G. Hanks	98,000	134,920	232,920
Michael F. Hilton	80,000	134,920	214,920
G. Russell Lincoln	80,000	134,920	214,920
Kathryn Jo Lincoln	90,000 ²	134,920	224,920
William E. MacDonald, III	93,000	134,920	227,920
Phillip J. Mason	90,000	134,920	224,920
Ben P. Patel	80,000 ²	134,920	214,920
Hellene S. Runtagh	80,000	134,920	214,920

(1) On December 12, 2019, 1,406 restricted stock units were granted to each non-employee Director under our 2015 Stock Plan for Non-Employee Directors.

The Stock Awards column represents the grant date fair value under Accounting Standards Codification (ASC) Topic No. 718 based on a closing price of \$95.96 per share on December 12, 2019. Assumptions used in the calculation of these amounts are included in footnote 10 to our audited financial statements for the fiscal year ended December 31, 2019 included in our Annual Report on Form 10-K filed with the SEC on February 27, 2020.

As of December 31, 2019, the number of restricted stock units held by each non-employee Director was 1,406.

(2) All of Messrs. Espeland's, Goris' and Patel's and Ms. Lincoln's Board fees were deferred under our Non-Employee Directors' Deferred Compensation Plan.

OTHER ARRANGEMENTS

We reimburse Directors for reasonable out-of-pocket expenses incurred in connection with attendance at Board meetings, or when traveling in connection with the performance of their services for Lincoln Electric.

CONTINUING EDUCATION

Directors are reimbursed up to \$5,000 for continuing education expenses (inclusive of travel expenses) for programs each Director may elect to attend.

STOCK OWNERSHIP GUIDELINES

In keeping with the philosophy that Directors' interests should be aligned with the shareholders' interest and as part of the Board's continued focus on corporate governance, all of our non-employee Directors must adhere to our stock ownership guidelines. Restricted stock unit awards count toward the stock ownership amount; shares held in another person's name (including a relative) do not. The stock ownership guidelines can be met by satisfying one of the two thresholds noted in the chart below. As of December 31, 2019, all of our non-employee Directors had satisfied the stock ownership guidelines, with the exception of Mr. Goris and Mr. Patel due to their recent elections to the Board in 2018.

Directors have five years from the date of election to the Board to satisfy the stock ownership guidelines. The Nominating and Corporate Governance Committee reviews the guidelines at least every two-and-a-half years to ensure that the components and values are appropriate—a review was conducted during 2019, with the assistance of Korn Ferry as an independent advisor, and it was determined that no changes to the guidelines were necessary at this time, as the 5 times annual retainer guideline was consistent with the peer group median. As there was no modification and this was a mid-cycle review, the absolute share target remained unchanged. The next review is anticipated to occur in 2021.

Retainer Multiple		Number of Shares
Shares valued at 5x annual Board retainer [\$400,000]	OR	4,368*

* Represents shares equal to \$400,000 based on the closing price of Lincoln Electric stock as of December 29, 2017 (the last trading day of the calendar year) of \$91.58.

EQUITY AWARDS

The non-employee Directors' restricted stock units awards are granted under the 2015 Stock Plan for Non-Employee Directors. Under the terms of the awards, restricted stock unit awards vest in full one year after the date of grant, with accelerated vesting in the event of a change in control of Lincoln Electric if the Director's service is terminated or if the award is not assumed upon the change in control, or upon the death or disability of the Director. During the period in which restricted stock units remain unvested, dividend equivalents pay out in cash when dividends are generally paid to shareholders.

DEFERRED COMPENSATION PLAN

The Non-Employee Directors' Deferred Compensation Plan allows the non-employee Directors to defer payment of all or a portion of their annual cash compensation and restricted stock units granted to them. This plan allows each participating non-employee Director to elect to begin payment of the deferred amounts as of the earlier of termination of services as a Director, death or a date not less than one full calendar year after the year the fees are initially deferred.

The investment elections available under the plan for cash compensation deferred are the same as those available to executives under our Top Hat Plan, which is discussed in the narrative under 2019 Deferred Compensation Benefits. Restricted stock unit deferrals are invested solely in a Lincoln Electric Stock fund, and no other plan deferrals are eligible for investment into that fund.

EXECUTIVE COMPENSATION

Our long-term strategy is focused on key actions and initiatives that generate long-term profitable growth within our targeted markets through value-added solutions and operational excellence. We believe this approach engages our business team in creating a long-term value proposition for shareholders that generates above-market returns through an economic cycle while maintaining a short-term focus on improving profitability and driving operating excellence. More information on our business and strategy can be found in the “Business Overview” section at the beginning of this Proxy Statement.

The Compensation Discussion and Analysis (CD&A) describes our executive compensation programs and how they apply to our NEOs. The CD&A contains statements regarding future performance targets and goals. These targets and goals are disclosed in the context of our compensation programs and should not be understood to be statements of management’s expectations or estimates of results or other guidance. We caution investors not to apply these statements in other contexts.

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For 2019, our NEOs were:



CHRISTOPHER L. MAPES

Chairman, President and Chief Executive Officer



VINCENT K. PETRELLA

Executive Vice President, Chief Financial Officer and Treasurer



GEORGE D. BLANKENSHIP

Executive Vice President, President, Americas Welding



STEVEN B. HEDLUND

Executive Vice President, President, International Welding



JENNIFER I. ANSBERRY

Executive Vice President, General Counsel and Secretary

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

Our approach to executive compensation is generally the same as our approach to employee-wide compensation, with a strong belief in pay for performance and a long-standing commitment to incentive-based compensation.

While maintaining our performance-driven culture, our executive compensation program is designed to achieve the following objectives:

Align Interests

Align the interests of management (and employees) with long-term interests of our shareholders and other stakeholders

Incentivize Management

Design compensation elements to incentivize management to deliver above-market financial results

Support Long-Term Strategy

Define performance drivers which support key financial and strategic business objectives

Good Governance Practices

Help ensure we are following good governance practices in the design and operation of our executive compensation program, including consideration of the risks associated with those practices

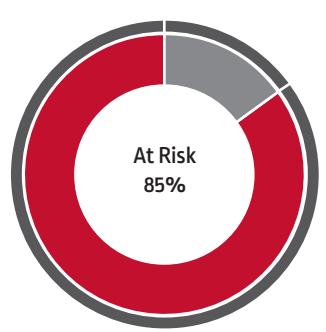
Address Challenges

Address specific business challenges, including economic circumstances, employee turnover and retention considerations

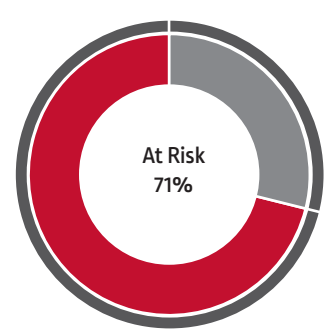
Pay for Performance

Link incentive-based compensation to the company's short-term and long-term financial and operational performance

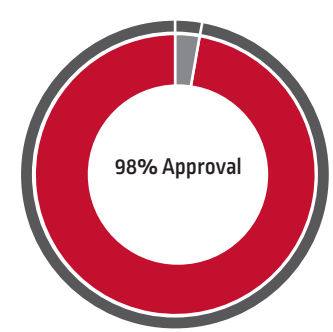
CEO Target Pay "At Risk"



All Other NEOs Target Pay "At Risk"



Say-on-Pay Vote



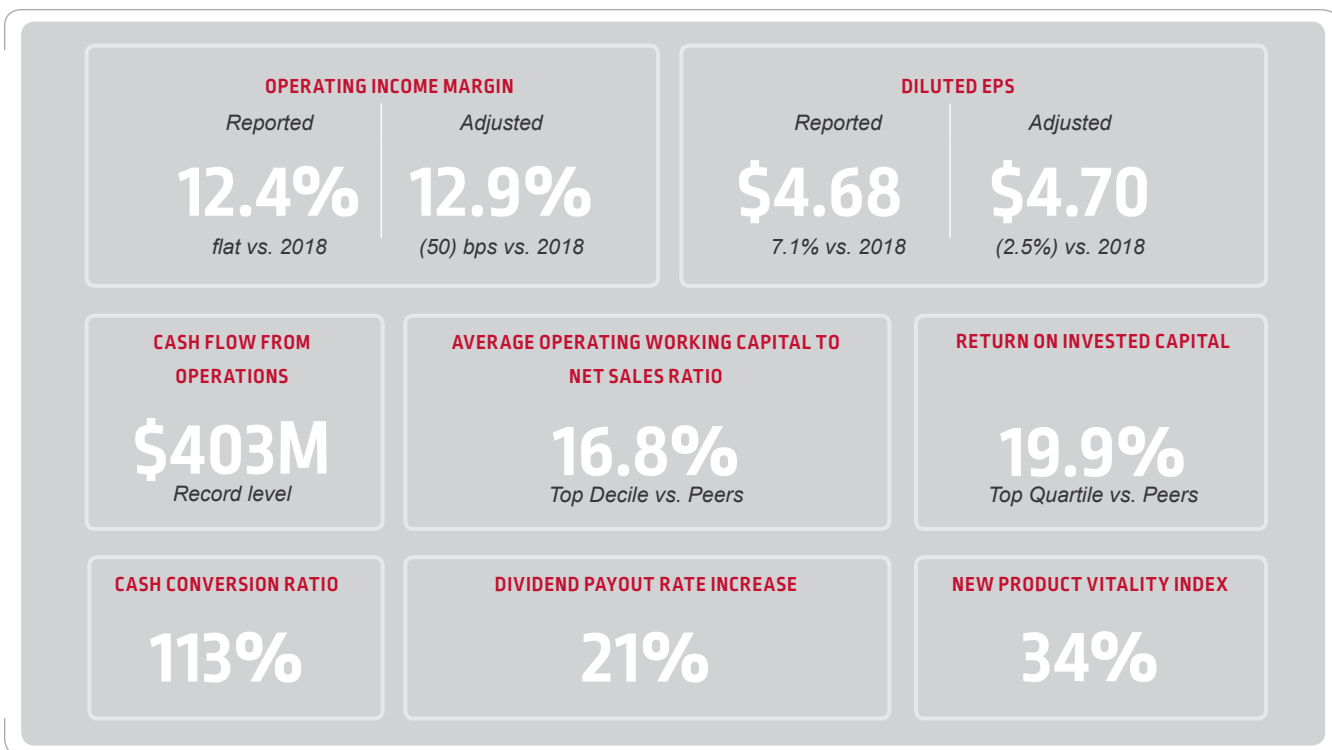
At our 2019 Annual Meeting, shareholders again showed strong support for our executive compensation programs with 98% of the shareholders who voted approving, on an advisory basis, the compensation of our NEOs

KEY FINANCIAL PERFORMANCE

We have a strong track record of delivering increased value to our shareholders and we have typically delivered above-market performance across various financial metrics over many economic cycles. Our long-term strategy seeks to achieve profitable sales growth both organically and through acquisitions by emphasizing value-added solutions and differentiated technologies. We anticipate this strategy will yield improved profit margins and returns, and will generate best-in-class financial performance measured against our peer group.

We achieved solid returns with a 19.9% ROIC, record cash flow generation, and 113% cash conversion in 2019, despite slowing industrial sector demand and weaker customer capital spending. Sales decreased approximately 1% to \$3.0 billion primarily due to 3.5% lower organic sales, which were partially offset by a 4.3% benefit to sales from acquisitions. We held both operating income margin and adjusted operating income margin relatively steady by substantially mitigating the unfavorable impact of lower volumes on profitability with new products, price management, disciplined expense controls and operational initiatives. Our focus on operational excellence resulted in exceeding three of four long-term 2020 safety and environmental goals. These results demonstrate the continued structural improvements achieved in the business through our “2020 Vision and Strategy” and how the organization continues to advance towards best-in-class performance.

We continued to pursue the development of innovative solutions and acquisitions to invest in long-term growth. In 2019, we closed three transactions that contributed new products and services that reach across all three reportable segments. We increased our R&D spend by 5% to approximately 1.9% of revenue. Our investments in innovation generated a sales vitality index from new products launched in the last five years of 34%, and we achieved a 53% vitality index in equipment systems. The vitality index represents the percentage of 2019 sales from new products launched in the last five years, excluding the International Welding Segment and customized automation sales.



See Appendix A for definitions and/or reconciliation of these metrics to results reported in accordance with GAAP. Performance measures used in the design of the executive compensation program are presented within this Compensation Discussion and Analysis section.

We remain focused on generating long-term value for our shareholders through a disciplined capital allocation strategy. In 2019, we deployed approximately \$615 million towards a combination of growth investments (capital expenditures and acquisitions) and the return of cash to shareholders through our dividend program and share repurchases. In the last five years, we have repurchased an aggregate amount of \$1.3 billion in shares and have increased the dividend payout rate by 69%. Our Board increased the dividend payout rate for 2020 by an additional 4.3%, marking 24 years of consecutive dividend increases.

\$411M RETURNED TO SHAREHOLDERS IN 2019	=	\$293M IN SHARE REPURCHASES	+	\$118M IN DIVIDENDS
TOTAL SHAREHOLDER RETURN		+33.6% <i>3-Year</i>	+54.5% <i>5-Year</i>	

FINANCIAL MEASURES USED FOR COMPENSATION PURPOSES

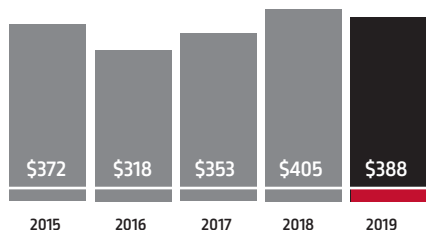
We consider various types of widely reported financial metrics, each of which is related to our executive compensation programs in some way. Some of these financial metrics directly impact our executive compensation programs, while others are the closest approximation to the metrics that we use in our programs. We believe that all of these financial metrics are critical to the short-term and long-term growth and performance of our organization.

Short-term financial metrics used to evaluate operational performance and used in our annual bonus (EMIP) design are:

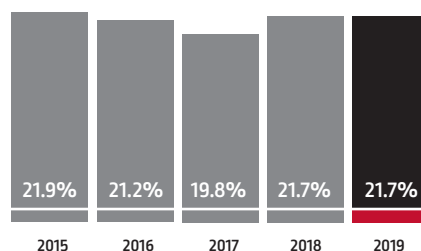
- Adjusted earnings before interest, taxes and bonus (EBITB), and
- Average operating working capital to net sales ratio (AOWC/Sales) for Compensation Purposes.

The following charts illustrate our performance in these or comparable metrics.

Adjusted Operating Income¹
Representative of EBITB
(\$ in millions)



AOWC/Sales for Compensation Purposes²



(1) Excluding special items where applicable. Definitions and a reconciliation of non-GAAP results to our most closely comparable GAAP results are included in Appendix A.

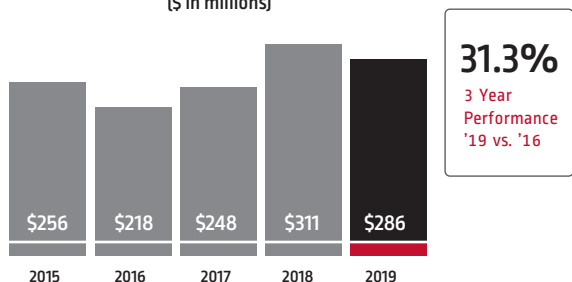
(2) See Appendix A for definition of AOWC/Sales for Compensation Purposes.

Financial metrics considered in our long-term incentive compensation program include:

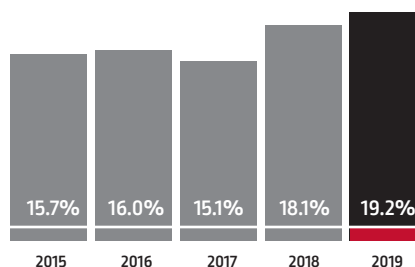
- Growth of Adjusted Net Income for Compensation Purposes (over a three-year cycle),
- Three-year average ROIC for Compensation Purposes indexed to peer performance, and
- Share price appreciation, including dividends (TSR), versus various indices over a three-year period.

The following charts illustrate Lincoln Electric's Adjusted Net Income for Compensation Purposes and ROIC for Compensation Purposes. The results for ROIC for Compensation Purposes are compared to our peer group, the S&P 400 Midcap Index (S&P 400), in which we participate, and the S&P 400 Midcap Manufacturing Index. The ROIC for Compensation Purposes percentile rankings show the position of our financial results compared to the particular group, with a 50th percentile ranking indicating median (or market) performance. Percentiles below 50 indicate below-market performance, while percentiles above 50 indicate above-market performance. Information is based on the most recently available public information (as accumulated by an independent third party), as of January 2020 when the analysis was performed.

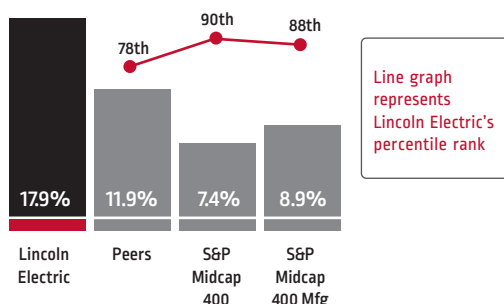
Adjusted Net Income for Compensation Purposes¹ (\$ in millions)



Return on Invested Capital for Compensation Purposes¹



3-Year Average ROIC for Compensation Purposes^{1,2} Performance and Percentile Rank to Peers and Select Indices



(1) Excludes certain items as approved by the Compensation and Executive Development Committee where applicable. See discussion and definitions on page 53 in the Performance Shares Financial Metrics section and in Appendix A.

(2) As of September 30, 2019.

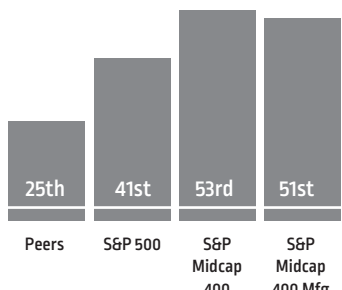
TOTAL SHAREHOLDER RETURN (TSR)

The following 3-Year (2017-2019) TSR Performance Percentile Rank chart illustrates our TSR performance compared to our peer group, the S&P Composite 500 Stock Index (S&P 500), the S&P 400, and the S&P 400 Midcap Manufacturing Index. The TSR percentile rankings show the position of our TSR Performance compared to the particular group, with a 50th percentile ranking indicating median (or market) performance. Percentiles below 50 indicate below-market performance, while percentiles above 50 indicate above-market performance. This information is based on the most recently available public information (as accumulated by an independent third party), as of January 2020 when the analysis was performed.

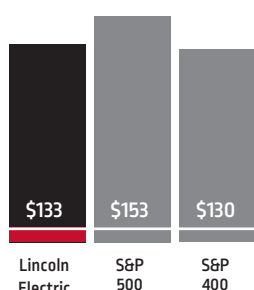
The following 3-Year and 5-Year TSR charts compare the change in the cumulative total shareholder return on our common stock against the cumulative total shareholder return of the S&P 500 and the S&P 400 for the three-year and five-year periods ended December 31, 2019. The 3-Year and 5-Year TSR charts assume that \$100 was invested at the beginning of each period in each of our common stock, the S&P 500 and the S&P 400 and assumes dividends were reinvested.

Total Shareholder Returns (TSR)⁽¹⁾

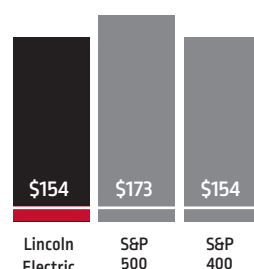
3-Year (2017-2019) TSR Performance Percentile Rank to Peers and Select Indices



3-Year TSR



5-Year TSR



(1) See Appendix A for definition of TSR.

PAY FOR PERFORMANCE, OBJECTIVES AND PROCESS

In designing our executive compensation programs, a core philosophy is that our executives should be rewarded when they deliver financial results that provide value to our shareholders. Therefore, we have established a program that ties executive compensation to superior financial performance.

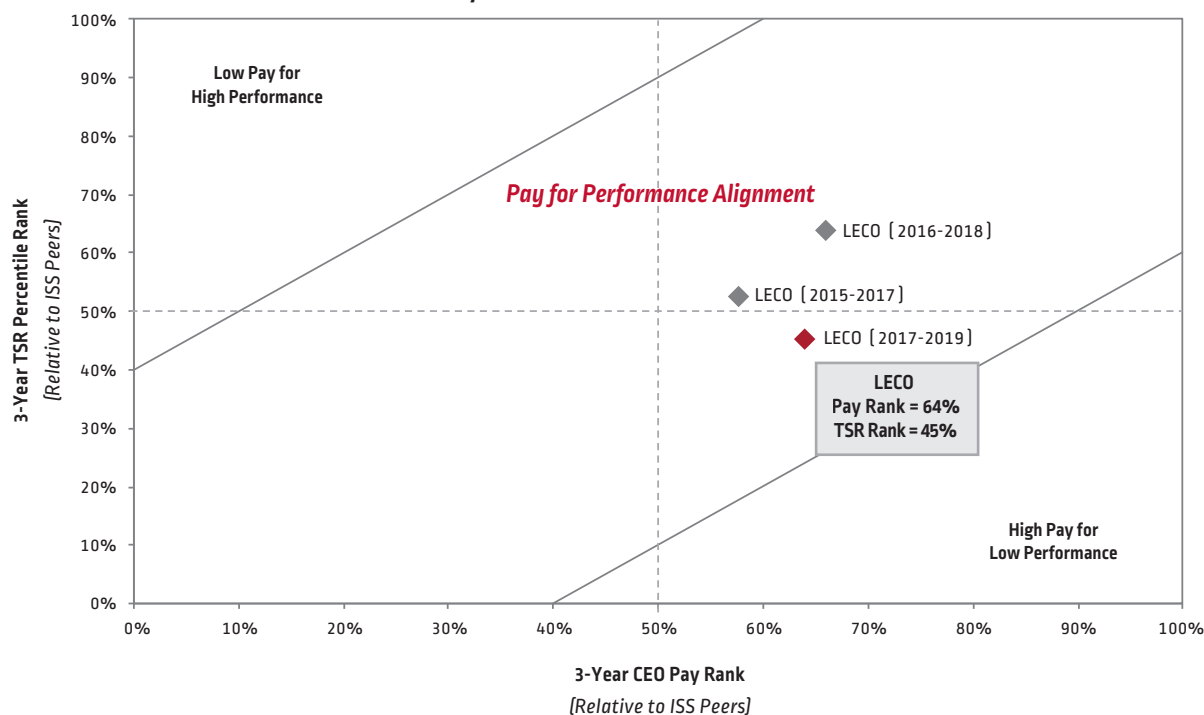
To assess pay for performance, we evaluate the relationship between CEO pay and TSR performance considering the ISS methodology. This allows us to understand the relative degree of alignment over a three-year period between the pay opportunity delivered to the CEO and the performance achieved by shareholders relative to the ISS peer group. The ISS peer group for this analysis is comprised of 24 companies of which 11 companies overlap with our peer group. In conjunction with ISS resources, this analysis is performed by management’s compensation consultant, Willis Towers Watson, which is reviewed by the Compensation and Executive Development Committee (the “Committee”) and by its independent consultant, Korn Ferry.

In evaluating pay and performance alignment, the analysis focuses on CEO pay primarily as reflected in the Summary Compensation Table, with the exception of valuing equity-based awards. All stock-based awards (both time- and performance-vesting) are calculated by multiplying the number of underlying shares by the closing stock price on the grant date, and option awards are calculated using the ISS Black-Scholes option pricing model. This means that for us, the CEO is evaluated based on the following compensation elements for the applicable three-year period:

- Base pay;
- Annual bonus (EMIP);
- The value of restricted stock units (“RSUs”) granted (based on the closing price of our common stock as of the grant date);
- The value at target of performance shares granted (based on the closing price of our common stock as of the grant date);
- The value of stock options granted (based on the ISS Black-Scholes pricing model as of the grant date);
- Actual nonqualified deferred compensation earnings; and
- All other compensation for the applicable three-year period.

As the following chart demonstrates, our ranking for TSR performance was slightly below the median of the ISS peer group for the most recent three-year period. For the same period, our ranking for CEO pay was above the median. Comparing our ranking for TSR performance with our ranking for CEO pay for the 2017-2019 time frame resulted in a -18.6% relative degree of alignment. A medium concern level would be triggered using the 2020 ISS methodology with a relative degree of alignment of -50% or more.

Lincoln Electric Holdings, Inc. Pay for Performance 3-Year CEO Pay Percentile Rank vs. 3-Year TSR Percentile Rank



While we consider the ISS methodology in assessing pay for performance, we view it as one of the variables for evaluating pay for performance alignment. We have provided the ISS analysis in assessing pay for performance for investors that might be utilizing it in evaluating pay for performance.

2019 EXECUTIVE COMPENSATION ACTIONS

During 2019, the Committee reviewed the design of our executive compensation programs to ensure consistency with our pay for performance philosophy. The Committee has taken a number of actions over the last few years to better align executive compensation to value drivers in line with our financial performance and shareholder interests. At our 2019 Annual Meeting, we received over 98% approval, based on the total votes cast, for our annual advisory say-on-pay vote to approve the compensation of our named executive officers. The Committee considered this result, in connection with its review of the overall design of our executive compensation programs, particularly in light of the transition to the Higher Standard 2025 Strategy. The Committee believes the voting results demonstrate significant support for our named executive officer compensation program, and the Committee chose not to make any substantial changes to the existing program for 2019 specifically in response to the 2019 say-on-pay voting results. The Committee expects, however, to continue to work with its compensation consultant to monitor changes in executive compensation to keep our executive compensation programs aligned with best practices in our competitive market.

GOOD GOVERNANCE PRACTICES

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

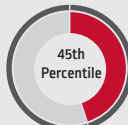
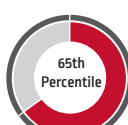
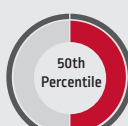
The following table highlights certain of our good governance practices relative to our executive compensation programs:

What We Do		What We Don't Do	
Pay for Performance Focus (Compensation programs weighted heavily toward variable, "at risk," compensation; perform annual reviews of market competitiveness and the relationship of compensation to financial performance)	✓	No Guaranteed Pay (No multi-year guarantees for compensation increases, including base pay, and no guaranteed bonuses)	✗
Balanced Compensation (Compensation opportunities linked to both short-term and long-term periods of time, while aligning compensation with several financial performance metrics that are critical to achievement of sustained growth and shareholder value creation)	✓	No Repricing or Replacement of Underwater Stock Options without Prior Shareholder Approval	✗
Double Trigger Provisions for Change in Control	✓	No Payment of Dividends on Unvested Equity	✗
Stock Ownership Guidelines for all Executive Officers	✓	No Excessive Perquisites	✗
Clawback Policy	✓	No Excise Tax Gross-Ups or Tax Reimbursements	✗
Independent Compensation Committee and Consultant	✓	No Hedging or Pledging of Lincoln Electric Stock	✗

OUR COMPENSATION PHILOSOPHY

CORE PRINCIPLES

The primary components of our executive compensation programs, summarized below, ensure that we maintain our performance-driven culture:

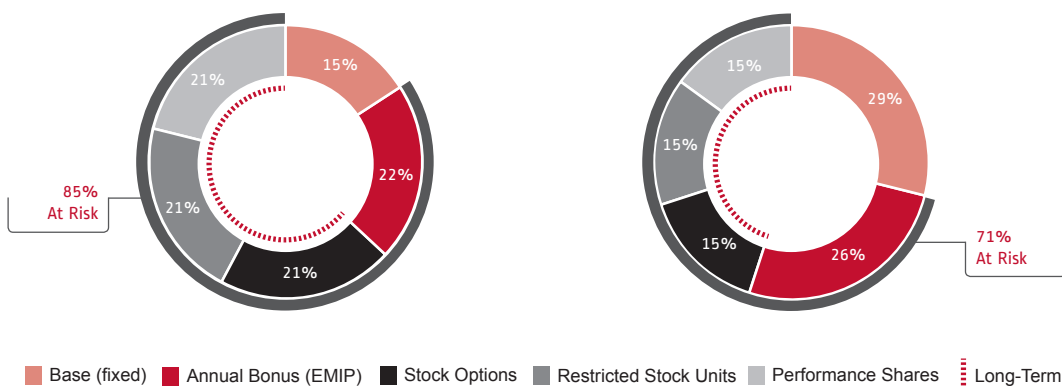
Type	Component and Competitive Target	Philosophy and Objective
Fixed Compensation	Base Pay 	<ul style="list-style-type: none"> Targeted at the 45th percentile of market (below market) to place stronger emphasis on incentive-compensation Provide market-competitive fixed pay reflective of an executive officer's role, responsibilities and individual performance in order to attract and retain top talent
	Target Total Cash Compensation with Annual Bonus (EMIP) 	<ul style="list-style-type: none"> Targeted above the competitive market, so that target total cash compensation (base pay and annual bonus which incorporates financial targets) is set at 65th percentile of market Drive financial performance, including adjusted earnings before interest, taxes and bonus (EBITB) and average operating working capital to net sales ratio Deliver individual performance against specific business objectives, including executing on our Higher Standard 2025 Strategy, increasing our customer satisfaction, developing and engaging a diverse and talented workforce, driving sustainable innovation and improving operating efficiencies
	Long-Term Incentive Compensation 	<ul style="list-style-type: none"> Targeted at the 50th percentile of market (at market) Divided equally among 3 programs: (1) stock options; (2) restricted stock units (RSUs); and (3) Performance Shares Incentivize achievement of long-term value creation through financial performance objectives weighted more heavily toward rewards for share price appreciation and long-term profitability

In addition to the primary components of our executive compensation programs, we provide benefits and perquisites that we believe, taken as a whole, are at the market median.

Individual performance also plays a key role in determining the amount of compensation delivered to an individual in many of our programs, with our philosophy being that the best performers should receive the greatest rewards. In addition, for 2019, as the following charts demonstrate, 85% of the CEO's compensation mix was "at risk" and 71% of our other NEOs' compensation mix was "at risk," with the actual amounts realized based on annual and long-term performance as well as our stock price.

CEO Target Compensation Mix

All Other NEOs Target Compensation Mix



THE ROLES OF THE COMMITTEE, EXTERNAL ADVISORS AND MANAGEMENT

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

ROLE OF THE COMMITTEE

Compensation-Related Tasks	Organizational Tasks
Reviews, approves and administers all of our executive compensation plans, including our equity plans	Evaluates the performance of the CEO, including consideration of tone and embodiment of core values, with input from all non-employee Directors
Establishes performance objectives under our short-term and long-term incentive compensation programs ¹	Reviews the performance capabilities of the other executive officers, including consideration of tone and embodiment of core values, based on input from the CEO
Determines the attainment of performance objectives and the awards to be made to our executive officers under our short-term and long-term incentive compensation programs ¹	Reviews succession planning for officer positions, including the position of the CEO
Determines the compensation for our executive officers, including salary and short-term and long-term incentive compensation opportunities ¹	Reviews proposed organization or responsibility changes at the officer level
Reviews compensation practices relating to key employees to confirm that these practices remain equitable and competitive	Reviews our practices for the recruitment and development of a diverse talent pool
Reviews new employee benefit plans or significant changes in such plans or changes with a disproportionate effect on our officers or primarily benefiting key employees	Retains the services of independent legal counsel from time to time to provide input on various matters

(1) The Board takes such action with respect to the CEO.

ROLE OF EXTERNAL ADVISORS**Korn Ferry**

- Independent executive compensation consultant for the Committee
- Advises on matters including competitive compensation analysis, executive compensation trends and plan design, peer group company configuration, competitive financial performance and financial target setting
- Reviews analysis and data collected by management (particularly the CEO, the CFO and the Chief Human Resources Officer) and Willis Towers Watson
- Reports directly to the Chairperson of the Committee
- Meets with the Committee in executive session without the participation of management
- Discusses the CEO's recommendations with the Committee to ensure the compensation recommendations are in line with stated compensation philosophies and are reasonable when compared to the competitive market
- The Committee is not bound by Korn Ferry's recommendation
- Considering all relevant factors (as required by compensation consultant independence standards set forth in applicable SEC rules and Nasdaq listing standards), we are not aware of any conflict of interest that has been raised by the work performed by Korn Ferry

Willis Towers Watson

- Provides executive compensation analysis and other services directly to management
- Performs data analysis on competitive compensation, competitive financial performance and financial target setting
- Provides analysis to Korn Ferry in advance to allow Korn Ferry to comment upon the findings and recommendations made by management
- Considering all relevant factors (as required by compensation consultant independence standards set forth in applicable SEC rules and Nasdaq listing standards), we are not aware of any conflict of interest that has been raised by the work performed by Willis Towers Watson

ROLE OF CEO AND MANAGEMENT

- Provides compensation-related recommendations to the Committee
- The CEO recommends the compensation for other executive management positions and provides the Committee with assessments of their individual performance (both of which are subject to Committee review)
- Performs individual performance assessments based on achievement of various financial and leadership objectives set by the CEO
- Receives suggestions from the Committee for modifications to financial and leadership objectives where warranted

OUR METHODOLOGIES**SELECTION OF COMPENSATION ELEMENTS**

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

MARKET COMPARISON DATA

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

PEER GROUP

We use a peer group of publicly traded industrial companies that are headquartered in the U.S. that serve a number of different market segments and that have significant foreign operations. These are companies for which Lincoln Electric competes for talent and shareholder investment. In addition, we only select companies with solid historical financial results (removing companies from the peer group when their financial performance has consistently fallen below an acceptable level) and companies with sales that are within 2.5 times that of Lincoln Electric, with the exception of Illinois Tool Works (ITW), as ITW is a global competitor with its largest presence in the U.S. The Committee conducts an annual review of our peer group, with the assistance of Korn Ferry as an independent advisor. In 2019, the Committee determined that no changes to the peer group were necessary, but it would continue to monitor SPX Corporation due to various changes in its business.

For 2019, our peer group consisted of the following 18 publicly traded industrial corporations:

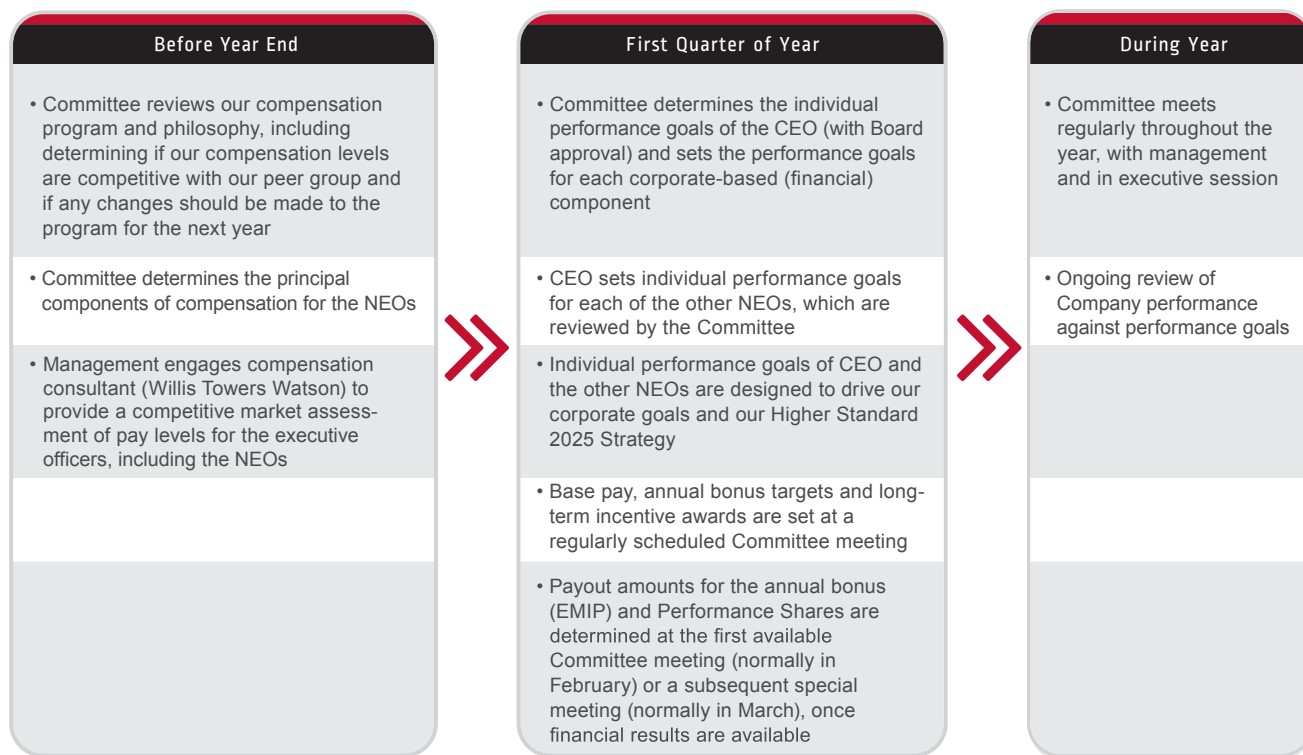
Ametek Inc.	Flowserve Corporation	Kennametal Inc.	SPX Corporation
Carlisle Companies Incorporated	Graco Inc.	Nordson Corporation	The Timken Company
Colfax Corporation	IDEX Corporation	Regal Beloit Corporation	The Toro Company
Crane Co.	Illinois Tool Works Inc.	Roper Technologies, Inc.	
Donaldson Company, Inc.	ITT Inc.	Snap-On, Incorporated	

EXECUTIVE COMPENSATION STRUCTURE

In evaluating our executive compensation structure, the Committee considers three primary elements: (1) business needs; (2) individual performance and (3) pay for performance review.

Business Needs	Individual Performance	Pay for Performance Review
<ul style="list-style-type: none"> Independent compensation consultant (Korn Ferry) provides information about emerging trends in executive compensation, along with Committee members' own reading and study 	<ul style="list-style-type: none"> Individual performance is a significant factor in determining annual changes (up or down) to pay components 	<ul style="list-style-type: none"> The Committee conducts an annual assessment of our financial performance and pay for performance, in determining whether changes will be made to the existing philosophy or structure and before setting compensation levels for the upcoming year
<ul style="list-style-type: none"> Trends considered in light of our compensation philosophies and various business needs 	<ul style="list-style-type: none"> Annual bonus (EMIP) includes an individual performance component in determining the percentage of target bonus to be paid (described below and noted in the 2019 EMIP Matrix) 	<ul style="list-style-type: none"> The annual assessments are used to evaluate whether executive compensation is properly aligned with our financial performance
<ul style="list-style-type: none"> Business needs that are evaluated can include: talent attraction or retention strategies, growth expectations, strategic programs, cost-containment initiatives, management development needs and our company culture 	<ul style="list-style-type: none"> Individual performance is measured against how well an executive demonstrates proficiency in key leadership competencies, as well as the executive's achievement against objectives established for him or her at the beginning of the year 	
<ul style="list-style-type: none"> No single factor guides whether changes will be made, as the Committee uses a holistic approach, considering a variety of factors 	<ul style="list-style-type: none"> For the past three years, individual performance ratings for the annual bonus for officers have ranged from 107% to 130% 	

The following chart highlights the process and timing of compensation determinations and payouts:



ELEMENTS OF EXECUTIVE COMPENSATION

Each compensation component for our NEOs is described below, with specific actions that were taken during 2019 noted. For 2019 compensation amounts, please refer to the Summary Compensation Table and other accompanying tables below.

BASE PAY

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

2019 AND 2020 BASE PAY

During 2019, the Committee reviewed officer pay, including all NEOs, as compared to the market. The Committee approved certain increases in NEO base salaries as detailed below, bringing the base pay within the competitive framework.

NEO	Increase %	2019 Base Salary
Christopher L. Mapes	3.6%	\$1,000,000
Vincent K. Petrella	10.7%	\$553,350
George D. Blankenship	3.0%	\$515,000
Steven B. Hedlund	7.6%	\$425,000
Jennifer I. Ansberry	4.5%	\$411,730

The 2019 base salary increase for Mr. Petrella was to bring his base pay within the competitive benchmark reflective of his years of experience, and the increase for Mr. Hedlund was to bring his base pay within the competitive framework. For 2020, in alignment with Lincoln Electric's cost-containment initiatives, management did not recommend, and the Committee did not approve, increases for any NEO's 2020 base salary.

ANNUAL BONUS (EMIP) AND TOTAL CASH COMPENSATION

The Executive Management Incentive Plan (EMIP) provides executive officers, including the NEOs, with an opportunity to receive an annual cash bonus. We believe that, given base pay is below market, annual cash bonus opportunities should be above average to balance some of the risk associated with greater variable compensation. However, we also believe that above-market pay should only be available for superior individual and financial performance. Therefore, we target total cash compensation (base pay and target annual bonus) at the 65th percentile of the market, but use a structure that provides payments of above-average bonuses only where the individual's performance, the performance of the consolidated company, and the performance of his or her particular segment or business unit, warrant it.

ANNUAL BONUS (EMIP) MATRIX

The percentage of target annual bonus actually paid is based upon a matrix that takes into account financial performance and an executive's individual performance, interpolating the results to calculate the actual percentage paid. If either of these factors is not met, the percentage of target annual bonus paid is reduced, with the potential that no bonus will be paid. If either of these factors exceeds expectations, the percentage of annual bonus paid can be above the target amount.

The 2019 EMIP matrix is consistent with prior years. To the extent that financial performance or an individual's performance rating exceeds the maximum amounts set forth below, the payout percentage is capped.

2019 EMIP Matrix

Individual Performance Rating	Financial Performance							
	50%	60%	70%	80%	90%	100%	110%	120%
	Percentage Payout							
130	0	50%	80%	100%	130%	150%	160%	180%
120	0	40%	70%	90%	120%	135%	150%	160%
110	0	30%	60%	80%	110%	120%	140%	150%
100	0	20%	50%	60%	90%	100%	135%	145%
95	0	0	20%	50%	80%	90%	115%	125%
90	0	0	0	20%	50%	80%	100%	110%
85	0	0	0	0	20%	50%	60%	70%
80	0	0	0	0	0	20%	30%	50%
75	0	0	0	0	0	0	0	0

The Committee has discretion to approve EMIP payments outside of the strict application of this matrix. There were no such adjustments made for the 2019 EMIP payments for any NEO. EMIP payout determinations for the 2019 performance period were made in the first quarter of 2020.

ANNUAL BONUS (EMIP) INDIVIDUAL PERFORMANCE GOALS

Individual performance goals are set annually. A significant portion of our executive officers' individual performance goals is tied to one or more aspects of our long-term strategy. For 2019, the performance goals for our CEO (which flow down to our other NEOs) relate to our operating budget, financial performance, and key initiatives relative to 2019, including successful implementation and execution of our new long-term strategy, the Higher Standard 2025 Strategy, while working toward closing out the current long-term strategy "2020 Vision and Strategy."

In assessing the individual performance of our NEOs, the Committee reviews the performance rating recommended by the CEO with respect to each of the other NEOs and recommends revisions, as needed, prior to the Committee approval of such rating. The CEO's rating is determined based on a review of performance against underlying goals with the final rating being approved by the full Board.

ANNUAL BONUS (EMIP) FINANCIAL METRICS

A portion of the EMIP financial component is based upon achievement of company consolidated financial performance against budget and another portion may be attributable to segment financial performance against budget, depending upon the individual's span of responsibility. By varying the financial metrics used based upon areas of responsibility, it is possible that certain participants will receive a higher percentage of target bonus while others will receive a lower percentage of target where the segment performance for one participant is better than the segment performance for the other. This is a key component of our pay for performance and incentive-based philosophies. For 2019, consolidated results and segment results (with the exception of the Harris Products Group) were below budget.

2019 EMIP payouts for all officers ranged between 73% below and 49% above target, with an average payout of 11% above target. The above target results were driven by individual performance against goals, despite the financial results being below budget.

The following is a summary of the financial components used for 2019 for the NEOs:

2019 Annual Bonus (EMIP)—Financial Metrics Used

NEOs	Consolidated Results	Segment Results
Christopher L. Mapes—Chairman, President & CEO	100%	—
Vincent K. Petrella—EVP, CFO & Treasurer	100%	—
George D. Blankenship—EVP, President, Americas Welding	50%	50% Americas Welding
Steven B. Hedlund—EVP, President, International Welding	50%	50% International Welding
Jennifer I. Ansberry—EVP, General Counsel & Secretary	100%	—

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

Historical EBITB to Budget (Consolidated Results 2015-2019)

	Consolidated Results
Average	97%
Highest Level	110%
Lowest Level	86%

When performance goals are set, we believe that there is an equal probability of achieving EBITB to budget in any year, although the cyclical nature of our business may increase the probability in some years and decrease it in others. For 2019, the consolidated EBITB budget was set at \$583 million and actual performance for 2019, as adjusted, measured at budgeted exchange rates, was \$498.5 million, or an achievement of 85.5% of budget. The Americas Welding Segment EBITB actual performance for 2019, as adjusted, measured at budgeted exchange rates, was \$402.7 million, or an achievement of 85.2% of budget. The International Welding Segment EBITB actual performance for 2019, as adjusted, measured at budgeted exchange rates, was \$90.8 million, or an achievement of 79.3% of budget. The EBITB performance results were adjusted for the same types of special items that impact Adjusted Operating Income and Adjusted Net Income as disclosed in Appendix A.

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

Historical AOWC/Sales to Budget [Consolidated Results 2015-2019]

	Consolidated Results
Average	100%
Highest Level	105%
Lowest Level	96%

Like EBITB, we believe that there is an equal probability of achieving AOWC/Sales for Compensation Purposes to budget in any given year, although the cyclical nature of our business may increase the probability in some years and decrease it in others. For 2019, the consolidated AOWC/Sales for Compensation Purposes budget was set at 20.9% and actual performance for 2019, excluding businesses acquired during the year, was 21.7%, or an achievement of 95.9% of budget. The Americas Welding Segment AOWC/Sales for Compensation Purposes actual performance for 2019, excluding businesses acquired during the year, was 17%, or an achievement of 95.9% of budget. The International Welding Segment AOWC/Sales for Compensation Purposes actual performance for 2019, excluding businesses acquired during the year, was 31.6%, or an achievement of 85.2% of budget.

2019 ANNUAL BONUS (EMIP) AND TOTAL CASH COMPENSATION

The 2019 EMIP annual bonus targets for the NEOs were established according to the principles discussed above. The 2019 EMIP targets for the NEOs placed their total targeted cash compensation (base pay and target annual bonus), on average, slightly below the 65th percentile of market.

In approving the 2019 EMIP payouts, the Committee assessed our EBITB performance and AOWC/Sales for Compensation Purposes performance against budget for consolidated and segments, as applicable. On average, 2019 EMIP payments for the NEOs were 17% above their 2019 target amounts, as shown in the following table.

NEO	Target Award Opportunity	Target Award Opportunity as a % of Base Salary	Maximum Award Opportunity Based on Matrix	Actual Award	Actual Award as a % of Target
Christopher L. Mapes	\$1,450,000	145%	\$2,610,000	\$1,718,830	119%
Vincent K. Petrella	\$ 515,550	93%	\$927,990	\$ 633,250	123%
George D. Blankenship	\$ 460,000	89%	\$828,000	\$ 538,798	117%
Steven B. Hedlund	\$ 375,000	88%	\$675,000	\$ 399,825	107%
Jennifer I. Ansberry	\$ 319,770	78%	\$575,586	\$ 375,602	117%

On average, 2019 EMIP payments for the NEOs were 18% lower than the 2018 EMIP payments.

2020 ANNUAL BONUS (EMIP) AND TOTAL CASH COMPENSATION

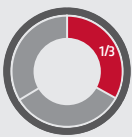


The 2020 EMIP targets for the NEOs, approved in the first quarter of 2020, were established by the Committee in consultation with Korn Ferry, based on our compensation philosophies as well as competitive market data as discussed above. The 2020 bonus targets were held flat in alignment with Lincoln Electric's cost-containment initiatives to the 2019 target amounts for the NEOs. The bonus targets still fall within the competitive benchmark and the NEOs remain, on average, slightly below the 65th percentile on targeted total cash compensation.

LONG-TERM INCENTIVE COMPENSATION

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

For 2019, our long-term incentive compensation program consist of three components: (1) stock options, (2) RSUs and (3) Performance Shares (LTIP). The value of each is weighted equally. This provides an even balance with respect to the different attributes and timing associated with each type of award. Annual awards of all three components are made to EMIP participants, including the NEOs. A long-term incentive plan (LTIP) has been in place for officers (EMIP participants) since 1997. The LTIP previously paid out in cash, however during 2015, to further align executive interests with our stockholders, the Committee replaced the long-term cash incentive (Cash LTIP) with Performance Shares.

The following is a summary of the three components of our long-term incentive compensation program:

	Standard Vesting Provision	Accelerated Vesting Provisions	Total Employees Receiving Grant in 2019
Stock Options 	<ul style="list-style-type: none"> Vest ratably over 3 years 	<ul style="list-style-type: none"> Full vesting upon death or disability Pro-rata vesting upon retirement In the event of a change in control, if (i) replacement awards are not provided or (ii) replacement awards are provided and there is a subsequent qualifying termination, full vesting 	24 employees, including NEOs, all EMIP participants and other senior leaders
Restricted Stock Units (RSUs) 	<ul style="list-style-type: none"> Vest in full after 3 years 	<ul style="list-style-type: none"> Full vesting upon death or disability Pro-rata vesting upon retirement In the event of a change in control, if (i) replacement awards are not provided or (ii) replacement awards are provided and there is a subsequent qualifying termination, full vesting 	488 employees, including NEOs, all EMIP participants, other senior leaders, managers and significant contributors, regardless of their position within Lincoln Electric
Performance Shares 	<ul style="list-style-type: none"> Vest based on performance during the applicable 3-year performance period 	<ul style="list-style-type: none"> Full vesting at target upon death or disability Pro-rata vesting upon retirement, based on actual performance for the applicable 3-year performance period In the event of a change in control, if (i) replacement awards are not provided or (ii) replacement awards are provided and there is a subsequent qualifying termination, a pro-rata portion of the award will vest based on the length of employment during the applicable performance period, at the greater of target or actual performance 	15 employees, including NEOs and all EMIP participants

Following an extensive review of market data, including our peer group, the Committee recommended certain changes to the terms of our Performance Shares. Commencing with grants made in February 2020, in the event of a change in control, the Performance Shares will vest at target if (i) replacement awards are not provided or (ii) replacement awards are provided and there is a subsequent qualifying termination. This change was made to align with our peers and to streamline the administration of such awards in the event of a change in control.

LONG-TERM INCENTIVE PLAN (LTIP) - PERFORMANCE SHARES

Our long-term incentive compensation program includes a long-term incentive plan (LTIP), in the form of grants of Performance Shares, which is designed to offer award opportunities aligned with the long-term performance of Lincoln Electric. Target share amounts for the plan are set each year at the beginning of a three-year performance cycle based on a 7-day historical average

of the stock price, up to and including the grant date. Because awards are made each year and because each award relates to a three-year performance cycle, three different cycles will be running at any point in time. The percentage of the target shares actually paid at the end of the applicable three-year cycle will be based upon achievement of three-year company performance as interpolated against pre-established performance thresholds. Each plan has performance thresholds with percentage payouts attributable to those thresholds ranging from 0% to 200% of target. The Committee retains discretion to modify payments to any participant, to modify targets and/or to modify the performance thresholds (up or down).

PERFORMANCE SHARES FINANCIAL METRICS

Since its inception, the LTIP has used a performance measure of growth in Adjusted Net Income for Compensation Purposes over the three-year cycle. Beginning in 2009, the Committee added a second metric of ROIC for Compensation Purposes and gave these two financial metrics a 50/50 weighting.

The Adjusted Net Income for Compensation Purposes metric is an absolute metric. For the 2017 to 2019 performance cycle, the growth in Adjusted Net Income for Compensation Purposes over the three-year cycle is based on growth above \$217,984,000 (which was the Adjusted Net Income for Compensation Purposes for 2016 when the 2017 to 2019 performance cycle was set). As the 2017 to 2019 Performance Share LTIP table demonstrates, to pay 100% of target, Adjusted Net Income for Compensation Purposes over the three-year cycle must be at or above 140% of \$217,984,000 (or \$305,178,000).

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

The ROIC for Compensation Purposes metric for the 2017 to 2019 performance cycle is a relative value that is derived based on our performance as compared to our proxy peer group (as opposed to an absolute value).

PERFORMANCE THRESHOLDS

In setting the performance thresholds for a new three-year period, the Committee considers various factors, including historical performance against established thresholds, to try to achieve a 50% probability of the target thresholds for any cycle. For the 2017 to 2019 Plan, the Committee did not make any modifications to the three-year adjusted net income growth performance thresholds or the three-year average ROIC relative to peer thresholds.

TIMING FOR SETTING PERFORMANCE METRIC GOALS

Performance targets are set at the beginning of the first fiscal year in the cycle. This timing allows the Committee to see our final financial results for the prior year and allows for more current macro-economic projections to be used.

Historical LTIPs. The following is a summary of the historical combined LTIP results for the last five completed LTIP cycles, including the most recently completed cycle (2017 to 2019):

Historical LTIP to Budget [Results for the last five completed LTIP cycles]

	Results
Average	98.5%
Highest Level	130.2%
Lowest Level	74.3%

2017 to 2019 Performance Share LTIP. For the 2017 to 2019 LTIP cycle, because the Adjusted Net Income for Compensation Purposes performance threshold and the ROIC for Compensation Purposes performance target were exceeded, payouts were made at 130.2% of target. The following is a summary of the performance metric goals and results for the most recently completed LTIP cycle (2017 to 2019):

2017 to 2019 Performance Share LTIP

	Payout Amount	3-Year Adjusted Net Income for Compensation Purposes Growth		3-Year Average ROIC for Compensation Purposes	
	% of Target	Absolute LECO Net Income ['000s]		Relative to LECO Peer Group	
Threshold	25%	10%	\$239,782	40th %ile	9.6%
	50%	25%	\$272,480	50th %ile	11.4%
Target	100%	40%	\$305,178	65th %ile	13.5%
	150%	60%	\$348,774	70th %ile	13.6%
Maximum	200%	80%	\$392,371	80th %ile	19.4%

Actual Payout	130.2%	71.1%	@ 50% Weighting	35.6%	189.3%	@ 50% Weighting	94.6%
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As shown above, the current plan cycle contains two metrics, each with a 50% weighting. The growth of Lincoln Electric's Adjusted Net Income for Compensation Purposes over the three-year period was 31.3%, which generated a 35.6% of target payout for this metric. Lincoln Electric's three-year average return on invested capital (ROIC) for Compensation Purposes, as compared to its peer group, was at the 78th percentile, which generated a 94.6% of target payout for this metric. The following chart shows the target and maximum number of shares of common stock that may be issued for the 2017 to 2019 Performance Share LTIP based on actual performance. Combining the payouts for both metrics, the resulting final payout for the 2017 to 2019 Performance Share LTIP was 130.2% of the target award opportunity.

NEO	Target Award Opportunity [# of shares]	Maximum Award Opportunity Based on Thresholds [# of shares]	Actual Performance Share Payout %	Actual Award [# of shares]
Christopher L. Mapes	14,115	28,230	130.2%	18,377
Vincent K. Petrella	3,235	6,470	130.2%	4,211
George D. Blankenship	2,645	5,290	130.2%	3,443
Steven B. Hedlund	1,490	2,980	130.2%	1,939
Jennifer I. Ansberry	1,410	2,820	130.2%	1,835

2019 LONG-TERM INCENTIVE ARRANGEMENTS

In evaluating 2019 long-term incentive compensation (at the beginning of 2019), the Committee reviewed 2017 and 2018 compensation versus the competitive benchmarks. The Committee concluded that overall the long-term incentive compensation program for the NEOs was below our 50th percentile target when compared to both survey and peer proxy data. At the February 2019 meeting, the Committee increased 2019 long-term incentive compensation opportunities for the NEOs on average 11%. All of these awards are subject to our Recovery of Funds Policy, which is discussed below.

2020 LONG-TERM INCENTIVE ARRANGEMENTS

In evaluating 2020 long-term incentive compensation (at the beginning of 2020), the Committee reviewed 2018 and 2019 compensation versus the competitive benchmarks. The Committee concluded that overall the long-term incentive compensation program for the NEOs was below our 50th percentile target when compared to both survey and peer proxy data. However, similar to base salary and target EMIP bonus, long-term incentive compensation opportunities remained flat to 2019, which kept the long-term incentive compensation opportunities for the NEOs slightly below the 50th percentile.

Valuation of Equity Awards. Beginning with the 2016 grants, for shares under our 2015 Equity and Incentive Compensation Plan, the Committee established set valuation methods in order to convert the approved long-term incentive compensation values to shares upon the grant date. These methods consider a 7-day historical average of the stock price, up to and including the grant date, for RSUs and Performance Shares and the grant date Black-Scholes valuation for stock options.

Normal Cycle and Out-of-Cycle Equity Awards. The Committee has discretion in awarding grants to EMIP participants and does not delegate its authority to management, nor does management select or influence the award dates. Occasionally, the Committee may approve limited, out-of-cycle special awards for specific business purposes or in connection with executive promotions or the hiring of new executive employees. However, the date used for awards to all EMIP participants, including the NEOs, is the date of a regularly scheduled Committee meeting, which is fixed well in advance and generally occurs at the same time each year.

The Committee has approved delegated authority to the CEO to designate awards through 2020 to certain employees under the 2015 Equity and Incentive Compensation Plan, subject to specific limits established. The CEO can only grant RSU awards and cannot grant awards to any executive officers, Section 16 officers or greater-than-10% beneficial owners of the Company, and must be granted per the agreements and vesting terms already approved by the Committee.

OTHER ARRANGEMENTS, POLICIES AND PRACTICES

OVERVIEW OF BENEFITS

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

We also provide accidental death and dismemberment benefits to officers, due to the significant amount of travel required in their jobs. Under this program, the premiums of which are paid by the Company, a participant's beneficiary would receive a payment of five times annual total cash compensation up to a maximum of \$3,000,000 for executive officers and \$2,000,000 for other officers upon an officer's accidental death. The policy also provides dismemberment benefits of up to 100% of the death benefit in the event an officer is permanently and totally disabled as a result of an accident, and it provides for medical evacuation coverage in the event of an accident.

PERQUISITES

Consistent with our pay for performance philosophy, we offer limited perquisites. We pay for an annual physical for officers and other senior management to preserve our investment in them by encouraging them to maintain healthy lifestyles and be proactive in preventative care. We also make available financial planning services to certain officers, enabling them to concentrate on business matters rather than on personal financial planning. However, the cost of these financial planning services is included in the income of the participants. We also pay the cost of certain club dues for some officers to encourage social interaction with peers from other companies, local leadership in the community and to provide the ability to hold business meetings at a convenient offsite location. All personal expenses are borne entirely by the executive and the club dues are included in the income of the participants. Initiation fees for club memberships are paid by the executive. Different perquisites are provided from time to time to non-U.S. based executives; however, they are customary and reasonable in nature and amount relative to local market practices (for example, a car lease).

RETIREMENT PROGRAMS

Retirement benefits are provided to our NEOs through the following programs:

The Lincoln Electric Company Retirement Annuity Program (RAP)

- This defined benefit pension plan was frozen to new entrants effective January 1, 2006 (no new employees eligible to join the RAP after January 1, 2006; eligible employees participate in The Lincoln Electric Company Employee Savings Plan described below)
- Benefit accruals frozen effective as of December 31, 2016 (participants will not earn any additional benefits under the RAP after December 31, 2016)
- Estimated retirement benefits under the RAP for the NEOs that are shown in the Pension Benefits Table are based on an NEO's frozen benefit under the RAP as of December 31, 2019

The Lincoln Electric Company Employee Savings Plan (401(k) Plan)

- All of the NEOs deferred amounts under the 401(k) Plan in 2019
- Each eligible employee of The Lincoln Electric Company and certain affiliate companies is eligible to receive up to 6% of annual compensation in Company Contributions through:
 - matching employer contributions equal to 100% of before-tax contributions made to the 401(k) Plan, but not in excess of 3% of annual compensation; and
 - automatic employer contributions equal to 3% of annual compensation
- Matching and automatic contributions are 100% vested when made
- Certain employees affected by the RAP freeze (described above) are also eligible to receive employer contributions equal to 6% of annual compensation for a minimum period of five years, up to the end of the year in which they complete 30 years of service

Supplemental Executive Retirement Plan (SERP)

- Frozen to new entrants since 2005
- Effective as of December 1, 2016, the value of the frozen accrued vested benefit of each SERP participant was converted to a notional balance, calculated by projecting to December 31, 2016 the participant's SERP benefit and calculating the present value of that projected benefit
- Participants' account balances are credited with earnings, gains and losses in accordance with each participant's investment elections which will be made in a manner similar to that undertaken by participants in the Amended and Restated 2005 Deferred Compensation Plan for Executives

Restoration Plan

- Created effective January 1, 2017, this unfunded plan is maintained primarily for the purpose of providing deferred compensation for eligible employees whose annual compensation is expected to be in excess of the Internal Revenue Code limit on compensation (Code Limit) applicable to the 401(k) Plan
- Each participant's account is credited each year with deferred amounts generally as follows:
 - matching employer contributions equal to 3% of annual compensation in excess of the Code Limit; and
 - non-elective employer contributions equal to 3% of annual compensation in excess of the Code Limit
- All amounts deferred are fully vested at all times
- Certain employees affected by the RAP freeze are also eligible to receive employer contributions equal to 6% of annual compensation in excess of the Code Limit for a minimum period of five years, up to the end of the year in which they complete 30 years of service
- Upon a separation from service prior to age 55, distribution of the account will be made in a single lump sum on the first business day of the seventh month immediately following the separation from service
- Upon a separation from service on or after age 55, distribution of the account will be made or commence on the first business day of the seventh month immediately following the separation from service in the form of (1) a single lump sum payment; or (2) substantially equal annual installments over a period of at least two but not more than 15 years, as elected
- All NEOs participated in the Restoration Plan in 2019

Amended and Restated 2005 Deferred Compensation Plan for Executives (Top Hat Plan)

- Participants can defer current income on a pre-tax basis, receiving tax-deferred returns on those deferrals
 - Up to 80% of base salary and/or annual bonus can be deferred
 - Up to 100% of RSUs or Performance Shares can be deferred
- For cash deferrals, 27 total investment options available, 26 of which mirror the funds available under the 401(k) Plan, plus the Moody's Corporate Bond Average Index (which provides "above market" earnings as reported in the Summary Compensation Table)
- RSUs and Performance Shares that are deferred are deemed invested in a Lincoln Electric Stock fund; these deferrals can be reallocated to other investment options on the later of 6 months after the date on which the amounts are allocated to the participant's account or the date the participant has satisfied his or her stock ownership guidelines
- Plan includes a recovery of funds provision consistent with the requirements of Dodd Frank
- Distributions are permitted in the event of a separation from service, disability, death, change in control or unforeseeable emergency
- Distributions can also be made at a specified time or under a fixed schedule
- Distributions may be made in a lump-sum, or by payment in five, ten or fifteen annual installments
- As of December 31, 2019, there were 12 active employee participants in the Top Hat Plan

More information on these programs can be found in the 2019 Pension Benefits section and 2019 Deferred Compensation Benefits section.

CHANGE IN CONTROL ARRANGEMENTS

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

The change in control agreements are operative only if a change in control occurs and payments are made if the officer's employment is terminated (or if the officer terminates employment due to certain adverse employment changes). The agreements provide our NEOs with the potential for continued employment following a change in control, which helps to retain these executives and provide for management continuity in the event of an actual or threatened change in control of Lincoln Electric. They also help ensure that our executives' interests remain aligned with shareholders' interests during a time when their continued employment may be in jeopardy. For a more detailed discussion of our change in control agreements, see Termination and Change in Control Arrangements below. Outside of these change in control agreements, we do not maintain written employment or other severance agreements for U.S.-based employees.

RECOVERY OF FUNDS POLICY

We have adopted a Recovery of Funds Policy (clawback policy) consistent with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). Our policy is more extensive than what Dodd-Frank requires and is applicable to all of our officers, including our NEOs. The policy applies in the event that there is an accounting restatement involving our financial statements due to material non-compliance with the financial reporting requirements under the U.S. federal securities laws. The policy applies to both current and former officers and covers incentive compensation received by the officers in the 3-year period prior to the restatement.

Awards of incentive compensation would include annual bonus payments, stock option awards, restricted stock awards, RSUs, and Performance Shares, unless Dodd-Frank regulations provide otherwise. Under the policy, in the event of an accounting restatement of our financial statements, the Committee would review all incentive compensation received during the 3-year covered period and would seek recovery of the amount of incentive compensation paid in excess of what would have been paid if the accounts had been properly stated. We believe that this policy is in the best interests of Lincoln Electric and its shareholders.

ANTI-HEDGING/PLEDGING POLICY

Consistent with our philosophy to encourage long-term investment in our common stock, our Directors, executive officers and certain other employees are prohibited from engaging in any speculative transactions involving our securities, including buying or selling puts or calls, or engaging in any derivative or hedging transaction that has the effect of limiting or hedging

economic exposure with respect to such person's position in our securities, short sales and margin purchases. In addition, our insider trading policy prohibits future pledging of Lincoln Electric securities by our Directors, executive officers and certain other employees. There are no pledges of our common stock in place for any of our Directors or executive officers.

STOCK OWNERSHIP GUIDELINES

In keeping with our philosophy that officers should maintain an equity interest in Lincoln Electric, we have stock ownership guidelines for officers. The guidelines were reviewed in 2019 and the executive group designations were updated based on a review of our peer group. Under the current guidelines, our officers are required to own and hold a certain number of our common shares, currently at the levels set forth in the table below:

Executive Group	Ownership Guideline
Chief Executive Officer ¹	5 times base salary
Executive Vice Presidents ²	3 times base salary
Senior Vice Presidents and all other Executive Officers ³	2 times base salary

(1) Mr. Mapes.

(2) Includes Messrs. Petrella, Blankenship, Hedlund and Ms. Ansberry as well as 3 other officers.

(3) Includes other EMIP participants.

Each officer has five years to satisfy his or her applicable stock ownership guideline. An officer must satisfy the applicable stock ownership guideline before he or she is permitted to sell shares, including shares issued as a result of RSUs vesting or Performance Shares vesting (other than shares withheld to cover taxes) and shares obtained from the exercise of stock options (other than shares withheld to cover exercise cost and taxes). Unless an officer is promoted into a higher guideline level, the stock ownership guideline will reset every 5 years utilizing updated base pay and stock price information. RSU awards count towards an officer's stock ownership amount, however common shares underlying stock options, Performance Shares and shares held in another person's name (including a relative) do not. As of December 31, 2019, all of our NEOs met the applicable stock ownership guideline, with the exception of Ms. Ansberry, who is on target to meet her guidelines by the end of her respective five-year period.

DEDUCTIBILITY OF COMPENSATION

Our general philosophy has historically been to qualify future compensation for tax deductibility wherever applicable and appropriate. Qualification is sought to the extent practicable and only to the extent that it is consistent with our overall compensation objectives. Although a portion of the amount we recorded as compensation to Messrs. Mapes, Blankenship and Hedlund in 2019 was non-deductible, this does not cause substantial impact to our income tax position. All of the compensation paid to the other NEOs during 2019 was tax deductible by Lincoln Electric for federal income tax purposes.

As part of the 2017 Tax Cuts and Jobs Act (the "Tax Reform Act"), the ability to rely on the performance-based compensation exception under Section 162(m) of the U.S. Internal Revenue Code ("Section 162(m)") was generally eliminated, and the limitation on deductibility generally was expanded to include all NEOs. As a result of the Tax Reform Act, going forward and subject to certain grandfathered provisions, we will no longer be able to deduct any compensation paid to our NEOs in excess of \$1 million. The Committee continues to assess the impact of the amendments to Section 162(m) to determine what adjustments to our executive compensation practices, if any, it considers appropriate.

COMPENSATION COMMITTEE REPORT

The Compensation and Executive Development Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with our management and, based on this review and discussion, recommends that it be included in our Annual Report on Form 10-K for the year ended December 31, 2019 and this Proxy Statement.

By the Compensation & Executive Development Committee:

William E. MacDonald, III, Chair

Michael F. Hilton

Kathryn Jo Lincoln

Phillip J. Mason

Hellene S. Runtagh

EXECUTIVE COMPENSATION TABLES

Summary of 2019 Compensation Elements

		Purpose	Competitive Target	Financial Metrics Used	When the 2019 Amount Was Set	The Period to Which the Amount Relates	Where Reported in the SCT ¹
Short-Term	Base Pay	Rewards responsibility, experience and individual performance	Below Market	—	Beginning of 2019	2019	Salary column
	Annual Bonus (EMIP)	Rewards strong annual financial results and individual performance	Above Market (target total cash compensation)	EBITB and AOWC/Sales ²	Beginning of 2019	2019 Performance	Non-Equity Incentive Plan Compensation column
Long-Term	Stock Options	Rewards the creation of shareholder value	At Market	Share Price Appreciation	Beginning of 2019	2019 Based Award	Option Awards column
	RSUs	Rewards the creation of shareholder value and strong long-term financial results		Share Price Appreciation	Beginning of 2019	2019 Based Award	Stock Awards column
	Performance Shares	Rewards the creation of long-term growth and the efficient use of capital		Adjusted Net Income ² Growth and ROIC ²	Beginning of 2019	2019 through 2021 Performance	Stock Awards column
Both	Benefits other than Pension	Includes 401(k) contributions, Restoration Plan contributions, insurance and standard expatriate benefits	At Market	—	Various	2019	All Other Compensation column
	Pension Benefits ³	Includes RAP and above-market earnings in the Top Hat Plan and Restoration Plan		—	Various	For RAP, shows changes in 2019. For above-market earnings, shows 2019 amounts	Change in Pension Value and Nonqualified Deferred Compensation Earnings column
	Perquisites	Meets specific business needs—includes financial planning, annual physical and certain club dues		—	Various	2019	All Other Compensation column

(1) Summary Compensation Table.

(2) Financial metrics used for compensation purposes are defined in Appendix A.

(3) The SERP, effective November 30, 2016, and the RAP, effective December 31, 2016, were amended to cease all future benefit accruals.

2019 Summary Compensation Table

This table details total compensation paid to our NEOs for 2019, 2018 and 2017.

Name and Principal Position	Year	Salary [\$]	Stock Awards [\$] ¹	Option Awards [\$] ¹	Non-Equity Incentive Plan Compensation[\$] ²	Change in Pension Value and Nonqualified Deferred Compensation Earnings[\$] ³	All Other Compensation [\$] ⁴	Total[\$]
Christopher L. Mapes Chairman, President and Chief Executive Officer	2019	1,000,000 ⁵	2,670,534	1,333,333	1,718,830 ⁵	51,059	208,213	6,981,969
	2018	965,000	2,504,772	1,250,009	2,057,400	36,779	204,946	7,018,906
	2017	935,000	2,408,020	1,199,989	2,928,906	33,446	187,102	7,692,463
Vincent K. Petrella Executive Vice President, Chief Financial Officer and Treasurer	2019	553,350 ⁵	690,540	344,748	633,250 ⁵	268,848	176,430	2,667,166
	2018	500,000	584,470	291,664	729,600	33,485	173,595	2,312,814
	2017	485,000	1,053,455	275,030	952,004	169,120	195,137	3,129,746
George D. Blankenship Executive Vice President, President, Americas Welding	2019	515,000	530,816	265,008	538,798	228,095	150,569	2,228,286
	2018	500,000	480,892	240,008	677,835	30,101	155,650	2,084,486
	2017	500,000	451,238	225,009	869,759	147,410	142,285	2,335,701
Steven B. Hedlund Executive Vice President, President, International Welding	2019	425,000	410,538	204,998	399,825	—	426,711	1,867,072
	2018	395,000	403,978	176,668	518,796	—	393,691	1,888,133
	2017	370,381	356,226	227,608	516,011	—	267,134	1,737,360
Jennifer I. Ansberry Executive Vice President, General Counsel and Secretary	2019	411,730	355,882	177,656	375,602	67,829	112,493	1,501,192
	2018	394,000	390,736	170,009	444,312	—	104,420	1,503,477
	2017	325,000	322,041	119,981	386,111	38,803	67,419	1,259,355

(1) The amounts reported for 2019 reflect the grant date fair value under FASB ASC Topic 718 for the RSU, Performance Share and stock option awards in 2019. The award date fair value disclosed for Performance Share awards is based on target performance. Assumptions used in the calculation of these amounts are included in footnote 10 to our audited financial statements for the fiscal year ended December 31, 2019 included in our Annual Report on Form 10-K filed with the SEC on February 27, 2020.

The amounts shown for stock awards for 2019 represent RSU awards as follows: Mr. Mapes \$1,335,267, Mr. Petrella \$345,270, Mr. Blankenship \$265,408, Mr. Hedlund \$205,269, and Ms. Ansberry \$177,941. The amounts shown also include performance shares as follows: Mr. Mapes \$1,335,267, Mr. Petrella \$345,270, Mr. Blankenship \$265,408, Mr. Hedlund \$205,269, and Ms. Ansberry \$177,941.

The maximum Performance Share award amount with respect to each of the named executive officers for 2019 is shown in the table below. The amounts reported reflect the grant date fair value under FASB ASC Topic 718 for the Performance Share awards based on maximum performance.

Name	Year	Maximum Payout [# of Performance Shares]	Maximum Grant Date Fair Value Payout
Christopher L. Mapes	2019	30,196	\$2,670,534
Vincent K. Petrella	2019	7,808	\$ 690,540
George D. Blankenship	2019	6,002	\$ 530,817
Steven B. Hedlund	2019	4,642	\$ 410,538
Jennifer I. Ansberry	2019	4,024	\$ 355,883

(2) The amounts shown for 2019 represent payments under our annual bonus (EMIP).

(3) The amounts shown for 2019 represent the difference in earnings under the Moody's Corporate Bond Index fund in our Top Hat Plan and SERP and a hypothetical rate, and reflect the increase in actuarial value under the RAP.

2019 INCREASE IN PENSION VALUE & PREFERENTIAL EARNINGS (TOP HAT PLAN AND SERP)

Name	RAP[\$]	Difference in 2019 Earnings Credited in the Top Hat Plan and SERP[\$]	Moody's Corporate Bond Index Earnings[\$]	Hypothetical Market Rate[\$]*
Christopher L. Mapes	—	51,059	213,237	162,178
Vincent K. Petrella	221,098	47,750	199,506	151,756
George D. Blankenship	189,185	38,910	163,275	124,365
Steven B. Hedlund	—	—	—	—
Jennifer I. Ansberry	67,829	—	—	—

*This rate is specified by the SEC rules for proxy disclosure purposes and is based on 120% of the applicable federal long-term rate, compounded monthly for 2019.

(4) The amounts shown for 2019 are comprised of the following:

2019 ALL OTHER COMPENSATION

Name	Other Benefits and Perquisites*							Total All Other Compensation (\$)
	Company Retirement Contributions [\$] ^a	Travel Insurance Premiums (\$)	Financial Planning (\$)	Physical Examination (\$)	Club Dues (\$)	Spousal Travel (\$)	Standard Expatriate Benefits [\$] ^b	
Christopher L. Mapes	183,444	714	7,643	2,543	13,869	—	—	208,213
Vincent K. Petrella	153,954	714	7,643	3,000	11,119	—	—	176,430
George D. Blankenship	143,140	714	5,583	—	—	1,132	—	150,569
Steven B. Hedlund	56,628	714	5,583	—	—	—	363,786	426,711
Jennifer I. Ansberry	102,725	714	8,318	—	—	736	—	112,493

*The methodology for computing the aggregate incremental cost for the amounts is below:

(a) Includes amounts contributed to both the 401(k) Plan and the Restoration Plan.

(b) The expatriate benefits shown relate to Mr. Hedlund's current international assignment and are provided to all U.S. employees who take an international assignment. Amounts are converted to U.S. dollars on a monthly basis based on a month-end conversion price, in local currency, as reported by Bloomberg. The conversion price for Pound Sterling was between £1.22 to £1.33 to \$1.00 during the period in 2019 that Mr. Hedlund was receiving expatriate benefits. Mr. Hedlund's international assignment included housing, education, taxes and standard allowances related to relocation and other assignment payments under our standard expatriate package for all employees. The portion of such amount that relates to tax equalization payments is \$142,728.

(5) Mr. Mapes deferred 25% of his 2019 base salary and 25% of his 2019 EMIP bonus under our Top Hat Plan. Mr. Petrella deferred 25% of his 2019 base salary and 50% of his 2019 EMIP bonus under our Top Hat Plan.

2019 Grants of Plan-Based Awards

The following table provides information relating to plan-based awards granted in 2019 to our NEOs.

Name	Grant Type	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards ¹			Estimated Future Payouts Under Equity Incentive Plan Awards ²			All Other Stock Awards: Number of Shares of Stock or Units [#] ³	All Other Option Awards: Number of Securities Underlying Options [#] ⁴	Exercise or Base Price of Option Awards [\$ / Sh]	Grant Date Fair Value of Stock and Option Awards [\$] ⁵
			Threshold [\$]	Target [\$]	Max [\$]	Threshold [#]	Target [#]	Max [#]				
Christopher L. Mapes	EMIP	2/18/2019	0	1,450,000	2,610,000							
	Options	2/18/2019							76,365	\$88.44	1,333,333	
	RSUs	2/18/2019						15,098			1,335,267	
	PSUs	2/18/2019				0	15,098	30,196			1,335,267	
Vincent K. Petrella	EMIP	2/18/2019	0	515,550	927,990							
	Options	2/18/2019							19,745	\$88.44	344,748	
	RSUs	2/18/2019						3,904			345,270	
	PSUs	2/18/2019				0	3,904	7,808			345,270	
George D. Blankenship	EMIP	2/18/2019	0	460,000	828,000							
	Options	2/18/2019							15,178	\$88.44	265,008	
	RSUs	2/18/2019						3,001			265,408	
	PSUs	2/18/2019				0	3,001	6,002			265,408	
Steven B. Hedlund	EMIP	2/18/2019	0	375,000	675,000							
	Options	2/18/2019							11,741	\$88.44	204,998	
	RSUs	2/18/2019						2,321			205,269	
	PSU	2/18/2019				0	2,321	4,642			205,269	
Jennifer I. Ansberry	EMIP	2/18/2019	0	319,770	575,586							
	Options	2/18/2019							10,175	\$88.44	177,656	
	RSUs	2/18/2019						2,012			177,941	
	PSUs	2/18/2019				0	2,012	4,024			177,941	

- The performance-based amounts shown represent the range of cash payouts (from zero to the maximum amount listed) for 2019 under the EMIP. Payments are based on the achievement of company financial performance and the NEO's individual performance. Target awards are set by the Compensation and Executive Development Committee in the first quarter each year. Actual payment amounts are determined by the Committee in the first quarter of the following year. The targets shown above are pursuant to the EMIP matrix for 2019 (which allows for potential payouts of up to 180% of target), which is reflected in the CD&A.
- These columns show the potential number of shares of our common stock to be paid out to our NEOs under our Performance Shares (PSUs) at threshold, target or maximum performance. The measures and potential payouts are described in more detail in the CD&A. The grant date fair value, based on target performance for PSUs, is included in the "Stock Awards" column of the Summary Compensation Table. The PSUs generally vest based on performance during the applicable performance period. Dividend equivalents are sequestered by us until the shares underlying the PSUs are distributed, at which time the dividend equivalents are paid in cash. The dividend rate for dividend equivalents paid on the PSUs to the NEOs is the same as for all other shareholders (in other words, it is not preferential). Recipients of PSUs who participate in our EMIP bonus program (which includes all of the NEOs) are eligible to elect to defer all or a portion of their PSUs under our Top Hat Plan—see the 2019 Nonqualified Deferred Compensation section for a description of this plan.
- The RSUs generally vest upon the recipient remaining in continuous employment for three years from the date of grant. Upon vesting, the RSUs are paid out solely in our common stock (there is no cash option). Dividend equivalents are sequestered by us until the shares underlying the RSUs are distributed, at which time the dividend equivalents are paid in cash. The dividend rate for dividend equivalents paid on the RSUs to the NEOs is the same as for all other shareholders (in other words, it is not preferential). Recipients of RSUs who participate in our EMIP bonus program (which includes all of the NEOs) are eligible to elect to defer all or a portion of their RSUs under our Top Hat Plan—see the 2019 Nonqualified Deferred Compensation section for a description of this plan.
- The stock options were granted at the closing price of our common shares on the date of the grant. All stock options are non-qualified for tax purposes. We value stock options using the Black-Scholes valuation method. The stock options generally vest over a three-year period (in equal annual increments). All stock options have 10-year terms.
- The amounts shown represent the full value of the RSU awards, the stock option grants and the target value for the PSU awards calculated in accordance with FASB ASC Topic 718 as of the date of the grant. The actual amount, if any, realized upon the exercise of stock options will depend upon the market price of our common shares relative to the exercise price per share of the stock option at the time of exercise. The actual amount realized upon vesting of RSUs will depend upon the market price of our common shares at the time of vesting. The actual number and value of PSUs shares earned will be based upon our actual performance during the three-year long-term incentive plan cycle and the market price at time of vesting. There is no assurance that the hypothetical full values of the awards reflected in this table will actually be realized.

NARRATIVE DISCLOSURE REGARDING 2019 SUMMARY COMPENSATION TABLE AND 2019 GRANTS OF PLAN-BASED AWARD TABLE

For 2019, Mr. Mapes' salary and annual bonus accounted for 38.9% of his compensation reported in the 2019 Summary Compensation Table, based on the value of his 2019 base salary and 2019 actual EMIP (or annual bonus). For 2019, Mr. Petrella's salary and annual bonus accounted for 44.5% of his compensation reported in the 2019 Summary Compensation Table, Mr. Blankenship's salary and annual bonus accounted for 47.3% of his compensation reported in the 2019 Summary Compensation Table, Mr. Hedlund's salary and annual bonus accounted for 44.2% of his compensation reported in the 2019 Summary Compensation Table and Ms. Ansberry's salary and annual bonus accounted for 52.4% of her compensation reported in the 2019 Summary Compensation Table. The above percentages were based, in each case, on the value of the executive's 2019 base salary and 2019 actual EMIP (or annual bonus). For information regarding the amount of salary and annual bonus compensation in proportion to total compensation, see the "Our Compensation Philosophy" section of the CD&A contained in this Proxy Statement. Further, the grants made in 2019 to the NEOs are described more fully in the CD&A contained in this Proxy Statement, and information about the change in control severance agreements and the amounts payable to the NEOs pursuant to those arrangements is provided under the section titled "Termination and Change in Control Arrangements" in this Proxy Statement.

HOLDINGS OF EQUITY-RELATED INTERESTS

The following provides information relating to exercisable and unexercisable stock options, RSUs and Performance Shares at December 31, 2019.

Outstanding Equity Awards at 2019 Fiscal Year-End

Name	Grant Date	Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options [#] Exercisable ¹	Number of Securities Underlying Unexercised Options [#] Unexercisable ¹	Option Exercise Price [\$ / sh]	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested [#] ²	Market Value of Shares or Units of Stock That Have Not Vested [\$] ³	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested [#] ⁴	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested [\$] ³
Christopher L. Mapes	12/13/2012	47,480	—	47.91	12/13/2022	—	—	—	—
	12/16/2013	44,040	—	71.30	12/16/2023	—	—	—	—
	2/5/2015	66,550	—	69.67	2/5/2025	16,340	1,580,568	—	—
	2/17/2016	89,030	—	58.14	2/17/2026	—	—	—	—
	2/22/2017	45,740	22,870	85.30	2/22/2027	14,115	1,365,344	—	—
	2/21/2018	21,964	43,930	90.70	2/21/2028	13,808	1,335,648	13,808	1,335,648
	2/18/2019	—	76,365	88.44	2/18/2029	15,098	1,460,430	15,098	1,460,430
Vincent K. Petrella	12/13/2012	16,620	—	47.91	12/13/2022	—	—	—	—
	12/16/2013	13,440	—	71.30	12/16/2023	—	—	—	—
	2/5/2015	16,380	—	69.67	2/5/2025	4,020	388,855	—	—
	2/17/2016	21,910	—	58.14	2/17/2026	—	—	—	—
	2/22/2017	10,482	5,243	85.30	2/22/2027	9,115	881,694	—	—
	2/21/2018	5,125	10,250	90.70	2/21/2028	3,222	311,664	3,222	311,664
	2/18/2019	—	19,745	88.44	2/18/2029	3,904	377,634	3,904	377,634
George D. Blankenship	2/5/2015	—	—	—	—	3,240	313,405	—	—
	2/22/2017	8,576	4,289	85.30	2/22/2027	2,645	255,851	—	—
	2/21/2018	4,217	8,435	90.70	2/21/2028	2,651	256,431	2,651	256,431
	2/18/2019	—	15,178	88.44	2/18/2029	3,001	290,287	3,001	290,287

Outstanding Equity Awards at 2019 Fiscal Year-End (continued)

Name	Grant Date	Option Awards				Stock Awards			
		Number of Securities Underlying Unexercised Options (#) Exercisable ¹	Number of Securities Underlying Unexercised Options (#) Unexercisable ¹	Option Exercise Price (\$/sh)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) ²	Market Value of Shares or Units of Stock That Have Not Vested (\$) ³	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights that Have Not Vested (#) ⁴	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested (\$) ³
Steven B. Hedlund	4/24/2013	—	—	—	—	6,410	620,039	—	—
	12/16/2013	5,860	—	71.30	12/16/2023	—	—	—	—
	2/5/2015	6,155	—	69.67	2/5/2025	1,510	146,062	—	—
	2/17/2016	8,235	—	58.14	2/17/2026	—	—	—	—
	2/22/2017	4,002	2,003	85.30	2/22/2027	1,235	119,462	—	—
	5/24/2017	4,582	2,293	88.74	5/24/2027	1,385	133,971	—	—
	2/21/2018	3,104	6,209	90.70	2/21/2028	2,503	242,115	1,951	188,720
	2/18/2019	—	11,741	88.44	2/18/2029	2,321	224,510	2,321	224,510
Jennifer I. Ansberry	12/16/2013	2,440	—	71.30	12/16/2023	—	—	—	—
	7/24/2014	442	—	67.18	7/24/2024	—	—	—	—
	2/5/2015	3,720	—	69.67	2/5/2025	915	88,508	—	—
	2/17/2016	3,984	—	58.14	2/17/2026	—	—	—	—
	2/22/2017	4,572	2,288	85.30	2/22/2027	1,410	136,389	—	—
	2/21/2018	2,987	5,975	90.70	2/21/2028	2,430	235,054	1,878	181,659
2/18/2019	—	10,175	88.44	2/18/2029	2,012	194,621	2,012	194,621	

- (1) Stock options vest in three equal annual installments, commencing on the first anniversary of the date of the grant.
- (2) Amounts shown in this column represent RSU awards. 2017 RSU awards, 2018 RSU awards and 2019 RSU awards vest in full three years from the date of grant. The RSU awards granted prior to 2016 generally vest in full five years from the date of grant, but are subject to accelerated vesting in three years if the targets are met for the applicable long-term incentive plan cycle. The RSU award granted to Mr. Hedlund in 2013 vests over seven years following his attainment of age 55.
- (3) The amounts shown in these columns represent RSU and PSU awards pursuant to our 2006 and 2015 Equity and Performance Incentive Plans. Value is calculated using the close price of our common stock on the last trading day of 2019.
- (4) This column shows the target number of Performance Shares awarded in 2018 and 2019. The payout can range from 0 to 200% of the target and is based upon performance during the three-year cycle ending on December 31, 2020 (with respect to Performance Shares awarded in 2018), and December 31, 2021 (with respect to Performance Shares awarded in 2019), as determined by the Compensation and Executive Development Committee. See the CD&A on how PSU payouts are determined.

2019 Option Exercises and Stock Vested Table

The following table provides information on stock options exercised, as well as RSUs and Performance Shares that vested during 2019.

Name	Option Awards ¹		Stock Awards ²	
	Number of Shares Acquired on Exercise[#]	Value Realized on Exercise[\$]	Number of Shares Acquired on Vesting[#]	Value Realized on Vesting[\$]
Christopher L. Mapes	28,500	1,677,593	61,319	5,638,152
Vincent K. Petrella	19,250	1,157,916	14,776	1,358,826
George D. Blankenship	53,305	1,137,870	11,960	1,099,830
Steven B. Hedlund	12,540	636,830	5,906	542,770
Jennifer I. Ansberry	—	—	4,363	400,021

- (1) The number of shares acquired on exercise reflects the gross number of shares acquired, without considering any shares that were withheld to pay the option exercise price and/or to satisfy tax withholding requirements. The value realized on exercise represents the gross number of shares acquired on exercise multiplied by the market price of our common stock on the exercise date, less the per share exercise price.
- (2) The number of shares acquired on vesting reflects the gross number of shares acquired, without considering any shares that were withheld to satisfy tax withholding requirements. The value realized on vesting for RSUs represents the gross number of shares acquired, multiplied by the closing price of our common stock on each applicable vesting date, plus the value of dividend equivalents. The value realized on vesting for Performance Shares represents the gross number of shares acquired, relative to the 2016-2018 performance cycle that paid out during 2019 and the 2017-2019 performance cycle that was considered earned as of December 31, 2019 but paid out in March 2020, multiplied by the closing price of our common stock on each applicable vesting date, plus the value of dividend equivalents. Amounts are not reduced to reflect any elections by our NEOs to defer receipt of RSUs or Performance Shares award payouts into our Top Hat Plan: Mr. Mapes, 19,915 RSUs and \$87,427 in dividend equivalents deferred in 2019; and Mr. Blankenship, 3,443 Performance Shares and \$17,146 in dividend equivalents deferred in 2020. For more information about this deferral program, see the CD&A in the "Overview of Benefits" section.

2019 PENSION BENEFITS

RETIREMENT ANNUITY PROGRAM (RAP)

No new participants have been added to the RAP since 2006. Accordingly, neither Mr. Mapes nor Mr. Hedlund, who joined Lincoln Electric after 2006, was eligible to participate in the RAP. Effective as of December 31, 2016, the RAP was amended to cease all future benefit accruals for all participants, so that the participants will not earn any additional benefits under the RAP after December 31, 2016.

2019 PENSION BENEFITS TABLE

The following provides information relating to potential payments and benefits under our RAP for the NEOs who participate in that program. As noted above, Mr. Mapes and Mr. Hedlund are not participants in the RAP.

Name	Plan Name	Number of Years Credited Service[#]	Present Value of Accumulated Benefit[\$]	Payments During Last Fiscal Year[\$]
Christopher L. Mapes	RAP	—	—	—
Vincent K. Petrella	RAP	21 ¹	1,584,195 ²	—
George D. Blankenship	RAP	31 ¹	1,242,563 ²	—
Steven B. Hedlund	RAP	—	—	—
Jennifer I. Ansberry	RAP	12 ¹	290,416 ²	—

- (1) Under the RAP, credited years of service equals actual years of service from the date of hire with Lincoln Electric through December 31, 2016, the date that the RAP was amended to cease all future benefit accruals. All of the NEOs are currently under normal retirement age under the terms of the plan.
- (2) This represents the actuarial present value of accrued benefits in the RAP for the NEOs who participate at December 31, 2019. However, this is an estimated full value number that is discounted to a current date. The above actuarial present values were determined using a 3.42% discount rate, RP-2014 Annuitant table, with blue collar adjustment, protected generationally with Scale MP-2019, age 60 commencement and no decrements for death or termination prior to age 60. All of the NEOs who participate are currently vested in their RAP benefits because they each have at least five years of service with us.

The following table provides additional information regarding the RAP benefit:

Name	When Eligible for a Full, Unreduced Benefit under the RAP	Accrued Annual Benefit Payable under the RAP at Age 60 [as of December 31, 2019] (\$) ¹
Christopher L. Mapes	–	–
Vincent K. Petrella	2020	103,836
George D. Blankenship	2022	85,573
Steven B. Hedlund	–	–
Jennifer I. Ansberry	2033	27,110

(1) Vested participants who are below the normal retirement age of 60 may receive an earlier reduced benefit after he or she reaches age 55.

2019 DEFERRED COMPENSATION BENEFITS

DEFERRED COMPENSATION PLAN (TOP HAT PLAN)

Our Amended and Restated 2005 Deferred Compensation Plan for Executives (Top Hat Plan) is designed to be a “top-hat” plan that complies with Section 409A of the Internal Revenue Code. Participation is limited to management and highly compensated employees as approved by the Committee.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (SERP)

No new participants have been added to the SERP since 2005. Accordingly, neither Mr. Mapes nor Mr. Hedlund, who joined Lincoln Electric after 2005, nor Ms. Ansberry, who was not eligible to participate in the SERP prior to 2005, participates in the SERP. Effective November 30, 2016, the SERP was amended to cease all future benefit accruals and to fully vest those who had a benefit under the SERP. Effective as of December 1, 2016, pursuant to the amendment of the SERP, the value of the frozen accrued vested benefit of each SERP participant was converted to a notional account balance. The account balance was determined by projecting to December 31, 2016 the participant’s SERP benefit and calculating the present value of that projected benefit. Participants have the ability to make investment elections for their account in a manner similar to that undertaken by participants in the Amended and Restated 2005 Deferred Compensation Plan for Executives.

RESTORATION PLAN

Our Restoration Plan is designed to provide deferred compensation for eligible employees whose annual compensation is expected to be in excess of the Internal Revenue Code limit on compensation (Code Limit) applicable to the 401(k) Plan.

A summary of the Top Hat Plan and Restoration Plan is provided in the CD&A in the “Overview of Benefits” section.

2019 NONQUALIFIED DEFERRED COMPENSATION TABLES

The following three tables provide deferred compensation information for 2019 for the NEOs.

TOP HAT PLAN

Name	Executive Contributions in Last Fiscal Year[\$]	Registrant Contributions in Last Fiscal Year[\$]	Aggregate Earnings in Last Fiscal Year[\$]	Aggregate Withdrawals/ Distributions[\$]	Aggregate Balance at Last Fiscal Year-End[\$]
Christopher L. Mapes	250,000 ¹	1,848,709 ²	2,248,203 ³	–	16,759,146 ⁴
Vincent K. Petrella	503,137 ⁵	–	190,867 ⁶	–	3,332,556 ⁴
George D. Blankenship	–	–	139,198	–	753,558 ⁴
Steven B. Hedlund	–	–	8,946	–	48,600 ⁴
Jennifer I. Ansberry	–	–	–	–	–

(1) Included as compensation for 2019 in the “Salary” column of the Summary Compensation Table and is described in its footnotes.

(2) Represents 19,915 RSUs and \$87,427 in cash attributable to dividend equivalents that vested during 2019 and were deferred into the Top Hat Plan.

(3) Of the amount reported, \$51,059 is included as compensation for 2019 in the “Change in Pension Value and Nonqualified Deferred Compensation Earnings” column of the Summary Compensation Table and is described in its footnotes.

- (4) The portions of the amount reported that relate to deferral contributions in prior years have all been reported in the Summary Compensation Table in those years to the extent the individual was a NEO for those years.
- (5) Of the amount reported, \$138,337 is included as compensation for 2019 in the "Salary" column of the Summary Compensation Table and the remainder was included as compensation for 2018 in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table and is described in its footnotes.
- (6) Of the amount reported, \$25,222 is included as compensation for 2019 in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table and is described in its footnotes.

SERP

The following table reflects the earnings during 2019 related to the SERP.

Name	Executive Contributions in Last Fiscal Year[\$]	Registrant Contributions in Last Fiscal Year[\$]	Aggregate Earnings in Last Fiscal Year[\$]	Aggregate Withdrawals/ Distributions[\$]	Aggregate Balance at Last Fiscal Year-End[\$]
Christopher L. Mapes	—	—	—	—	—
Vincent K. Petrella	—	—	94,581 ¹	—	2,467,759 ²
George D. Blankenship	—	—	163,337 ³	—	4,262,773 ²
Steven B. Hedlund	—	—	—	—	—
Jennifer I. Ansberry	—	—	—	—	—

- (1) Of the amount reported, \$22,528 is included as compensation for 2019 in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table and is described in its footnotes.
- (2) The portions of the amount reported that relate to deferral contributions in prior years have all been reported in the Summary Compensation Table in those years to the extent the individual was a NEO for those years.
- (3) Of the amount reported, \$38,910 is included as compensation for 2019 in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column of the Summary Compensation Table and is described in its footnotes.

RESTORATION PLAN

Effective January 1, 2017, all NEOs were eligible to receive deferred compensation amounts credited to an account under the Restoration Plan, providing benefits that could not be provided under the 401(k) Plan due to IRS limitations on covered compensation. The following table reflects the contributions and earnings under the Restoration Plan attributable to such amounts with respect to 2019.

Name	Executive Contributions in Last Fiscal Year[\$]	Registrant Contributions in Last Fiscal Year [\$] ¹	Aggregate Earnings in Last Fiscal Year[\$]	Aggregate Withdrawals/ Distributions[\$]	Aggregate Balance at Last Fiscal Year-End [\$] ²
Christopher L. Mapes	—	166,644	88,807	—	539,695
Vincent K. Petrella	—	120,354	77,371	—	429,064
George D. Blankenship	—	109,540	55,911	—	364,240
Steven B. Hedlund	—	39,828	19,653	—	115,325
Jennifer I. Ansberry	—	69,125	27,121	—	177,593

- (1) Amounts reported are included in compensation for 2019 in the "All Other Compensation" column of the Summary Compensation Table above and is described in its footnotes.
- (2) The portions of the amount reported that relate to deferral contributions in prior years have all been reported in the Summary Compensation Table in those years to the extent the individual was a NEO for those years.

TERMINATION AND CHANGE IN CONTROL ARRANGEMENTS

The Key Compensation Programs table below highlights the benefits and payments available to NEOs in the event of a termination of employment and/or a change in control. The Termination and Change in Control Table below reflects the estimated additional amounts of compensation each NEO would receive in the event of a termination of employment and/or a change in control. Termination events include: a voluntary termination by the executive; normal retirement of the executive (defined as termination at age 60 or later with 5 years of service); an involuntary, not-for-cause termination by Lincoln Electric; a for-cause termination by Lincoln Electric; a termination upon a change in control; and a termination due to death or disability. In addition, estimated additional compensation amounts are shown in the event of a change in control without termination of employment. The amounts shown assume that each event occurred on December 31, 2019, the last business day of the calendar year.

TERMINATION OF EMPLOYMENT

No written agreements exist that provide additional payments to a NEO in the event of a voluntary termination of employment with Lincoln Electric or a termination of employment initiated by Lincoln Electric (whether for cause or not). We do not have employment agreements or severance agreements, except for our change in control severance agreements described below.

Pursuant to our standard employment policies, upon termination of employment, a NEO would be entitled to receive the same benefits and payments that are generally available to salaried employees:

- Earned but unpaid base pay, up to the date of termination;
- Earned and unused paid time off, up to the date of termination;
- Vested amounts held in the executive's account under our 401(k) Plan;
- Amounts held in the executive's account under our Top Hat Plan (based on the executive's election);
- Deferred vested benefits under our RAP—payments for which could begin at normal retirement age 60 or as early as age 55 (but at a reduced amount);
- Amounts held in the executive's account under our Restoration Plan.

CHANGE IN CONTROL

We have entered into change in control severance agreements with our NEOs. Pursuant to our change in control severance agreements, in the event of a "change in control," if the NEO's employment is terminated without "cause" (as defined in the change in control severance agreement) or the NEO terminates employment for "good reason" (as defined in the change in control severance agreement) during the severance period (as described below) (or for certain other employment terminations prior to and related to the change in control, as described in the change in control severance agreement), we will make severance payments and provide certain benefits as indicated in the Key Compensation Programs table below.

The severance period commences on the date of the first occurrence of a change in control and ends on the earlier of (a) the second anniversary of the change in control, or (b) the executive's death. Our NEOs are required to abide by certain restrictive covenants and execute a release of claims in order to receive certain severance payments and benefits under the change in control severance agreements.

The following events in general would constitute a change in control:

- any individual, entity or group is or becomes the beneficial owner of 30% or more of the combined voting power of the then-outstanding voting stock of Lincoln Electric;
- a majority of the Board ceases to be comprised of incumbent Directors;
- certain reorganizations, mergers or consolidations, or the sale or other disposition of all or substantially all of the assets of Lincoln Electric, or certain other corporate transactions are consummated; or
- approval by the shareholders of a complete liquidation or dissolution of Lincoln Electric.

Key Compensation Programs

	Voluntary Termination/ Termination with Cause	Involuntary Termination/ Termination without Cause	Normal Retirement [age 60 and 5 years of service] ¹	Change in Control [with Termination] ²	Change in Control [No Termination]	Death or Disability
Severance	None	Company has discretion	None	Lump-sum payment equal to the sum of base pay and bonus as described in the severance agreement times three for the CEO and times two for other NEOs.	None	None
Annual Bonus [EMIP]	Forfeited	Forfeited	Pro-rata portion of EMIP. ³	Pro-rata portion of EMIP payment equal to the greater of the actual or target amount.	Pro-rata EMIP payment equal to the greater of the actual or target amount.	Pro-rata portion of EMIP. ³
Long-Term Incentive Plan [Performance Shares]	Forfeited	Forfeited	Pro-rata portion of Performance Shares, based on actual performance. ⁴	Pro-rata portion of Performance Shares equal to the greater of target or actual performance, if replacement award provided and subsequent qualifying termination.	No accelerated vesting if replacement award provided and continued employment. Pro-rata portion of Performance Shares granted prior to the change in control, equal to the greater of target or actual performance, if no replacement award provided.	Vesting of Performance Shares at target.
Stock Options	Unvested stock options forfeited. Entitled to exercise vested stock options for a period of three months after termination. ^{5,6}	Unvested stock options forfeited. Entitled to exercise vested stock options for a period of three months after termination. ^{5,6}	Pro-rata vesting of any unvested stock options with right to exercise such vested options for the remaining period of the original 10-year term. ⁵	Accelerated vesting of unvested stock options, if replacement award provided and subsequent qualifying termination. Entitled to exercise vested stock options for a period of three months after termination. ^{5,6}	No accelerated vesting if replacement award provided and continued employment. Accelerated vesting of unvested stock options granted prior to change in control, if no replacement award provided.	Accelerated vesting of unvested stock options. Entitled to exercise stock options for a period of one year after death or three years after disability. ⁵
RSUs	Forfeited	Forfeited	Pro-rata vesting of RSU awards	Accelerated vesting of RSU awards, if replacement award provided and subsequent qualifying termination.	No accelerated vesting if replacement award provided and continued employment. Accelerated vesting of RSU awards granted prior to change in control, if no replacement award provided.	Vesting of RSU awards.
Outplacement	None	None	None	Maximum of \$100,000 for CEO and \$50,000 for the Other NEOs.	None	None

Key Compensation Programs (continued)

	Voluntary Termination/ Termination with Cause	Involuntary Termination/ Termination without Cause	Normal Retirement [age 60 and 5 years of service] ¹	Change in Control [with Termination] ²	Change in Control [No Termination]	Death or Disability
280G Treatment	N/A	N/A	N/A	7	N/A	N/A
Other	Continuing medical and/or dental coverage under COBRA, for which the executive would pay 102% of the applicable premium.	Continuing medical and/or dental coverage under COBRA, for which the executive would pay 102% of the applicable premium.	Continuing medical and/or dental coverage as a retiree, with 102% of the premium paid by the executive. Normal vesting of benefits under the SERP, provided the executive is a participant. ⁸	Continuing medical insurance [102% of the premium paid by the executive] and life insurance for a period of three years following the NEO's termination date. ⁹	9	Continuing medical and/or dental coverage with 102% of the premium paid by the executive [or his or her surviving dependents].

- (1) Subject to any 409A deferred payment requirements.
- (2) Provision applicable in the event of a termination without Cause or termination for Good Reason in connection with a Change in Control. With respect to Performance Shares, Stock Options and RSUs, such termination without Cause or termination for Good Reason must occur within a period of two years after the Change in Control (or in certain employment terminations prior to and related to the change in control) to receive the accelerated vesting treatment.
- (3) Based on the executive's period of employment during the calendar year, subject to achievement of the applicable personal and financial goals.
- (4) Based on the executive's periods of employment during each of the open three-year cycles and upon completion of each cycle, subject to achievement of the applicable financial goals.
- (5) After which time the vested stock options would expire.
- (6) Vested stock options canceled if the executive is terminated for cause or the executive engaged in competitive conduct within six months of termination.
- (7) Severance payments reduced to the 280G (excess parachute payment) safe harbor limit, unless the executive would achieve a better after-tax result paying the excise tax imposed on excess parachute payments. No payment, net of taxes, to compensate for any excise tax imposed.
- (8) Financial planning services for the year of retirement and for one calendar year thereafter.
- (9) Amounts and/or shares (from vested RSUs or Performance Shares) held in executives' accounts under the Top Hat Plan automatically paid out.

Termination and Change in Control Table

The following table sets forth estimates of the potential incremental payments to each of our NEOs upon the specified termination events and upon a change in control, both with and without a qualified termination, assuming that each such event took place on the last business day of 2019.

The table does not quantify benefits under plans that are generally available to salaried employees that do not discriminate in favor of NEOs, including the RAP, the 401(k) Plan, the health care plan and the life insurance plan.

The 2019 Annual Bonus (EMIP) amounts represent the difference between target EMIP and actual EMIP payments (as disclosed in the Non-Equity Incentive Plan Compensation column of the 2019 Summary Compensation Table) if target EMIP exceeds actual EMIP in connection with a hypothetical change in control as of the last business day of 2019. Similarly, the amounts shown for LTIP (Performance Shares) for 2019 represent the difference between target performance level and actual performance level if target performance level exceeds actual performance level assuming a change in control occurred on the last business day of 2019. For 2019, the amounts shown for LTIP (Performance Shares) include the pro-rata portion of the target amounts for the two cycles of the Performance Share LTIP (2018-2020 cycle and 2019-2021 cycle) that were open as of the last business day of 2019. The amounts shown for LTIP (Performance Shares) do not include any value for the 2017-2019 cycle, since the cycle paid out above target.

The following table assumes, in the event of a change in control, replacement awards are provided pursuant to the 2015 Equity and Incentive Compensation Plan's respective Stock Option Agreement, Restricted Stock Unit Agreement, and Performance Share Agreement ("Agreements"). Pursuant to the Agreements, if the respective equity awards are not replaced, all outstanding equity awards will accelerate as of the closing date of the change in control. In the event of a change in control where no replacement awards are provided, the accelerated equity values are consistent with the accelerated equity values under Change in Control (Replacement Awards; Qualified Termination).

In addition, the table includes all equity that is accelerated as a result of termination but does not include the value of outstanding equity awards that have previously vested, such as stock options, which awards are set forth above in the Outstanding Equity Awards at December 31, 2019 table. For descriptions of the compensation plans and agreements that provide for the payments set forth in the following table, including our change in control agreements, see the "Elements of Executive Compensation" discussion contained in the CD&A.

	Christopher L. Mapes	Vincent K. Petrella	George D. Blankenship	Steven B. Hedlund	Jennifer I. Ansberry
Involuntary Termination/Termination without Cause before Normal Retirement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Normal Retirement (Age 60):	Not Eligible	Not Eligible	Not Eligible	Not Eligible	Not Eligible
LTIP (Performance Shares)	N/A	N/A	N/A	N/A	N/A
Stock Options—Accelerated Vesting	N/A	N/A	N/A	N/A	N/A
RSUs—Accelerated Vesting	N/A	N/A	N/A	N/A	N/A
Change in Control (Replacement Awards; Qualified Termination):	\$ 16,661,080	\$ 5,281,152	\$ 4,103,552	\$ 3,808,979	\$ 2,688,093
Severance	\$ 9,014,653	\$ 2,547,885	\$ 2,383,510	\$ 1,794,759	\$ 1,618,913
2019 Annual Bonus (EMIP)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
LTIP (Performance Shares)	\$ 1,419,387	\$ 343,728	\$ 275,872	\$ 206,723	\$ 191,686
Stock Options—Accelerated Vesting	\$ 1,159,364	\$ 285,406	\$ 225,702	\$ 175,961	\$ 146,515
RSUs—Accelerated Vesting	\$ 6,012,156	\$ 2,054,133	\$ 1,168,468	\$ 1,581,536	\$ 680,979
Outplacement Estimate	\$ 100,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
280G Cutback	\$ [1,044,480]	\$ 0	\$ 0	\$ 0	\$ 0
Change in Control (Replacement Awards; No Termination):	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2019 Annual Bonus (EMIP)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
LTIP (Performance Shares)	N/A	N/A	N/A	N/A	N/A
Stock Options—Accelerated Vesting	N/A	N/A	N/A	N/A	N/A
RSUs—Accelerated Vesting	N/A	N/A	N/A	N/A	N/A
Death or Disability:	\$ 10,045,164	\$ 3,047,660	\$ 1,955,974	\$ 2,182,044	\$ 1,214,245
LTIP (Performance Shares)	\$ 2,873,644	\$ 708,121	\$ 561,804	\$ 424,547	\$ 386,751
Stock Options—Accelerated Vesting	\$ 1,159,364	\$ 285,406	\$ 225,702	\$ 175,961	\$ 146,515
RSUs—Accelerated Vesting	\$ 6,012,156	\$ 2,054,133	\$ 1,168,468	\$ 1,581,536	\$ 680,979

PAY RATIO

For 2019, we estimate that the ratio of the annual total compensation of our CEO (\$6,981,969, which is the same amount reported for our CEO in the 2019 Summary Compensation Table) to the annual total compensation of our median employee (\$45,062) is 155:1. We note that, due to our permitted use of reasonable estimates and assumptions in preparing this pay ratio disclosure, the disclosure may involve a degree of imprecision, and thus this ratio disclosure is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K using the data and assumptions described below.

In accordance with Item 402(u) of Regulation S-K, in calculating our CEO pay ratio for 2019, we do not believe we experienced a change in our employee population or employee compensation arrangements that would significantly impact our pay ratio disclosure, therefore we looked to use the same median employee as we used to calculate the CEO pay ratio for 2018. However, the particular employee we selected in 2018 as our median employee is no longer employed by the Company. As such, and as allowed by SEC rules and regulations, we have used a substitute median employee in calculating our 2019 pay ratio. This substitute employee's compensation is substantially similar to that of the median employee identified in 2018.

In accordance with the foregoing, in 2018 we determined our median employee based on total cash and equity compensation paid to our active employees as of October 1, 2018 for the period beginning on January 1, 2018 and ending on December 31, 2018. We included all full time, part time, seasonal and temporary employees, whether employed domestically or overseas, and whether employed directly or by a consolidated subsidiary. Compensation for employees hired during 2018 was annualized for all employees other than seasonal employees.

Once the median employee was identified, annual total compensation for the employee was calculated using the same methodology used for our NEOs as set forth in the 2019 Summary Compensation Table. Of the employees that were identified as potential median employees, we selected an employee based in the U.S. that was representative of our largest portion of our workforce. Given the different methodologies that various public companies will use to determine an estimate of their pay ratio, the estimated ratio reported above should not be used as a basis for comparison between companies.

MANAGEMENT OWNERSHIP OF SHARES

The following table sets forth certain information regarding ownership of shares of common stock of Lincoln Electric as of December 31, 2019 (except as otherwise indicated) by each of our Directors and NEOs, as well as our Directors and executive officers as a group. Except as otherwise indicated, voting and investment power with respect to shares reported in this table are not shared with others.

RSUs and Performance Shares are generally not reflected in the table as there is no ability to vote or invest the shares attributable to them until they vest. The table includes shares that would be received upon the vesting of RSUs within 60 days of December 31, 2019.

BENEFICIAL OWNERSHIP TABLE		
Directors	Number of Shares of Lincoln Electric Common Stock Beneficially Owned ¹	Percent of Class
Curtis E. Espeland	12,085	*
Patrick P. Goris	552	*
Stephen G. Hanks	22,042	*
Michael F. Hilton	5,313	*
G. Russell Lincoln	272,294 ²	*
Kathryn Jo Lincoln	844,471 ³	1.39%
William E. MacDonald, III	16,849	*
Phillip J. Mason	14,470	*
Ben P. Patel	1,113	*
Hellene S. Runtagh	24,878	*
NEOs		
Christopher L. Mapes	418,814 ⁴	*
Vincent K. Petrella	167,400 ⁵	*
George D. Blankenship	79,471 ⁶	*
Steven B. Hedlund	55,947 ⁷	*
Jennifer I. Ansberry	31,669 ⁸	*
All Directors and Executive Officers as a group [23 persons]	2,210,168 ⁹	3.60%

* Indicates less than 1%

(1) Reported in compliance with the beneficial ownership rules of the SEC, under which a person is deemed to be the beneficial owner of a security, for these purposes, if he or she has, or shares, voting power or investment power over the security or has the right to acquire the security within 60 days of December 31, 2019. With respect to the NEOs and executive officers, the amounts reported do not include any Performance Shares that vested and paid out in March 2020, as the number of Performance Shares to be received by each executive officer was unknown within 60 days of December 31, 2019.

(2) Of the shares reported, Mr. Lincoln held of record 216,464 shares. 1,028 shares held of record by his spouse. The remaining shares were held of record as follows: 35,154 shares by the Laura R. Heath Family Trust for which Mr. Lincoln serves as a trustee; 19,648 shares by The G.R. Lincoln Family Foundation for which Mr. Lincoln serves as a trustee. Mr. Lincoln disclaims beneficial ownership of the shares held by his spouse, the trusts and the Foundation.

- (3) Of the shares reported, 44,194 shares were held of record by a trust established by Ms. Lincoln, under which she has sole investment and voting power. The remaining 800,277 shares were held of record by The Lincoln Institute of Land Policy, of which Ms. Lincoln is the Chair, as to which shares Ms. Lincoln disclaims beneficial ownership. Ms. Lincoln has shared voting and shared investment power on these 800,277 shares.
- (4) Of the shares reported, Mr. Mapes held of record 33,721 shares. Mr. Mapes has or had the right to acquire 385,093 shares upon the exercise of stock options within 60 days of December 31, 2019.
- (5) Of the shares reported, Mr. Petrella held of record 53,359 shares, 39,837 shares of which are held jointly with spouse and 3,296 shares of which are held in the 401(k) Plan. Mr. Petrella has or had the right to acquire 13,135 shares upon the vesting of RSUs within 60 days of December 31, 2019. Mr. Petrella has or had the right to acquire 100,906 shares upon the exercise of stock options within 60 days of December 31, 2019.
- (6) Of the shares reported, Mr. Blankenship held 49,873 shares of record, 2,140 shares of which are held jointly by Mr. Blankenship and his spouse and 6,136 shares of which are held in the 401(k) Plan. Mr. Blankenship has or had the right to acquire 3,240 shares upon the vesting of RSUs within 60 days of December 31, 2019. Mr. Blankenship has or had the right to acquire 26,358 shares upon the exercise of stock options within 60 days of December 31, 2019.
- (7) Of the shares reported, Mr. Hedlund held 12,244 shares of record, 383 shares of which are held in the Stock Purchase Plan, and 2,241 shares of which are held in the 401(k) Plan. Mr. Hedlund has or had the right to acquire 2,745 shares upon the vesting of RSUs within 60 days of December 31, 2019. Mr. Hedlund has or had the right to acquire 40,958 shares upon the exercise of stock options within 60 days of December 31, 2019.
- (8) Of the shares reported, Ms. Ansberry held of record 2,533 shares, 20 shares of which are held jointly with her spouse. Ms. Ansberry has the right to acquire 2,325 shares upon the vesting of RSUs within 60 days of December 31, 2019. Ms. Ansberry has or had the right to acquire 26,811 shares upon the exercise of stock options within 60 days of December 31, 2019.
- (9) Includes 34,020 shares that are RSUs held by all executive officers, as a group, that vest within 60 days of December 31, 2019 and 733,757 shares which all executive officers, as a group, have or had the right to acquire upon the exercise of stock options within 60 days of December 31, 2019.

In addition to the above management holdings, as of December 31, 2019, the 401(k) Plan held 1,133,083 shares of our common stock, or approximately 1.87% of the shares of our common stock outstanding.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information regarding outstanding options and restricted stock units and shares reserved for issuance under our equity compensation plans as of December 31, 2019:

Plan category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights [a] ¹	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights [b] ²	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans [Excluding Securities Reflected In Column [a]] [c] ³
Equity compensation plans approved by security holders	2,029,510	\$71.25	2,699,660
Equity compensation plans not approved by security holders ⁽⁴⁾	—	—	—
Total	2,029,510	—	2,699,660

- (1) The amount shown in column (a) includes the following: nonqualified stock options of 1,318,290; deferred restricted stock units of 132,026; performance-based restricted stock units of 196,130 (assuming payout levels at maximum - as a result, this aggregate reported number may overstate actual dilution); and time-based restricted stock units of 383,064.
- (2) The weighted average exercise price in column (b) includes nonqualified stock options only.
- (3) The amount shown in column (c) represents common shares remaining available under the 2015 Equity and Incentive Compensation Plan ("Employee Plan") and the 2015 Stock Plan for Non-Employee Directors ("2015 Director Plan"). The Employee Plan provides for the granting of options, appreciation rights, restricted shares, restricted stock units and performance-based awards. The 2015 Director Plan provides for the granting of options, restricted shares and restricted stock units. Under the Employee Plan, for any award that is not an Option Right or Appreciation Right, 3.24 common shares are subtracted from the maximum number of common shares available under the plan for every common share issued under the award. For awards of Option Rights or Appreciation Rights, however, only one common share is subtracted from the maximum number of common shares available under the Employee Plan for every common share granted. The amount in the table assumes payout levels at target for performance-based restricted stock units. Under the Director Plan only one common share is subtracted from the maximum number of common shares available for every common share granted.
- (4) The Company does not maintain equity compensation plans that have not been approved by its shareholders.

OTHER OWNERSHIP OF SHARES

Set forth below is information about the number of shares held by any person (including any “group” as that term is used in Section 13(d)(3) of the Exchange Act) known to us to be an owner of more than 5% of the shares of our common stock as of December 31, 2019.



Name and Address of Beneficial Owner	Number of Shares and Nature of Beneficial Ownership	Percent of Class
The Vanguard Group 100 Vanguard Boulevard Malvern, Pennsylvania 19355	6,127,790 ¹	10.11%
BlackRock, Inc. 55 East 52nd Street New York, New York 10055	5,856,865 ²	9.67%
State Street Corporation One Lincoln Street Boston, Massachusetts 02111	3,537,621 ³	5.84%
JPMorgan Chase & Co. 383 Madison Avenue New York, New York 10179	3,226,259 ⁴	5.32%

- (1) According to its Schedule 13G/A filed on February 12, 2020, The Vanguard Group has sole voting power over 33,508 shares, shared voting power over 8,436 shares, sole dispositive power over 6,093,167 shares and shared dispositive power over 34,623 shares. In its Schedule 13G/A filing, The Vanguard Group states that the shares of our common stock reported in the filing were acquired and held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired in connection with or as a participant in any transaction having such purpose or effect, other than activities solely in connection with a nomination under §240.14a-11.
- (2) According to its Schedule 13G/A filed on February 5, 2020, BlackRock, Inc. has sole voting power over 5,634,738 shares and sole dispositive power over 5,856,865 shares. In its Schedule 13G/A filing, BlackRock states that the shares of our common stock reported in the filing were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.
- (3) According to its Schedule 13G filed on February 14, 2020, State Street Corporation has shared voting power over 3,408,001 shares and shared dispositive power over 3,537,621 shares. In its Schedule 13G filing, State Street Corporation states that the shares of our common stock reported in the filing were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of such securities and were not acquired and are not held in connection with or as a participant in any transaction having such purpose or effect.
- (4) According to its Schedule 13G filed on January 24, 2020, JPMorgan Chase & Co. has sole voting power over 3,095,210 shares and sole dispositive power over 3,226,259 shares. In its Schedule 13G filing, JPMorgan Chase & Co. states that the shares of our common stock reported in the filing were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purpose or effect, other than activities solely in connection with a nomination under §240.14a-11.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2019, each of Messrs. MacDonald, Hilton, and Mason and Ms. Lincoln and Ms. Runtagh served on the Compensation and Executive Development Committee. No Compensation and Executive Development Committee member was an employee of Lincoln Electric or any of its subsidiaries, and there were no reportable business relationships between Lincoln Electric and the Compensation and Executive Development Committee members. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of our Compensation and Executive Development Committee. In addition, none of our executive officers serves as a member of the compensation committee of any entity that has one or more of its executive officers serving as a member of our Board.

ANNUAL MEETING PROPOSALS

<p>PROPOSAL 1</p> <p>Election of 11 Directors to Serve until 2021 Annual Meeting</p>	 	<p>The Board recommends a vote FOR all Director Nominees. Our Nominating and Corporate Governance Committee and our Board of Directors have determined that each of the Director nominees possesses the right skills, qualifications and experience to effectively oversee Lincoln Electric's long-term business strategy.</p> <p>See "Proposal 1 - Election of Directors" beginning on page 18 of this Proxy Statement for additional information.</p>
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<p>PROPOSAL 2</p> <p>Ratification of Independent Registered Public Accounting Firm</p>		<p>The Board recommends a vote FOR this proposal. Our Board of Directors recommends that shareholders vote "FOR" the ratification of the appointment Ernst & Young LLP as Lincoln Electric's independent registered public accounting firm for the year ending December 31, 2020.</p>
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Fees for professional services provided by Ernst & Young LLP as our independent auditors in each of the last two fiscal years, in each of the following categories are:

	2019	2018
Audit Fees	\$ 3,034,000	\$ 3,318,000
Audit-Related Fees	60,000	72,000
Tax Fees	180,000	436,000
All Other Fees	—	—
Total Fees	\$ 3,274,000	\$ 3,826,000

Audit Fees include fees associated with the annual integrated audit of the financial statements and internal control over financial reporting in 2019 and 2018, the reviews of our quarterly reports on Form 10-Q, certain statutory audits required for our international subsidiaries and services provided in connection with regulatory filings with the SEC. Audit-Related Fees for 2019 and 2018 primarily relate to audit-related services associated with acquisitions, new accounting pronouncements and other international statutory requirements. Tax Fees include tax compliance and tax advisory services. All Other Fees include the fees billed for products and services provided other than the services reported under Audit Fees, Audit-Related Fees and Tax Fees.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has established a policy regarding pre-approval of all audit and non-audit services performed by our independent auditors, including the scope of and fees for such services. Generally, requests for audit, audit-related and tax services, each as defined in the policy, must be presented for approval prior to the performance of such services, to the extent known at that time. For 2019, the Audit Committee has resolved that four specific categories of services, namely audit services, audit-related services, tax advisory services, and tax compliance services, are permissible without itemized pre-approval in an amount not to exceed for each service:

Pre-Approval Amount	Services
\$200,000	Audit, and Audit-Related services for acquisitions, new accounting pronouncements and other international statutory requirements
\$800,000	Tax Advisory and Tax Compliance services

Itemized detail of all such services performed is subsequently provided to the Audit Committee. In addition, our independent auditors are prohibited from providing certain services described in the policy as prohibited services. All of the fees included in Audit Fees, Audit-Related Fees and Tax Fees shown above were pre-approved by the Audit Committee (or included in the \$200,000 or \$800,000 limits, as applicable, for certain services as detailed above).

Generally, requests for independent auditor services are submitted to the Audit Committee by our Executive Vice President, CFO and Treasurer (or other member of our senior financial management) and our independent auditors for consideration at the Audit Committee's regularly scheduled meetings. Requests for additional services in the categories mentioned above may be approved at subsequent Audit Committee meetings to the extent that none of such services is performed prior to its approval (unless such services are included in the categories of services that fall within the dollar limits detailed above). The Chairman of the Audit Committee is also delegated the authority to approve independent auditor services requests under certain dollar thresholds provided that the pre-approval is reported at the next meeting of the Audit Committee. All requests for independent auditor services must include a description of the services to be provided and the fees for such services.

Representatives of Ernst & Young LLP are expected to be available at the Annual Meeting, will have an opportunity to make a statement if they so desire and are expected to be available to respond to appropriate shareholder questions. Although ratification of the appointment of the independent auditors is not required by law, the Audit Committee and the Board believe that shareholders should be given the opportunity to express their views on the subject. While not binding on the Audit Committee or the Board, the failure of the shareholders to ratify the appointment of Ernst & Young LLP as our independent auditors would be considered by the Board in determining whether or not to continue the engagement of Ernst & Young LLP. Ultimately, the Audit Committee retains full discretion and will make all determinations with respect to the appointment of independent auditors, whether or not our shareholders ratify the appointment.

MAJORITY VOTE NEEDED

Ratification requires the affirmative vote of the majority of the shares of our common stock present or represented and entitled to vote on the matter at the Annual Meeting. Unless otherwise directed, shares represented by proxy will be voted **FOR** ratification of the appointment of Ernst & Young LLP. Abstentions will have the same effect as a vote "against" the proposal.

**YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE
APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM**

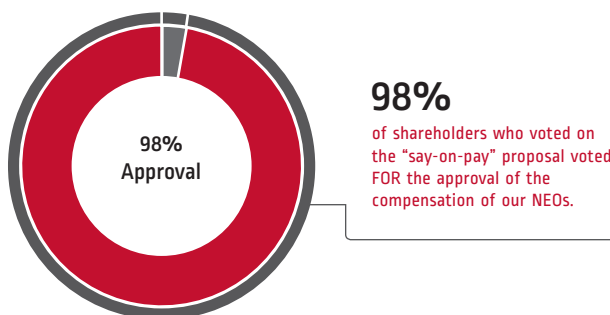
PROPOSAL 3

Approval, on an Advisory Basis, of Named Executive Officer Compensation



The Board recommends a vote **FOR** this proposal. Our Board recommends that shareholders vote “FOR” the approval, on an advisory basis, of the compensation of our named executive officers (NEOs) for 2019.

Say-on-Pay Vote at 2019 Annual Meeting



The Compensation and Executive Development Committee believes that the historically positive say-on-pay shareholder vote reinforces the philosophy and objectives of our executive compensation program. Our next say-on-pay vote will be held at the 2021 Annual Meeting.

Our compensation philosophy is to pay for performance, a philosophy that has been rooted in our history and tradition for 125 years. Our compensation program consists of elements designed to complement one another and focus on both short-term and long-term performance. The Compensation and Executive Development Committee regularly reviews peer group data and best practices and trends related to executive compensation to ensure that our programs are properly aligned with our business strategy and philosophy, as well as promote shareholder value. The Committee receives advice from independent consultants. In addition to the information provided earlier in the CD&A section, we believe shareholders should consider the following in determining whether to approve this proposal:

OUR CULTURE AND PERFORMANCE

To maintain a performance-driven culture, we:

- expect our executives to deliver above-market financial results;
- provide systems that tie executive compensation to superior financial performance;
- take action when needed to address specific business challenges; and
- maintain good governance practices in the design and operation of our executive compensation programs.

We have a long track record of delivering increased value to our shareholders.

PAY FOR PERFORMANCE

In designing our executive compensation programs, a core philosophy is that our executives should be rewarded when they deliver financial results that provide value to our shareholders. Therefore, we have established a program that ties executive compensation to superior financial performance.

We have a balanced pay mix between short-term and long-term incentives:

- **Base Salaries.** Base salaries for our NEOs are generally targeted at the 45th percentile of benchmark data (below market median). For 2019, the average base salary increase for the NEOs was 5.9%.
- **Annual Bonus Awards Are Aligned with Our Performance and Contain a Balanced Mix of Metrics.** The total cash compensation for our NEOs, which includes base pay and the annual bonus (EMIP), is targeted at the 65th percentile of benchmark data (above market median). The EMIP is based on a balance of metrics—both financial and personal—with the financial components based on EBITB and AOWC/Sales for Compensation Purposes and with a mix of consolidated and, if applicable, segment performance. For 2019, annual bonus payments for the NEOs decreased 18%.
- **Performance Share Payouts Were Above Target.** For the 2017-2019 performance cycle, the Performance Shares paid out above target, as a result of ROIC for Compensation Purposes performance above target and Adjusted Net Income for Compensation Purposes performance above threshold.
- **Long-Term Incentives Are Aligned with the Interests of Our Shareholders.** We believe that incentives should be based on factors that deliver long-term sustainability for Lincoln Electric. Therefore, the NEOs receive three types of long-term incentives. The three components are: (1) stock options, (2) RSUs and (3) Performance Shares. Total awards are targeted at the 50th percentile of benchmark data (at market median).

GOOD GOVERNANCE PRACTICES

In addition to our emphasis on pay for performance, we design our programs to be current with best practices and good corporate governance. We also consider the risks associated with any particular program, design or compensation decision. We believe these assessments result in sustained, long-term shareholder value. Some of the governance practices include:

- Officers Are Subject to Stock Ownership Guidelines
- Compensation and Executive Development Committee Receives Regular Updates
- Compensation and Executive Development Committee Retains Independent Advisors
- No Compensation Consultant Conflicts of Interest
- No Multi-Year Guarantees on Compensation
- No Dividends on Unvested RSUs or Performance Shares
- Broad Clawback Policy
- Change in Control Agreements Require a Double-Trigger
- No Tax Gross-Ups
- No Hedging or Pledging of Lincoln Electric stock by officers
- Limited Perquisites

As illustrated above, the Compensation and Executive Development Committee has and will continue to take action to structure our executive compensation program in a manner that is performance-based, current with best practices and good corporate governance and aimed at sustaining long-term shareholder value. The Board believes that the executive compensation disclosed in the CD&A section, tabular disclosures (including the 2019 Summary Compensation Table) and other narrative disclosures in this Proxy Statement aligns with our peer group pay practices and compensation philosophy.

As required under the Dodd-Frank Wall Street Reform and Consumer Protection Act and Section 14A of the Securities Exchange Act of 1934, we are asking you to cast an advisory (non-binding) vote on the following resolution at the Annual Meeting:

RESOLVED, that the compensation awarded to our NEOs, as disclosed pursuant to Item 402 of Regulation S-K in the Compensation Discussion and Analysis and the tabular disclosure (together with the accompanying narrative disclosure) in this Proxy Statement, as required by the rules of the Securities and Exchange Commission, is hereby approved on an advisory basis.

YOUR VOTE MATTERS TO US

As an advisory vote, this proposal is not binding on us. However, the Compensation and Executive Development Committee, which is responsible for designing and administering our executive compensation programs, values the opinions expressed by shareholders in their vote on this proposal and expects to consider the outcome of the vote when making future compensation decisions for NEOs.

MAJORITY VOTE NEEDED

A favorable vote of a majority of the shares of our common stock present or represented by proxy and entitled to vote on the matter is necessary for approval of the proposal. Abstentions will have the same effect as a vote “against” the proposal and broker non-votes will not be counted for determining whether the proposal is approved.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE, FOR APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

AUDIT COMMITTEE REPORT

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

The Audit Committee discussed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with U.S. generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of our accounting principles and such other matters as are required to be discussed with the Audit Committee by the applicable requirements of the Public Company Accounting Oversight Board (the "PCAOB") and the SEC. In addition, the Audit Committee has received and discussed with the independent auditors written disclosures regarding their independence as required by PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*.

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

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2019 for filing with the SEC. The Audit Committee and the Board have also recommended the selection of Ernst & Young LLP as our independent auditors for the year ending December 31, 2020 and the ratification thereof by the shareholders.

By the Audit Committee:
Stephen G. Hanks, Chair
Curtis E. Espeland
Patrick P. Goris
G. Russell Lincoln
Ben P. Patel

FAQS

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

The Board solicits the proxy and the Company pays the solicitation cost. Certain officers and employees may also solicit proxies, but do not receive compensation for these activities. We also reimburse custodians, nominees and fiduciaries for reasonable expenses incurred to forward and obtain proxy materials from beneficial holders.

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

We use "householding" rules to deliver only one set of voting materials (Annual Report, Proxy Statement) to shareholders who share the same address, unless we receive contrary instructions from one or more shareholders at that address. Each shareholder receives a separate proxy card. We will promptly deliver upon request a separate set of proxy materials.

How do I obtain a separate set of proxy materials at no cost?

Send a written notice to the Corporate Secretary at Lincoln Electric Holdings, Inc., 22801 St. Clair Avenue, Cleveland, Ohio 44117-1199.

Who may vote?

Record holders as of the close of business on February 28, 2020 (the record date) are entitled to vote at the Annual Meeting. As of the record date, 60,156,998 shares of our common stock were outstanding and each share is entitled to one vote per proposal brought before the meeting.

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

Holders of at least a majority of the shares of our common stock issued and outstanding on the record date (February 28, 2020) must be present, in person or by proxy, to constitute a quorum.

How do I attend and participate in the Annual Meeting?

Any shareholder of record as of the record date (February 28, 2020) can attend the Annual Meeting online at www.virtualshareholdermeeting.com/LECO2020. The webcast will start at 11:00 a.m. ET. Shareholders may submit pre-meeting questions online by visiting www.proxyvote.com. Questions must be submitted by Monday, April 20, 2020 at 5:00 p.m. ET. You will need your 16-digit control number that is printed on your proxy card or on the instructions that accompanied your proxy materials to access the meeting. Instructions on how to attend the Annual Meeting are posted at www.virtualshareholdermeeting.com/LECO2020. We encourage you to access the meeting prior to the start time to allow ample time to complete the online check-in process.

If you encounter any technical difficulties accessing the virtual meeting during check-in or meeting time, please call the technical support number that will be posted on the Virtual Shareholder Meeting log in page.

Why is the Annual Meeting a virtual, online meeting?

As a part of our precautions regarding COVID-19 (coronavirus), we have decided to hold our Annual Meeting solely online. We believe that hosting a virtual meeting under the current environment will facilitate shareholder attendance and participation by enabling shareholders to participate from any location around the world and improves our ability to communicate more effectively with our shareholders. We have designed the virtual meeting to provide substantially the same opportunities to participate as you would have at an in-person meeting. We are providing opportunities to submit questions prior to the meeting, to enable us to address appropriate questions at the Annual Meeting.

What is the difference between holding shares as a registered shareholder or as a beneficial holder?

- **Registered Shareholders:** If your shares are directly registered in your name with our transfer agent/registrar, you are considered the registered shareholder, or shareholder of record. Proxy materials will be sent directly to you and you may vote during the meeting at www.virtualshareholdermeeting.com/LECO2020, or by telephone, by Internet, or by mail in the envelope provided.

• **Beneficial Holders:** You are a beneficial holder if your shares are held indirectly in a brokerage account, by a trustee, or by another nominee. These entities are considered the shareholder of record and the shares are considered held in “street name.” Proxy materials are sent to the entity and they forward a voting instruction card to you, the beneficial holder. As a beneficial holder, you have the right to direct the entity on how to vote your shares and you may also attend the Annual Meeting. Since you are not the shareholder of record, you may not vote during the meeting unless you obtain a legal proxy from the entity that holds your shares. Please refer to the information your broker, trustee or nominee provided to see what voting options are available to you. If you have not heard from your broker, trustee or nominee, please contact them.

What shares are included on the proxy card?

Shareholder type:	Registered Shareholder & participant in The Lincoln Electric Company Employee Savings Plan (401(k) Plan)	Beneficial Holder with shares held by a broker, trustee or nominee	Both a Registered Shareholder and a Beneficial Holder of shares
Shares included on the proxy card:	All shares registered in your name will be represented (including 401(k) plan shares) Note: If you do not have identical names on your accounts, we cannot consolidate your share information.	You will receive a voting instruction form from your broker, trustee or nominee instructing you on how to vote.	You will receive a proxy card from us and a voting instruction form from your nominee instructing you on how to vote.

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

A broker non-vote occurs when a broker or other nominee does not receive voting instructions from the beneficial holder and is then unable to vote the shares. **If you hold your shares beneficially through a broker, trustee or nominee, you must communicate your voting instructions to them to have your shares voted.** Please note that your nominee cannot vote on your behalf on the election of Directors (Proposal 1) and the approval, on an advisory basis, of NEO compensation (Proposal 3) unless you provide specific voting instructions to them by following the instructions provided to you.

Broker non-votes, as well as abstentions, will be counted to determine whether a quorum is present at the Annual Meeting. Broker non-votes will not be counted when determining votes for a particular proposal (i.e., it will not be considered a vote “cast”).

How do I vote?

Registered Shareholders

Vote during the meeting at www.virtualshareholdermeeting.com/LECO2020 or by proxy in any one of four ways outlined in the Proxy Summary section of this Proxy Statement.

Participants in the 401(k) Plan

The 401(k) Plan’s independent Trustee, Fidelity Management Trust Company, will vote your 401(k) Plan shares according to your voting directions, which you can provide by Internet, telephone or mail. As 401(k) Plan shares are held in a qualified plan, you are not able to vote 401(k) Plan shares during the Annual Meeting. If you do not vote, the Trustee will not vote your plan shares.

Beneficial Holders

If your shares are held by a bank, broker, trustee or some other nominee (in street name), that entity will give you separate voting instructions.

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

Registered Shareholders: Your shares will be voted **FOR** the election of all of the Director nominees, **FOR** the ratification of the appointment of our independent registered public accounting firm, and **FOR** the approval, on an advisory basis, of the compensation of our NEOs.

Beneficial Holders: Your nominee cannot vote your uninstructed shares on non-routine matters such as Proposal 1 (election of Directors) and Proposal 3 (approval, on an advisory basis, of NEO compensation). Your nominee can vote your uninstructed shares on routine matters such as Proposal 2 (ratification of the appointment of our independent registered public accounting firm).

May I revoke my proxy or change my vote?

Registered Shareholders: Yes, you may change or revoke your proxy prior to the closing of the polls in any one of the following FOUR ways:

1. Send a written notice to our Corporate Secretary stating that you want to revoke your proxy;
2. Mail a completed and signed proxy card with a later date (which will automatically revoke the earlier proxy);
3. Vote by telephone or Internet at a later date (which will automatically revoke the earlier proxy); or
4. Vote during the Annual Meeting at www.virtualshareholdermeeting.com/LECO2020. Because 401(k) plan shares are held in a qualified plan, you are not able to revoke or change your vote on 401(k) plan shares at the Annual Meeting.

Beneficial Holders: Check with your broker, trustee or nominee to determine how to change your vote.

Who counts the votes?

Broadridge Financial Solutions, Inc. is the independent agent who receives and tabulates the votes. They are also our inspector of elections at the Annual Meeting.

May I receive future shareholder communications over the Internet?

Registered Shareholders: Yes. Please mark the appropriate box on your proxy card, or follow the prompts if voting by telephone or Internet.

Beneficial Holders: Refer to the information provided by your nominee on how to select future shareholder communications by Internet.

When are shareholder proposals due to be considered for inclusion in next year's Annual Meeting in 2021?

In order to have a shareholder proposal included in Lincoln Electric's proxy materials for the 2021 Annual Meeting, a shareholder proposal must be received in writing by the Corporate Secretary at Lincoln Electric Holdings, Inc., 22801 St. Clair Avenue, Cleveland, Ohio 44117-1199 on or before November 20, 2020.

If shareholders want to present proposals at our 2021 Annual Meeting that are not included in Lincoln Electric's proxy materials, they must comply with the requirements in our Amended and Restated Code of Regulations. These include providing a written notice containing certain information, and such notice must be received no earlier than December 23, 2020 and no later than January 22, 2021. If the Board of Directors chooses to present any information submitted after the applicable deadlines at the 2021 Annual Meeting, then the persons named in proxies solicited by the Board for the 2021 Annual Meeting may exercise discretionary voting power with respect to such information.

May I submit a nomination for Director?

Yes. A shareholder must send a written notice to the Corporate Secretary at Lincoln Electric Holdings, Inc., 22801 St. Clair Avenue, Cleveland, Ohio 44117-1199. The notice must include information about the shareholder and the person he or she intends to nominate, which is required by our Amended and Restated Code of Regulations. Nominations must be received in the Corporate Secretary's Office at least 80 days before the date of the annual meeting at which the nomination is to be made.

If we have not publicly announced the date of the annual meeting more than 90 days prior to the annual meeting date, shareholder nominations would have needed to be received in the Corporate Secretary's Office no later than the close of business on the tenth day following the day on which we publicly announced the date of the annual meeting. For the 2020 Annual Meeting, we had to receive nominations no later than the close of business on February 2, 2020, as we publicly announced the date of this year's Annual Meeting on January 13, 2020, which is more than 90 days prior to this year's Annual Meeting date. Accordingly, no additional nominations can be made for this year's Annual Meeting.

HOW DO I CONTACT LINCOLN ELECTRIC?

FOR GENERAL INFORMATION:

Lincoln Electric Holdings, Inc.
 22801 St. Clair Avenue
 Cleveland, Ohio 44117-1199
 Attention: Amanda Butler,
 Vice President, Investor
 Relations & Communications

TO CONTACT THE DIRECTORS:

Lincoln Electric Holdings, Inc.
 22801 St. Clair Avenue
 Cleveland, Ohio 44117-1199
 Attention: Corporate Secretary

.....

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



Please visit our website at www.lincolnelectric.com for current developments at Lincoln Electric. The information on our website is not incorporated by reference into this Proxy Statement or any of our periodic reports.

APPENDIX A—DEFINITIONS AND NON-GAAP FINANCIAL MEASURES

The discussion of our results in the CD&A and other sections of this Proxy Statement includes reference to our EBIT, EBITB, Adjusted net income, Adjusted diluted earnings per share, Adjusted EBIT, Adjusted operating income, Adjusted operating income margin, Adjusted effective tax rate, Return on Invested Capital (ROIC), Average Operating Working Capital to Sales (AOWC/Sales), 3-year and 5-year Total Shareholder Return (TSR), Organic Sales, Cash Conversion and Free Cash Flow (FCF) performance. Some of these metrics are considered Non-GAAP financial measures, as management uses various GAAP and non-GAAP financial measures in assessing and evaluating our underlying operating performance. Non-GAAP financial measures exclude the impact of special items on our reported financial results. Non-GAAP financial measures should be read in conjunction with the generally accepted accounting principles in the United States (“GAAP”), as non-GAAP measures are a supplement to, and not a replacement for, GAAP financial measures. The following defines the financial and non-GAAP financial measures discussed in the CD&A and other sections of this Proxy Statement. Certain reclassifications have been made to prior year financial statements and financial measures to conform to current year classifications.

ADJUSTED DILUTED EARNINGS PER SHARE

Adjusted Diluted Earnings Per Share is defined as reported Diluted Earnings Per Share excluding certain disclosed special items.

ADJUSTED EBIT

Adjusted EBIT is defined as reported EBIT excluding certain disclosed special items.

ADJUSTED EFFECTIVE TAX RATE

Adjusted Effective Tax Rate is defined as reported Effective Tax Rate excluding the tax effect of certain disclosed special items.

ADJUSTED NET INCOME

Adjusted Net Income is defined as reported Net Income excluding certain disclosed special items.

ADJUSTED NET INCOME FOR COMPENSATION PURPOSES

Adjusted Net Income for Compensation Purposes is defined as reported Net Income excluding certain disclosed special items and other adjustments as approved by the Compensation and Executive Development Committee.

ADJUSTED OPERATING INCOME

Adjusted Operating Income is defined as reported Operating Income excluding certain disclosed special items.

ADJUSTED OPERATING INCOME MARGIN

Adjusted Operating Income Margin is defined as Adjusted Operating Income divided by Net sales.

AOWC/SALES

AOWC/Sales 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.

AOWC/SALES FOR COMPENSATION PURPOSES

AOWC/Sales for Compensation Purposes is defined as the three-month average operating working capital (gross accounts receivable plus gross inventory less trade accounts payable) divided by the rolling twelve-months of sales calculated at budgeted exchange rates and adjusted for the results of businesses acquired during the year.

CASH CONVERSION

Cash Conversion is defined as Free Cash Flow divided by Adjusted Net Income.

EBIT

EBIT is an amount equal to earnings before interest and tax defined as operating income plus Other income (expense).

EBITB

EBITB is an amount equal to earnings before interest, tax and bonus, calculated at budgeted exchange rates and adjusted for special items as determined by management. The adjustments for special items include such items as rationalization charges, certain asset impairment charges, the gains and losses on certain transactions including the disposal of assets and the results of businesses acquired during the year. Adjusted Operating Income is a representative measure of EBITB.

FREE CASH FLOW (FCF)

Free Cash Flow is defined as Net cash provided by operating activities less Capital expenditures.

ORGANIC SALES

Organic Sales is defined as sales excluding the effects of foreign currency and acquisitions.

RETURN ON INVESTED CAPITAL (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 portion, plus Total equity.

RETURN ON INVESTED CAPITAL (ROIC) FOR COMPENSATION PURPOSES

ROIC for Compensation Purposes is calculated by an independent third-party and is adjusted for certain transactions as approved by the Compensation and Executive Development Committee. In 2015, pension settlement charges primarily related to the purchase of a group annuity contract were excluded. In 2016, the ROIC for Compensation Purposes was adjusted to exclude the incremental balance in cash and marketable securities as of December 31, 2016 compared with the December 31, 2013 balance, as well as interest expense, associated with the long-term notes drawn as a result of the execution of our capital allocation strategy.

TOTAL SHAREHOLDER RETURN (TSR)

TSR is an amount equal to the net stock price change for our common stock plus the reinvestment of dividends paid over the prescribed period of time.

ADJUSTED OPERATING INCOME

The following table presents a reconciliation of Operating income as reported to Adjusted operating income for the years ended December 31, 2009 to 2019:

[\$ in thousand]	Year Ended December 31,										
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating income (as reported)	\$370,910	\$375,539	\$376,942	\$283,614	\$324,582	\$367,080	\$413,705	\$376,801	\$305,719	\$200,182	\$115,252
Special items (pre-tax):											
Rationalization and asset impairment charges	15,188	25,285	6,590	—	19,958	30,053	8,463	9,354	282	[384]	29,897
Venezuela deconsolidation and remeasurement losses	—	—	—	34,348	27,214	21,133	12,198	—	—	3,123	—
Bargain purchase gain	—	—	[49,650]	—	—	—	—	—	—	—	—
Gains on asset disposals	[3,045]	—	—	—	—	—	—	—	—	—	—
Acquisition transaction and integration costs	1,804	4,498	15,002	—	—	—	—	—	—	—	—
Amortization of step up in value of acquired inventories	3,008	—	4,578	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	705	1,381	—	—	—
Adjusted operating income	\$387,865	\$405,322	\$353,462	\$317,962	\$371,754	\$418,266	\$435,071	\$387,536	\$306,001	\$202,921	\$145,149
Adjusted operating income margin	12.9%	13.4%	13.5%	14.0%	14.7%	14.9%	15.3%	13.6%	11.4%	9.8%	8.4%

ADJUSTED NET INCOME AND ADJUSTED DILUTED EARNINGS PER SHARE

The following table presents reconciliations of Net income and Diluted earnings per share as reported to Adjusted net income and Adjusted diluted earnings per share for the years ended December 31, 2009 to 2019:

[\$ in thousands except per share amounts]	Year Ended December 31,										
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net income (as reported)	\$293,109	\$287,066	\$247,503	\$198,399	\$127,478	\$254,686	\$293,780	\$257,411	\$217,186	\$130,244	\$48,576
Special items:											
Rationalization and asset impairment charges	15,188	25,285	6,590	—	19,958	30,053	8,463	9,354	282	[384]	29,897
Venezuela deconsolidation and remeasurement losses	—	—	—	34,348	27,214	21,133	12,198	—	—	3,123	—
Pension settlement charges	—	6,686	8,150	—	142,738	—	—	—	—	—	[2,144]
Bargain purchase gain	—	—	[49,650]	—	—	—	—	—	—	—	—
Gains on asset disposals	[3,554]	—	—	—	—	—	—	—	—	—	—
Gain on change in control	[7,601]	—	—	—	—	—	—	—	—	—	—
Acquisition transaction and integration costs	1,804	4,498	15,002	—	—	—	—	—	—	—	—
Amortization of step up in value of acquired inventories	3,008	—	4,578	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	[805]	[363]	1,381	—	1,782	2,877
Tax effect of Special items	[7,386]	[6,896]	20,536	[8,293]	[57,204]	861	[890]	[2,387]	[4,889]	[5,165]	[6,108]
Adjusted net income	\$294,568	\$316,639	\$252,709	\$224,454	\$260,184	\$305,928	\$313,188	\$265,759	\$212,579	\$129,600	\$73,098
Diluted earnings per share (as reported)	\$ 4.68	\$ 4.37	\$ 3.71	\$ 2.91	\$ 1.70	\$ 3.18	\$ 3.54	\$ 3.06	\$ 2.56	\$ 1.53	\$ 0.57
Special items per share	\$ 0.02	\$ 0.45	\$ 0.08	\$ 0.38	\$ 1.78	\$ 0.64	\$ 0.23	\$ 0.10	\$ [0.05]	\$ [0.01]	\$ 0.29
Adjusted diluted earnings per share	\$ 4.70	\$ 4.82	\$ 3.79	\$ 3.29	\$ 3.48	\$ 3.82	\$ 3.77	\$ 3.16	\$ 2.51	\$ 1.52	\$ 0.86

RETURN ON INVESTED CAPITAL (ROIC)

The following table presents calculations of ROIC for the years ended December 31, 2009 to 2019:

[\$ in thousands]	Year Ended December 31,										
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Adjusted net income	\$ 294,568	\$ 316,639	\$ 252,709	\$ 224,454	\$ 260,184	\$ 305,928	\$ 313,188	\$ 265,759	\$ 212,579	\$ 129,600	\$ 73,098
Plus: Interest expense (after-tax)	19,465	18,386	14,947	11,775	13,469	6,439	1,767	2,597	4,164	4,156	5,293
Less: Interest income (after-tax)	1,896	5,206	2,955	1,291	1,675	1,909	2,049	2,471	1,938	1,479	2,150
Adjusted net income before tax effected interest	\$ 312,137	\$ 329,819	\$ 264,701	\$ 234,938	\$ 271,978	\$ 310,458	\$ 312,906	\$ 265,885	\$ 214,805	\$ 132,277	\$ 76,241
Invested capital	\$1,566,348	\$1,590,252	\$1,638,720	\$1,417,799	\$1,287,073	\$1,356,435	\$1,549,775	\$1,378,596	\$1,296,620	\$1,247,183	\$1,209,392
Return on invested capital	19.9%	20.7%	16.2%	16.6%	21.1%	22.9%	20.2%	19.3%	16.6%	10.6%	6.3%

CASH CONVERSION

The following table presents calculations of Cash Conversion for the years ended December 31, 2017 to 2019:

[\$ in thousands]	Year Ended December 31,		
	2019	2018	2017
Cash flow from operations	\$403,185	\$329,152	\$334,845
Less: Capital expenditures	69,615	71,246	61,656
Free Cash Flow	\$333,570	\$257,906	\$273,189
Adjusted net income	\$294,568	\$316,639	\$252,709
Cash Conversion	113%	81%	108%

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2019 FORM 10-K >>

125
YEARS
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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, 2019

or

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

For the transition period from _____ to _____

Commission file number 0-1402

LINCOLN ELECTRIC HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of
incorporation or organization)

22801 St. Clair Avenue, Cleveland, Ohio

(Address of principal executive offices)

34-1860551

(I.R.S. Employer Identification No.)

44117

(Zip Code)

(216) 481-8100

(Registrant's telephone number, including area code)

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

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

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an 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 28, 2019 was \$5,236,546,343 (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, 2020 was 60,364,079.

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 2020 Annual Meeting of Shareholders.

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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. The Company is the world leader in the design, development and manufacture of arc welding products, automated joining, assembly and cutting systems, plasma and oxy-fuel cutting equipment. The Company also has a leading global position in brazing and soldering alloys.

The Company's 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.

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, manufacturing facilities located in the United States, Australia, Brazil, Canada, China, Colombia, 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, 2019 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 Securities and Exchange Commission ("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, financial 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.

In July 2017, the United Kingdom Financial Conduct Authority, which regulates The London Interbank Offered Rate ("LIBOR"), has announced that it intends to phase out LIBOR by the end of 2021. We may need to amend our revolving line of credit and interest rate swap agreements that use LIBOR as a benchmark and we cannot predict what alternative index or other amendments may be negotiated with our counterparties. As a result, the uncertainty regarding the future of LIBOR as well as the transition from LIBOR could have adverse impacts on our financial condition.

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, 2019, we were a co-defendant in cases alleging asbestos induced illness involving claims by approximately 3,233 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: 55,114 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 900 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 or failure to meet contractual performance commitments.

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.

We may incur losses if we do not achieve contractual commitments, including project performance requirements or project schedules. Project performance can be affected by a number of factors, including but not limited to, availability of materials, changes in the project scope of services, environmental conditions or labor disruptions. In addition, our backlog consists of the expected revenue from projects for which we have an executed contract or commitment with a customer. Project cancellations, scope adjustments, deferrals or changes in cost estimates may reduce the dollar amount of revenue and profits that we actually earn.

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 and have an adverse impact on our revenues and 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, data protection and privacy requirements, 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.

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. Like many multinational companies, our systems are subject to regular cyber attacks and other malicious efforts to cause cyber security incidents. To date, these attacks have not had a material impact on our business or operations. However, if as a result of future attacks, our systems are significantly 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. The Company continues to invest in cyber security, including maintaining and improving cyber security resilience, and the Company's cyber security risks are monitored by the Audit Committee of our Board of Directors. Nevertheless, due to the nature of cyber threats, there can be no assurance that our preventive efforts can fully mitigate the risks of all cyber incidents, and a significant 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. INFORMATION ABOUT OUR EXECUTIVE OFFICERS

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Position
Christopher L. Mapes	58	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	59	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	46	Executive Vice President, General Counsel and Secretary since April 20, 2017; Vice President, Deputy General Counsel from August 1, 2014 to April 20, 2017; Deputy General Counsel from 2004 to August 1, 2014.
George D. Blankenship	57	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	52	Executive Vice President, Finance since January 1, 2019; Executive Vice President, Chief Human Resources Officer from July 1, 2016 to January 1, 2019; 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	53	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	53	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.
David J. Nangle	63	Executive Vice President, President, Harris Products Group since July 27, 2018; Senior Vice President, President, Harris Products Group from February 19, 2014 to July 27, 2018; Vice President, Group President of Brazing, Cutting and Retail Subsidiaries from January 12, 2006 to February 19, 2014.
Geoffrey P. Allman	49	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	59	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 February 19, 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.
Douglas S. Lance	52	Senior Vice President, President, Cleveland Operations since September 1, 2016; Senior Vice President, North American Operations from February 19, 2014 to September 1, 2016; Vice President, Operations from January 1, 2012 to February 19, 2014.
Michael Mintun	57	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 19, 2014; Vice President, Sales, North America from January 1, 2008 to January 1, 2013.

Michael J. Whitehead 46 Senior Vice President, President, Global Automation, Cutting and Additive Businesses since January 1, 2019; Senior Vice President, Strategy and Business Development from August 1, 2016 to January 1, 2019; President, Lincoln Canada from January 1, 2015 to August 1, 2016; Director, New Product Development, Consumables R&D from January 1, 2012 to January 1, 2015.

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 59 manufacturing facilities, including operations and joint ventures in 18 countries, the significant locations (grouped by operating segment) of which are as follows:

Americas Welding:

United States	Cleveland, Columbus, 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.
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, 2019, the Company was a co-defendant in cases alleging asbestos induced illness involving claims by approximately 3,233 plaintiffs, which is a net decrease of 50 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: 55,114 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 900 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, 2019 was 1,957.

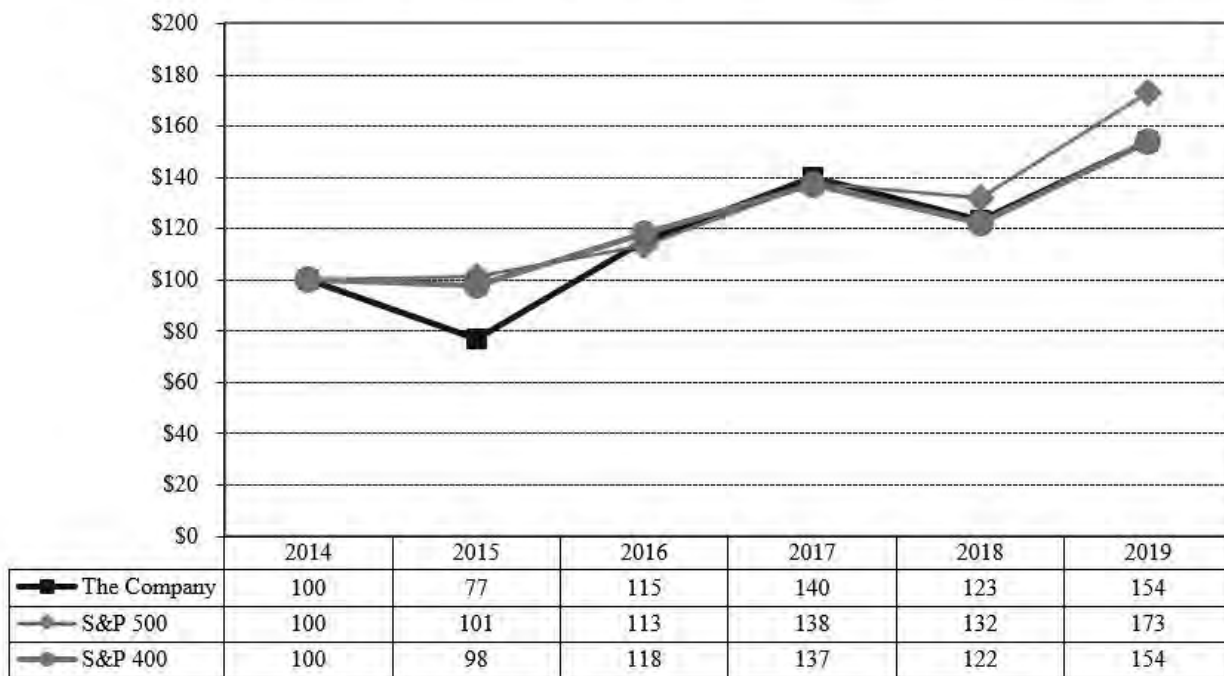
Issuer purchases of equity securities for the fourth quarter 2019 were:

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⁾⁽³⁾
October 1-31, 2019	255 ⁽¹⁾	\$ 86.83	—	3,563,635
November 1-30, 2019	298,353	91.93	298,353	3,265,282
December 1-31, 2019	457,429 ⁽¹⁾	94.66	457,389	2,807,893
Total	<u>756,037</u>	93.58	<u>755,742</u>	

- (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 52.2 million shares at a cost of \$2.2 billion for a weighted average cost of \$41.55 per share through December 31, 2019.
- (3) On February 12, 2020, the Company's Board of Directors authorized a new share repurchase program for up to an additional 10 million shares of the Company's common stock.

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, 2015 and ending December 31, 2019. This graph assumes that \$100 was invested on December 31, 2014 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.

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



ITEM 6. SELECTED FINANCIAL DATA

(Dollars in thousands, except per share amounts)

	Year Ended December 31,				
	2019 ⁽¹⁾	2018 ⁽²⁾	2017 ⁽³⁾	2016 ⁽⁴⁾	2015 ⁽⁵⁾
Net sales	\$ 3,003,272	\$ 3,028,674	\$ 2,624,431	\$ 2,274,614	\$ 2,535,791
Net income	293,109	287,066	247,503	198,399	127,478
Basic earnings per share	4.73	4.42	3.76	2.94	1.72
Diluted earnings per share	4.68	4.37	3.71	2.91	1.70
Cash dividends declared per share	1.90	1.64	1.44	1.31	1.19
Total assets	2,371,213	2,349,825	2,406,547	1,943,437	1,784,171
Long-term debt, less current portion	712,302	702,549	704,136	703,704	350,347

- (1) Results for 2019 include \$15,188 (\$12,275 after-tax) in Rationalization and asset impairment charges, \$1,804 (\$1,565 after-tax) of acquisition transaction and integration costs related to the acquisition of Air Liquide Welding, \$1,399 (\$1,049 after-tax) of amortization of step up in value of acquired inventories in Cost of goods sold related to the acquisition of Baker Industries and \$1,609 of amortization of step up in value of acquired inventories in Cost of goods sold related to the acquisition of Askaynak. Results also include gains of \$7,601 on change in control related to the acquisition of Askaynak and \$3,554 (\$2,586 after-tax) on disposal of assets related to the sale of properties. Results also include \$4,852 in tax benefits in Income taxes for the settlement of a tax item as well as tax deductions associated with an investment in a subsidiary.
- (2) Results for 2018 include \$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 acquisition 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).
- (3) Results for 2017 include charges related to the acquisition of Air Liquide Welding, including \$15,002 (\$11,559 after-tax) of acquisition 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.
- (4) 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.
- (5) 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.

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. The Company is the world leader in the design, development and manufacture of arc welding products, automated joining, assembly and cutting systems, plasma and oxy-fuel cutting equipment. The Company also has a leading global position in brazing and soldering alloys.

The Company's 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.

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, manufacturing facilities located in the United States, Australia, Brazil, Canada, China, Colombia, France, Germany, India, Italy, Mexico, the Netherlands, Poland, Romania, Russia, Spain, Turkey and the United Kingdom.

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.

The discussion that follows includes a comparison of our results of operations, liquidity and capital resources for fiscal years ended December 31, 2019 and 2018. For a comparison of the Company's results of operations, liquidity and capital resources for the fiscal years ended December 31, 2018 and 2017, see Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the SEC on February 27, 2019.

Results of Operations

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

	Year Ended December 31,					
	2019		2018		Favorable (Unfavorable) 2019 vs. 2018	
	Amount	% of Sales	Amount	% of Sales	\$	%
Net sales	\$ 3,003,272		\$ 3,028,674		\$(25,402)	(0.8%)
Cost of goods sold	1,995,685		2,000,153		4,468	0.2%
Gross profit	1,007,587	33.5%	1,028,521	34.0%	(20,934)	(2.0%)
Selling, general & administrative expenses	621,489	20.7%	627,697	20.7%	6,208	1.0%
Rationalization and asset impairment charges	15,188		25,285		10,097	39.9%
Operating income	370,910	12.4%	375,539	12.4%	(4,629)	(1.2%)
Interest expense, net	23,415		17,565		(5,850)	(33.3%)
Other income (expense)	20,998		10,686		10,312	96.5%
Income before income taxes	368,493	12.3%	368,660	12.2%	(167)	—
Income taxes	75,410		81,667		6,257	7.7%
Effective tax rate	20.5%		22.2%		1.7%	
Net income including non-controlling interests	293,083		286,993		6,090	2.1%
Non-controlling interests in subsidiaries' loss	(26)		(73)		47	64.4%
Net income	\$ 293,109	9.8%	\$ 287,066	9.5%	\$ 6,043	2.1%
Diluted earnings per share	\$ 4.68		\$ 4.37		\$ 0.31	

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, 2019 on a consolidated basis:

	Net Sales 2018	Change in Net Sales due to:				Net Sales 2019
		Volume	Acquisitions	Price	Foreign Exchange	
Lincoln Electric Holdings, Inc.	\$ 3,028,674	\$(140,896)	\$ 129,155	\$ 37,716	\$(51,377)	\$ 3,003,272
% Change						
Lincoln Electric Holdings, Inc.		(4.7%)	4.3%	1.2%	(1.7%)	(0.8%)

Net sales decreased primarily as a result of lower organic sales and unfavorable foreign exchange, offset by acquisitions. The increase in Net sales from acquisitions was driven by the acquisitions of Coldwater, Pro Systems, Inovatech and Baker within Americas Welding, Worthington within The Harris Products Group and Askaynak within International Welding. Refer to Note 4 to the consolidated financial statements for details.

Gross Profit:

Gross profit for 2019 decreased, as a percent of sales, compared to the prior year due to product mix, lower volumes and acquisitions. The year ended December 31, 2019 includes a last-in, first-out ("LIFO") credit of \$4,340, as compared with a LIFO charge of \$10,990 in the prior year.

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

The decrease in SG&A expense in 2019 as compared to 2018 was due to lower compensation costs and favorable foreign exchange, offset by higher expense from acquisitions.

Rationalization and Asset Impairment Charges:

In 2019, the Company recorded \$15,188 (\$12,275 after-tax) in charges primarily related to employee severance, asset impairment charges and gains or losses on the disposal of assets.

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.

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

Interest Expense, Net:

The increase in 2019 as compared to 2018 was due to lower interest income in 2019.

Other Income (Expense):

The increase in 2019 as compared to 2018 was primarily due to the gain on change in control of \$7,601 related to the acquisition of Askaynak and lower net periodic pension cost.

Income Taxes:

The 2019 effective tax rate was lower than 2018 primarily due to income tax benefits for the settlement of tax items as well as tax deductions associated with excess tax benefits resulting from exercises of stock based compensation, offset by the geographic mix of earnings and taxes at higher rates in foreign jurisdictions.

Net Income:

As compared to the prior year, reported Net income for 2019 increased primarily due to lower rationalization and asset impairment charges and a gain on change in control related to the acquisition of Askaynak.

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, 2019:

	Net Sales 2018	Change in Net Sales due to:				Net Sales 2019
		Volume ⁽¹⁾	Acquisitions ⁽²⁾	Price ⁽³⁾	Foreign Exchange ⁽⁴⁾	
Operating Segments						
Americas Welding	\$ 1,806,514	\$ (79,285)	\$ 71,062	\$ 25,705	\$ (8,250)	\$1,815,746
International Welding	919,771	(71,509)	37,061	9,159	(40,106)	854,376
The Harris Products Group	302,389	9,898	21,032	2,852	(3,021)	333,150
% Change						
Americas Welding		(4.4%)	3.9%	1.4%	(0.5%)	0.5%
International Welding		(7.8%)	4.0%	1.0%	(4.4%)	(7.1%)
The Harris Products Group		3.3%	7.0%	0.9%	(1.0%)	10.2%

- (1) Decrease for Americas Welding due to softer demand associated with the current economic environment. Decrease for International Welding due to integration activities and softer demand in the European and Asian markets. Increase for The Harris Products Group driven primarily by higher consumables volume.
- (2) Increase due to the acquisition of Coldwater, Pro Systems, Inovatech and Baker within Americas Welding, Worthington within The Harris Products Group and Askaynak within International Welding. Refer to Note 4 to the consolidated financial statements for details.
- (3) Increase for Americas Welding and International Welding segments due to increased product pricing as a result of higher input costs.
- (4) Decrease in the International Welding segment due to a stronger 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,		Favorable (Unfavorable) 2019 vs. 2018	
	2019	2018	\$	%
<i>Americas Welding:</i>				
Net sales	\$ 1,815,746	\$ 1,806,514	\$ 9,232	0.5%
Inter-segment sales	123,342	118,936	4,406	3.7%
Total Sales	<u>\$ 1,939,088</u>	<u>\$ 1,925,450</u>	\$ 13,638	0.7%
Adjusted EBIT ⁽⁴⁾	<u>\$ 315,719</u>	<u>\$ 340,744</u>	\$ (25,025)	(7.3%)
As a percent of total sales ⁽¹⁾	<u>16.3%</u>	<u>17.7%</u>		(1.4%)
<i>International Welding:</i>				
Net sales	\$ 854,376	\$ 919,771	\$ (65,395)	(7.1%)
Inter-segment sales	17,691	18,576	(885)	(4.8%)
Total Sales	<u>\$ 872,067</u>	<u>\$ 938,347</u>	\$ (66,280)	(7.1%)
Adjusted EBIT ⁽⁵⁾	<u>\$ 50,281</u>	<u>\$ 54,273</u>	\$ (3,992)	(7.4%)
As a percent of total sales ⁽²⁾	<u>5.8%</u>	<u>5.8%</u>		—
<i>The Harris Products Group:</i>				
Net sales	\$ 333,150	\$ 302,389	\$ 30,761	10.2%
Inter-segment sales	7,487	6,969	518	7.4%
Total Sales	<u>\$ 340,637</u>	<u>\$ 309,358</u>	\$ 31,279	10.1%
Adjusted EBIT ⁽⁶⁾	<u>\$ 45,701</u>	<u>\$ 36,564</u>	\$ 9,137	25.0%
As a percent of total sales ⁽³⁾	<u>13.4%</u>	<u>11.8%</u>		1.6%
<i>Corporate / Eliminations:</i>				
Inter-segment sales	\$ (148,520)	\$ (144,481)	\$ 4,039	2.8%
Adjusted EBIT ⁽⁷⁾	(10,948)	(8,887)	(2,061)	(23.2%)
<i>Consolidated:</i>				
Net sales	<u>\$ 3,003,272</u>	<u>\$ 3,028,674</u>	\$ (25,402)	(0.8%)
Net income	<u>\$ 293,109</u>	<u>\$ 287,066</u>	\$ 6,043	2.1%
As a percent of total sales	<u>9.8%</u>	<u>9.5%</u>		0.3%
Adjusted EBIT ⁽⁸⁾	<u>\$ 400,753</u>	<u>\$ 422,694</u>	\$ (21,941)	(5.2%)
As a percent of total sales	<u>13.3%</u>	<u>14.0%</u>		(0.7%)

(1) 2019 decrease as compared to 2018 driven by the dilutive impact of recent acquisitions and lower Net sales volumes.

(2) 2019 was flat as compared to 2018 driven by lower compensation costs, partially offset by lower Net sales volumes.

(3) 2019 increase as compared to 2018 driven by consumables volume increases.

(4) 2019 excludes Rationalization and asset impairment charges of \$1,716, as discussed in Note 7 to the consolidated financial statements and the amortization of step up in value of acquired inventories of \$1,399 related to the Baker acquisition.

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

- (5) 2019 excludes Rationalization and asset impairment charges of \$11,702, respectively, related to severance, asset impairments and gains or losses on the disposal of assets as discussed in Note 7 to the consolidated financial statements, the amortization of step up in value of acquired inventories of \$1,609, gains on disposals of assets of \$3,554 and a gain on change in control of \$7,601 related to the Askaynak acquisition.
- 2018 excludes charges of \$25,285 related to employee severance, asset impairments and other related costs.
- (6) 2019 excludes Rationalization and asset impairment charges of \$1,770, as discussed in Note 7 to the consolidated financial statements.
- (7) 2019 and 2018 exclude acquisition transaction and integration costs of \$1,804 and \$4,498, respectively, related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements.
- (8) 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,	
	2019	2018
Operating income as reported	\$ 370,910	\$ 375,539
Special items (pre-tax):		
Rationalization and asset impairment charges ⁽¹⁾	15,188	25,285
Acquisition transaction and integration costs ⁽²⁾	1,804	4,498
Amortization of step up in value of acquired inventories ⁽³⁾	3,008	—
Gains on asset disposals ⁽⁴⁾	(3,045)	—
Adjusted operating income	<u>\$ 387,865</u>	<u>\$ 405,322</u>

- (1) Charges primarily consist of employee severance, gains or losses on the disposal of assets and non-cash asset impairment charges.
- (2) Acquisition-related costs included in Selling, general & administrative expenses related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements.
- (3) Charges represent the step up in value of acquired inventories related to the acquisitions of Baker and Askaynak and are included in Cost of goods sold.
- (4) Gains related to the sale of properties and are primarily included in Cost of goods sold.

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,	
	2019	2018
Net income as reported	\$ 293,109	\$ 287,066
Special items:		
Rationalization and asset impairment charges ⁽¹⁾	15,188	25,285
Acquisition transaction and integration costs ⁽²⁾	1,804	4,498
Pension settlement charges ⁽³⁾	—	6,686
Amortization of step up in value of acquired inventories ⁽⁴⁾	3,008	—
Gains on asset disposals ⁽⁵⁾	(3,554)	—
Gain on change in control ⁽⁶⁾	(7,601)	—
Tax effect of Special items ⁽⁷⁾	(7,386)	(6,896)
Adjusted net income	\$ 294,568	\$ 316,639
Non-controlling interests in subsidiaries' earnings (loss)	\$ (26)	\$ (73)
Interest expense, net	23,415	17,565
Income taxes as reported	75,410	81,667
Tax effect of Special items ⁽⁷⁾	7,386	6,896
Adjusted EBIT	\$ 400,753	\$ 422,694
Effective tax rate as reported	20.5%	22.2 %
Net special item tax impact	1.4%	(0.3%)
Adjusted effective tax rate	21.9%	21.9 %
Diluted earnings per share as reported	\$ 4.68	\$ 4.37
Special items per share	0.02	0.45
Adjusted diluted earnings per share	\$ 4.70	\$ 4.82

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

(3) Charges related to lump sum pension payments.

(4) Charges represent the step up in value of acquired inventories related to the acquisitions of Baker and Askaynak and are included in Cost of goods sold.

(5) Gains related to the sale of properties and are primarily included in Cost of goods sold.

(6) Gain on change in control related to the acquisition of Askaynak and is included in Other income (expense).

(7) Includes the net tax impact of Special items recorded during the respective periods, including tax benefits of \$4,852 for the settlement of a tax item as well as tax deductions associated with an investment in a subsidiary in the year ended December 31, 2019. The prior year includes the net tax impact of Special items recorded during the period, including the net impact of the U.S. Tax Act of \$399.

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
	2019	2018	2019 vs. 2018
Cash provided by operating activities ⁽¹⁾	\$ 403,185	\$ 329,152	\$ 74,033
Cash provided by (used by) investing activities ⁽²⁾	(192,823)	20,841	(213,664)
Capital expenditures	(69,615)	(71,246)	1,631
Acquisition of businesses, net of cash acquired	(134,717)	(101,792)	(32,925)
Purchase of marketable securities, net of proceeds	—	179,124	(179,124)
Cash used by financing activities ⁽³⁾	(371,944)	(302,130)	(69,814)
Purchase of shares for treasury	(292,693)	(201,650)	(91,043)
Cash dividends paid to shareholders	(117,920)	(102,058)	(15,862)
Increase (decrease) in Cash and cash equivalents ⁽⁴⁾	(159,286)	32,148	

- (1) Cash provided by operating activities increased for the twelve months ended December 31, 2019 compared with the twelve months ended December 31, 2018 primarily due to favorable changes in working capital and cash flows from tax payments and receipts.
- (2) Cash used by investing activities increased predominantly due to cash used in the acquisition of businesses in 2019 and net proceeds from marketable securities in 2018. The Company currently anticipates capital expenditures of \$65,000 to \$75,000 in 2020. 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, 2019 compared with the twelve months ended December 31, 2018 due to higher purchases of common shares for treasury.
- (4) Cash and cash equivalents decreased 44.4%, or \$159,286, to \$199,563 during the twelve months ended December 31, 2019, from \$358,849 as of December 31, 2018. The decrease was predominantly due to cash used in the acquisition of businesses, purchases of common shares for treasury and cash dividends paid to shareholders, partially offset by cash provided by operating activities.

The Company paid \$117,920 and \$102,058 in cash dividends to its shareholders in the twelve months ended December 31, 2019 and 2018, respectively, reflecting a 15.5% increase in dividends paid. In January 2020, the Company paid a cash dividend of \$0.49 per share, or \$29,690, to shareholders of record on December 31, 2019.

Working Capital Ratios

	December 31,	
	2019	2018
Average operating working capital to net sales ⁽¹⁾	16.8%	16.5%
Days sales in Inventories	99.9	95.1
Days sales in Accounts receivable	51.4	52.7
Average days in Trade accounts payable	56.0	55.5

- (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, 2019 and 2018, the fair value of long-term debt, including the current portion, was approximately \$721,494 and \$649,714, 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, 2019, 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 14 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, 2019, the Company was in compliance with all of its covenants and had \$23,000 of 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, 2019, 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 \$34,969 at December 31, 2019. Amounts due banks included borrowings on the Credit Agreement and borrowings of subsidiaries at weighted average interest rates of 4.9% at December 31, 2019.

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 as of December 31, were as follows:

Return on Invested Capital	2019	2018
Adjusted net income ⁽¹⁾	\$ 294,568	\$ 316,639
Plus: Interest expense (after-tax)	19,465	18,386
Less: Interest income (after-tax)	1,896	5,206
Net operating profit after taxes	312,137	329,819
Invested capital	1,566,348	1,590,252
Return on invested capital	19.9%	20.7%

(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, 2019 are as follows:

	Payments Due By Period				
	Total	2020	2021 to 2022	2023 to 2024	2025 and Beyond
Long-term debt, including current portion	\$ 710,916	\$ 101	\$ 208	\$ 10,607	\$ 700,000
Interest on long-term debt (Note 9)	351,432	23,293	46,580	46,347	235,212
Operating leases (Note 18)	59,446	15,235	20,275	13,007	10,929
Purchase commitments ⁽¹⁾	194,553	191,446	2,996	111	—
Transition Tax ⁽²⁾ (Note 14)	20,532	3,024	3,024	5,032	9,452
Total	\$ 1,336,879	\$ 233,099	\$ 73,083	\$ 75,104	\$ 955,593

(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, 2019, there were \$14,263 of tax liabilities related to unrecognized tax benefits and a \$29,170 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, 2019 of \$470 for contingent consideration arrangements. The amount of future cash flows associated with these liabilities will be contingent upon actual results of the acquired entities.

Stock-Based Compensation

On April 23, 2015, the shareholders of the Company approved the 2015 Equity and Incentive Compensation Plan ("Employee 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"). 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, 2019, there were 3,017,391 common shares available for future grant under all plans.

Under these plans, options, restricted shares and restricted stock units granted were 372,738 in 2019 and 322,338 in 2018. 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 2019 and 2018.

Total stock-based compensation expense recognized in the Consolidated Statements of Income for 2019 and 2018 was \$16,624 and \$18,554, respectively, with a related tax benefit of \$4,151 and \$4,632, respectively. As of December 31, 2019, total unrecognized stock-based compensation expense related to non-vested stock options, restricted shares and restricted stock units was \$19,817, which is expected to be recognized over a weighted average period of approximately 2 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, 2019 was \$34,138 and \$30,960, respectively. The total intrinsic value of awards exercised during 2019 and 2018 was \$13,964 and \$4,779, 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 2019. 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 maintains liabilities for unrecognized tax benefits related to uncertain income tax positions in various jurisdictions. The Company uses judgment in determining whether the technical merits of tax positions are more-likely-than-not to be sustained. Judgment is also used in measuring the related amount of tax benefit that qualifies for recognition, including the interpretation of applicable tax law, regulation and tax ruling.

Liabilities are settled primarily through the completion of audits within each individual tax jurisdiction or the closing of a statute of limitation. Liabilities can be affected by changes in applicable tax law, regulation, tax ruling or such 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. The Company determined that it would repatriate earnings for certain non-U.S. subsidiaries, which are subject to foreign withholding taxes. 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, 2019, the Company had approximately \$120,696 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, 2019, a valuation allowance of \$71,546 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.

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% at December 31, 2019 and 2018, 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 2019, investment returns were a gain of 18.0% compared with a loss of 3.8% in 2018. A 25 basis point change in the expected return on plan assets would increase or decrease pension expense by approximately \$1,200.

Another significant element in determining the Company's pension expense is the discount rate for plan liabilities. To develop the discount rate assumption, the Company refers to the yield derived from matching projected pension payments with maturities of a portfolio of available non-callable bonds rated AA or an equivalent quality. The Company determined this rate to be 3.0% at December 31, 2019 and 3.8% at December 31, 2018. 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 \$261 and \$3,068 in 2019 and 2018, respectively. Pension expense includes \$266 and \$6,289 in settlement charges in 2019 and 2018, respectively. The Company's defined contribution plan expense was \$24,835 and \$26,477 in 2019 and 2018, respectively. The Company expects total 2020 expense related to retirement plans to decrease by a range of approximately \$1,000 to \$2,000. The decrease is the result of lower interest cost. 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 \$96,080 as of December 31, 2019 and \$111,771 as of December 31, 2018. The decrease is primarily the result of higher investment returns and the amortization of net losses.

The Company does not expect to make significant contributions to the defined benefit plans in 2020.

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 36% and 37% of total inventories at December 31, 2019 and 2018, 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 \$75,292 at December 31, 2019 and \$79,626 at December 31, 2018.

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 or excess earnings method, forms of the income approach supported by observable market data for peer companies. The significant assumptions used to estimate the value of the acquired intangible assets include discount rates and certain assumptions that form the basis of future cash flows (such as revenue growth rates, customer attrition rates, and royalty rates). 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 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.

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. 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. In addition, certain customized automation performance obligations 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.

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 added 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.

Refer to Note 2 to the consolidated financial statements for additional details.

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, 2019 and a 100 basis point increase in effective interest rates at December 31, 2019. The derivative, borrowing and investment arrangements in effect at December 31, 2019 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, 2019, the Company hedged certain third-party and intercompany purchases and sales. The gross notional dollar amount of these foreign exchange contracts at December 31, 2019 was \$59,982. At December 31, 2019, a hypothetical 10% strengthening or weakening in the U.S. dollar would have changed Accumulated other comprehensive income (loss) by \$1,082.

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 dollar amount of these foreign exchange contracts at December 31, 2019 was \$363,820. A hypothetical 10% change in the year-end exchange rates would have resulted in an increase or decrease to Income before income taxes of \$11,379 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.

In addition, the Company has cross currency swaps to hedge the Company's net investment in European subsidiaries against adverse changes in exchange rates. The gross notional dollar value of these contracts is \$50,000 as of December 31, 2019. At December 31, 2019, a hypothetical 10% strengthening or weakening in the U.S. dollar would have changed Accumulated other comprehensive income (loss) by \$5,714.

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 2019.

Interest Rate Risk

At December 31, 2019, the Company had various floating interest rate swaps used to convert \$50,000 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, 2019 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, 2019 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, 2019 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, 2019.

During 2019, the Company completed the acquisitions of Baker Industries Inc. ("Baker") and Kaynak Tekniği Sanayi ve Ticaret A.Ş. ("Askaynak"). The results of operations are included in the Company's consolidated financial statements from the dates of acquisition and constituted 8.8% of consolidated total assets as of December 31, 2019 and 2.2% of consolidated net revenue for the year then ended. As permitted by guidance issued by the Securities and Exchange Commission, the Company has elected to exclude Baker and Askaynak from our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2019.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019 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

Beginning January 1, 2019, the Company implemented ASU 2016-02, Leases ("Topic 842"). The adoption of Topic 842 resulted in changes to processes and control activities related to lease accounting, including the implementation of a supporting information technology application.

In April 2019 and July 2019, the Company acquired Baker and Askaynak, respectively. The acquired businesses operated under their own set of systems and internal controls and the Company is currently maintaining those systems and much of that control environment until it is able to incorporate its processes into the Company's own systems and control environment. The Company expects to complete the incorporation of the acquired businesses operations into the Company's systems and control environment in fiscal year 2020.

There have been no other changes in the Company's internal control over financial reporting that occurred during the fourth quarter of 2019 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 2020 proxy statement pursuant to Regulation 14A of the Exchange Act within 120 days after December 31, 2019.

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 2020 proxy statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the 2020 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 2020 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 2020 proxy statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference from the 2020 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, 2019, 2018 and 2017

Consolidated Statements of Comprehensive Income – Years ended December 31, 2019, 2018 and 2017

Consolidated Balance Sheets – December 31, 2019 and 2018

Consolidated Statements of Equity – Years ended December 31, 2019, 2018 and 2017

Consolidated Statements of Cash Flows – Years ended December 31, 2019, 2018 and 2017

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

<u>Exhibit No.</u>	<u>Description</u>
<u>3.1</u>	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).
<u>3.2</u>	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).
<u>3.3</u>	Amended and Restated Code of Regulations 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).
<u>4.1</u>	Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934, (filed herewith).
<u>10.1</u>	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).
<u>10.2</u>	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).
<u>10.3</u>	Amendment No. 1 to 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, dated July 30, 2019 (filed as Exhibit 10.1 to Form 10-Q of Lincoln Electric Holdings, Inc. for the quarter ended September 30, 2019, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
<u>10.4</u>	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
<u>10.5</u>	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).
<u>10.6</u>	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).
<u>10.7</u>	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).
<u>10.8</u>	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).
<u>10.9</u>	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).
<u>10.10</u>	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).
<u>10.11</u>	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).
<u>10.12*</u>	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).
<u>10.13*</u>	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).
<u>10.14*</u>	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).
<u>10.15*</u>	Non-Employee Directors' Deferred Compensation Plan (Amended and Restated as of January 1, 2019) (filed as Exhibit 10.15 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2018, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
<u>10.16*</u>	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).
<u>10.17*</u>	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).

Exhibit No.	Description
<u>10.18*</u>	The Lincoln Electric Company Employee Savings Plan As Amended and Restated Effective January 1, 2019 (filed as Exhibit 10.20 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2018, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
<u>10.19*</u>	Amendment No. 1 to The Lincoln Electric Company Employee Savings Plan As Amended and Restated Effective January 1, 2019, dated July 1, 2019 (filed as Exhibit 10.1 to Form 10-Q of Lincoln Electric Holdings, Inc. for the quarter ended June 30, 2019, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
<u>10.20*</u>	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).
<u>10.21*</u>	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).
<u>10.22*</u>	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).
<u>10.23*</u>	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).
<u>10.24*</u>	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).
<u>10.25*</u>	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).
<u>10.26*</u>	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).
<u>10.27*</u>	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).
<u>10.28*</u>	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).
<u>10.29*</u>	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).
<u>10.30*</u>	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).
<u>10.31*</u>	Form of Restricted Stock Unit Agreement for Non-Employee Directors (filed as Exhibit 10.32 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2018, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
<u>10.32*</u>	Form of Restricted Stock Unit Agreement for Non-Employee Directors (filed herewith).
<u>10.33*</u>	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).
<u>10.34*</u>	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).
<u>10.35*</u>	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).
<u>10.36*</u>	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).

Exhibit No.	Description
<u>10.37*</u>	Form of Stock Option Agreement for Executive Officers (filed as Exhibit 10.37 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2018, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
<u>10.38*</u>	Form of Stock Option Agreement for Executive Officers (filed herewith).
<u>10.39*</u>	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).
<u>10.40*</u>	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).
<u>10.41*</u>	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).
<u>10.42*</u>	Form of Restricted Stock Unit Agreement for Executive Officers (filed as Exhibit 10.41 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2018, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
<u>10.43*</u>	Form of Restricted Stock Unit Agreement for Executive Officers (filed herewith).
<u>10.44*</u>	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).
<u>10.45*</u>	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).
<u>10.46*</u>	Form of Performance Share Award Agreement for Executive Officers (filed as Exhibit 10.44 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2018, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
<u>10.47*</u>	Form of Performance Share Award Agreement for Executive Officers (filed herewith).
<u>10.48*</u>	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).
<u>10.49*</u>	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).
<u>21</u>	Subsidiaries of the Registrant (filed herewith).
<u>23</u>	Consent of Independent Registered Public Accounting Firm (filed herewith).
<u>24</u>	Powers of Attorney (filed herewith).
<u>31.1</u>	Certification by the Chairman, President and Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 (filed herewith).
<u>31.2</u>	Certification by the Executive Vice President, Chief Financial Officer and Treasurer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 (filed herewith).
<u>32.1</u>	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover page Interactive Data File (embedded within the Inline XBRL document)

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

ITEM 16. FORM 10-K SUMMARY

None.

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/ Gabriel Bruno

Gabriel Bruno
Executive Vice President, Finance
(principal accounting officer)
February 27, 2020

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, 2020

/s/ Vincent K. Petrella

Vincent K. Petrella,
Executive Vice President, Chief Financial Officer and
Treasurer
(principal financial officer)
February 27, 2020

/s/ Gabriel Bruno

Gabriel Bruno,
Executive Vice President, Finance
(principal accounting officer)
February 27, 2020

/s/ Gabriel Bruno

Gabriel Bruno as
Attorney-in-Fact for
Curtis E. Espeland, Director
February 27, 2020

/s/ Gabriel Bruno

Gabriel Bruno as
Attorney-in-Fact for
Patrick P. Goris, Director
February 27, 2020

/s/ Gabriel Bruno

Gabriel Bruno as
Attorney-in-Fact for
Stephen G. Hanks, Director
February 27, 2020

/s/ Gabriel Bruno

Gabriel Bruno as
Attorney-in-Fact for
Michael F. Hilton, Director
February 27, 2020

/s/ Gabriel Bruno

Gabriel Bruno as
Attorney-in-Fact for
G. Russell Lincoln, Director
February 27, 2020

/s/ Gabriel Bruno

Gabriel Bruno as
Attorney-in-Fact for
Kathryn Jo Lincoln, Director
February 27, 2020

/s/ Gabriel Bruno

Gabriel Bruno as
Attorney-in-Fact for
William E. MacDonald, III, Director
February 27, 2020

/s/ Gabriel Bruno

Gabriel Bruno as
Attorney-in-Fact for
Phillip J. Mason, Director
February 27, 2020

/s/ Gabriel Bruno

Gabriel Bruno as
Attorney-in-Fact for
Ben Patel, Director
February 27, 2020

/s/ Gabriel Bruno

Gabriel Bruno as
Attorney-in-Fact for
Hellene S. Runtagh, Director
February 27, 2020

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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, 2019 and 2018, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and the financial statement schedule listed in the Index at 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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, 2020 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 U.S. 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of acquired intangible assets

Description of the Matter

As described in Note 4 to the consolidated financial statements, the Company completed the acquisitions of Baker Industries, Inc. (Baker) and the controlling stake of Kaynak Tekniği Sanayi ve Ticaret A.Ş. (Askaynak) during the year ended December 31, 2019. The Company's accounting for the acquisitions included determining the fair value of the intangible assets acquired, which primarily included trademarks and trade names, and customer relationships.

Auditing the Company's valuation of acquired intangible assets of Baker and Askaynak was complex due to the significant estimation required by management to determine the fair value of intangible assets. The significant estimation uncertainty was primarily due to the sensitivity of the respective fair values to the significant underlying assumptions utilized in the measurement of the fair value. Management values acquired intangible assets using the relief from royalty method or excess earnings method, forms of the income approach. The significant assumptions used to estimate the value of the acquired intangible assets include discount rates and certain assumptions that form the basis of future cash flows (such as revenue growth rates, customer attrition rates, and royalty rates). These assumptions relate to the future performance of the acquired businesses, are forward-looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process for accounting for acquired intangible assets. For example, we tested controls over management's review of the valuation of intangible assets, including the review of the valuation model and significant assumptions used in the valuation.

To test the fair value of these acquired intangible assets, we performed audit procedures that included, among others, assessing the methodologies, testing the significant assumptions described above, and testing the completeness and accuracy of the underlying data. For example, we compared the significant assumptions to current industry, market and economic trends, historical results of the acquired businesses and to other relevant factors. We utilized internal valuation specialists in assessing the fair value methodologies applied and evaluating the reasonableness of certain assumptions selected by management. We also performed sensitivity analyses of the significant assumptions to evaluate the change in the fair value resulting from changes in the assumptions. Furthermore, we assessed the appropriateness of the disclosures in the consolidated financial statements regarding the acquisitions.

Uncertain tax positions

Description of the Matter

As disclosed in Note 14 to the consolidated financial statements, the Company operates in a multinational tax environment and is subject to laws and regulations in various jurisdictions, including U.S. federal, various U.S. state and non-U.S. jurisdictions. Uncertain tax positions may arise from interpretations and judgments made by the Company in the application of the relevant laws, regulations and tax rulings. The Company uses judgment in (1) determining whether the technical merits of tax positions in certain jurisdictions are more-likely-than-not to be sustained and (2) measuring the related amount of tax benefit that qualifies for recognition.

Auditing the tax positions related to certain jurisdictions was complex because the recognition and measurement of the tax positions is judgmental and is based on interpretations of laws, regulations and tax rulings.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process to assess the technical merits of certain tax positions and controls over the Company's process for accounting for uncertain tax positions. For example, our procedures included testing the Company's controls to determine the application of the relevant laws, regulations and tax rulings, including management's process to recognize and measure the related tax positions.

In testing the recognition and measurement of income tax positions, we involved tax professionals to assist in assessing the technical merits of the Company's tax positions. In addition, we used our knowledge of and experience with the application of domestic and international income tax laws by the relevant tax authorities to evaluate the Company's accounting for those tax positions. We also assessed the Company's assumptions and data used to support the measurement of the related tax positions and tested the accuracy of the calculations. Lastly, we evaluated the Company's income tax disclosures related to the Company's uncertain tax positions.

/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, 2020

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, 2019, 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, 2019, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the operations acquired from Baker Industries, Inc. (Baker) and Kaynak Tekniği Sanayi ve Ticaret A.Ş. (Askaynak), which are included in the 2019 consolidated financial statements of the Company and constituted 8.8% of consolidated total assets as of December 31, 2019 and 2.2% of consolidated net revenue for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of the operations acquired from Baker and Askaynak.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2019 consolidated financial statements of the Company and our report dated February 27, 2020 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, 2020

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

	Year Ended December 31,		
	2019	2018	2017
Net sales	\$ 3,003,272	\$ 3,028,674	\$ 2,624,431
Cost of goods sold	1,995,685	2,000,153	1,749,324
Gross profit	1,007,587	1,028,521	875,107
Selling, general & administrative expenses	621,489	627,697	541,225
Rationalization and asset impairment charges (Notes 5 and 7)	15,188	25,285	6,590
Bargain purchase gain (Note 4)	—	—	(49,650)
Operating income	370,910	375,539	376,942
Interest expense, net	23,415	17,565	19,432
Other income (expense) (Note 13)	20,998	10,686	8,726
Income before income taxes	368,493	368,660	366,236
Income taxes (Note 14)	75,410	81,667	118,761
Net income including non-controlling interests	293,083	286,993	247,475
Non-controlling interests in subsidiaries' loss	(26)	(73)	(28)
Net income	<u>\$ 293,109</u>	<u>\$ 287,066</u>	<u>\$ 247,503</u>
Basic earnings per share (Note 3)	<u>\$ 4.73</u>	<u>\$ 4.42</u>	<u>\$ 3.76</u>
Diluted earnings per share (Note 3)	<u>\$ 4.68</u>	<u>\$ 4.37</u>	<u>\$ 3.71</u>
Cash dividends declared per share	<u>\$ 1.90</u>	<u>\$ 1.64</u>	<u>\$ 1.44</u>

See notes to these consolidated financial statements.

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

	Year Ended December 31,		
	2019	2018	2017
Net income including non-controlling interests	\$ 293,083	\$ 286,993	\$ 247,475
Other comprehensive income (loss), net of tax:			
Unrealized (loss) gain on derivatives designated and qualifying as cash flow hedges, net of tax of \$(58) in 2019; \$346 in 2018; \$17 in 2017	(68)	819	288
Defined pension plan activity, net of tax of \$4,188 in 2019; \$1,691 in 2018; \$19,252 in 2017	11,503	3,228	10,662
Currency translation adjustment	6,735	(50,693)	71,016
Other comprehensive income (loss)	18,170	(46,646)	81,966
Comprehensive income	311,253	240,347	329,441
Comprehensive income (loss) attributable to non-controlling interests	255	(166)	87
Comprehensive income attributable to shareholders	<u>\$ 310,998</u>	<u>\$ 240,513</u>	<u>\$ 329,354</u>

See notes to these consolidated financial statements.

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

	December 31,	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 199,563	\$ 358,849
Accounts receivable (less allowance for doubtful accounts of \$16,002 in 2019; \$12,827 in 2018)	374,649	396,885
Inventories, net (Note 17)	393,748	361,829
Other current assets	107,621	120,236
Total Current Assets	1,075,581	1,237,799
Property, plant and equipment, net (Note 1)	529,344	478,801
Intangibles, net (Note 5)	177,798	147,946
Goodwill (Note 5)	337,107	281,294
Deferred income taxes (Note 14)	14,275	20,395
Other assets	237,108	183,590
TOTAL ASSETS	\$ 2,371,213	\$ 2,349,825
LIABILITIES AND EQUITY		
Current Liabilities		
Amounts due banks (Note 9)	\$ 34,857	\$ —
Trade accounts payable	273,002	268,600
Accrued employee compensation and benefits	83,033	94,202
Dividends payable	29,690	29,867
Other current liabilities	142,441	145,402
Current portion of long-term debt (Note 9)	112	111
Total Current Liabilities	563,135	538,182
Long-term debt, less current portion (Note 9)	712,302	702,549
Deferred income taxes (Note 14)	64,286	45,985
Other liabilities	212,413	175,517
Total Liabilities	1,552,136	1,462,233
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 2019 and 2018; outstanding – 60,592,096 shares in 2019 and 63,545,878 shares in 2018	9,858	9,858
Additional paid-in capital	389,446	360,308
Retained earnings	2,736,481	2,564,440
Accumulated other comprehensive loss	(275,850)	(293,739)
Treasury shares, at cost – 37,989,338 shares in 2019 and 35,035,556 shares in 2018	(2,041,763)	(1,753,925)
Total Shareholders' Equity	818,172	886,942
Non-controlling interests	905	650
Total Equity	819,077	887,592
TOTAL LIABILITIES AND EQUITY	\$ 2,371,213	\$ 2,349,825

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, 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				(95,355)	70,901		115	71,016
Cash dividends declared – \$1.44 per share						4,433		(95,355)
Stock-based compensation activity	470		24,892					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				(106,802)	(50,600)		(93)	(50,693)
Cash dividends declared – \$1.64 per share						1,288		(106,802)
Stock-based compensation activity	158		21,956					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
Net income				293,109			(26)	293,083
Unrecognized amounts from defined benefit pension plans, net of tax					11,503			11,503
Unrealized loss on derivatives designated and qualifying as cash flow hedges, net of tax					(68)			(68)
Currency translation adjustment					6,454		281	6,735
Cash dividends declared – \$1.90 per share								(117,950)
Stock-based compensation activity	467		26,116					30,971
Purchase of shares for treasury	(3,421)					(292,693)		(292,693)
Other			3,022	(3,118)				(96)
Balance at December 31, 2019	60,592	9,858	389,446	2,736,481	(275,850)	(2,041,763)	905	819,077

See notes to these consolidated financial statements.

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

	Year Ended December 31,		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 293,109	\$ 287,066	\$ 247,503
Non-controlling interests in subsidiaries' loss	(26)	(73)	(28)
Net income including non-controlling interests	293,083	286,993	247,475
Adjustments to reconcile Net income including non-controlling interests to Net cash provided by operating activities:			
Rationalization and asset impairment net charges (gains) (Notes 5 and 7)	3,500	(5,978)	1,441
Bargain purchase gain (Note 4)	—	—	(49,650)
Net impact of U.S. Tax Act (Note 14)	—	399	28,616
Depreciation and amortization	81,487	72,346	68,115
Equity earnings in affiliates, net	(1,427)	(3,034)	(337)
Deferred income taxes (Note 14)	13,019	1,490	4,058
Stock-based compensation (Note 10)	16,624	18,554	12,698
Pension expense, settlements and curtailments (Note 12)	261	3,068	2,517
Gain on change in control	(7,601)	—	—
Other, net	(8,416)	(11,002)	1,402
Changes in operating assets and liabilities, net of effects from acquisitions:			
Decrease (increase) in accounts receivable	50,394	(4,061)	(16,811)
(Increase) decrease in inventories	(12,023)	(23,904)	19,448
Decrease (increase) in other current assets	14,269	1,324	(8,143)
(Decrease) increase in trade accounts payable	(8,339)	3,636	17,871
Decrease in other current liabilities	(31,223)	(13,657)	(13)
Net change in other assets and liabilities	(423)	2,978	6,158
NET CASH PROVIDED BY OPERATING ACTIVITIES	403,185	329,152	334,845
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(69,615)	(71,246)	(61,656)
Acquisition of businesses, net of cash acquired (Note 4)	(134,717)	(101,792)	(72,468)
Proceeds from sale of property, plant and equipment	9,509	16,755	2,301
Purchase of marketable securities	—	(268,335)	(205,584)
Proceeds from marketable securities	—	447,459	65,380
Other investing activities	2,000	(2,000)	—
NET CASH (USED BY) PROVIDED BY INVESTING ACTIVITIES	(192,823)	20,841	(272,027)
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts due banks, net	24,429	(835)	(491)
Proceeds from long-term borrowings	—	—	34
Payments on long-term borrowings	(107)	(107)	(39)
Proceeds from exercise of stock options	14,347	4,690	16,627
Purchase of shares for treasury	(292,693)	(201,650)	(43,164)
Cash dividends paid to shareholders	(117,920)	(102,058)	(92,452)
Other financing activities	—	(2,170)	(15,552)
NET CASH USED BY FINANCING ACTIVITIES	(371,944)	(302,130)	(135,037)
Effect of exchange rate changes on cash and cash equivalents	2,296	(15,715)	19,741
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(159,286)	32,148	(52,478)
Cash and cash equivalents at beginning of year	358,849	326,701	379,179
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 199,563	\$ 358,849	\$ 326,701

See notes to these consolidated financial statements.

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share amounts)

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 the world leader in the design, development and manufacture of arc welding products, automated joining, assembly and cutting systems, plasma and oxy-fuel cutting equipment. The Company also has a leading global position in brazing and soldering alloys.

The Company's 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.

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 \$5,291, \$4,885 and \$5,654 in 2019, 2018 and 2017, respectively.

Cash Equivalents

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

Accounts Receivable

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

Inventories

Inventories are valued at the lower of cost or net realizable value. Fixed manufacturing overhead costs are allocated to inventory based on normal production capacity and abnormal manufacturing costs are recognized as period costs. Cost for a substantial portion of U.S. inventories is determined on a last-in, first-out ("LIFO") basis. At December 31, 2019 and 2018, approximately 36% and 37% 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 \$24,088 and \$24,502 at December 31, 2019 and 2018, respectively.

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

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 \$17,437 and \$17,078 at December 31, 2019 and 2018, 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 at December 31, 2018. During July 2019, the Company acquired the controlling stake of its equity investment in Kaynak Tekniği Sanayi ve Ticaret A.Ş. ("Askaynak"), located in Turkey. The financial statements of Askaynak were consolidated into the Company at that time. The amount of retained earnings that represents undistributed earnings of the Company's equity investments was \$2,581 and \$22,704 at December 31, 2019 and 2018, 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 3 years 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,	
	2019	2018
Land	\$ 71,676	\$ 61,784
Buildings	427,165	414,698
Machinery and equipment	856,272	781,136
	1,355,113	1,257,618
Less accumulated depreciation	825,769	778,817
Total	\$ 529,344	\$ 478,801

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.

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

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 3 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. 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. In addition, certain customized automation performance obligations 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.

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 added 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

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

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.

Refer to Note 2 to the consolidated financial statements for additional details.

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 3 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

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

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 \$56,845, \$54,168 and \$47,899 in 2019, 2018 and 2017, 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 \$100,381, \$123,799 and \$97,392 in 2019, 2018 and 2017, 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.

The Company maintains liabilities for unrecognized tax benefits related to uncertain income tax positions in various jurisdictions. The Company uses judgment in determining whether the technical merits of tax positions are more-likely-than-not to be sustained. Judgment is also used in measuring the related amount of tax benefit that qualifies for recognition, including the interpretation of applicable tax law, regulation and tax ruling.

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 elects to treat any Global Intangible Low-Taxed Income ("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 or excess earnings method, forms of the income approach supported by observable market data for peer companies. The significant assumptions used to estimate the value of the acquired intangible assets include discount rates and certain assumptions that form the basis of future cash flows (such as revenue growth rates, customer attrition rates, and royalty rates). 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.

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

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, 2019 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. 2018-02, <i>Income Statement - Reporting Comprehensive Income (Topic 220)</i> , 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 Cuts and Jobs Act (the "U.S. Tax Act"). The ASU only applies to the income tax effects of the U.S. Tax Act; all other existing guidance remains the same. The Company has elected not to reclassify the income tax effects of the U.S. Tax Act from Accumulated other comprehensive loss to Retained earnings.
ASU No. 2016-02, <i>Leases (Topic 842)</i> , 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 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. Refer to Note 18 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, <i>Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20)</i> , 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.
ASU No. 2018-13, <i>Fair Value Measurement (Topic 944)</i> , 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.
ASU No. 2016-13, <i>Financial Instruments - Credit Losses (Topic 326)</i> , issued June 2016.	ASU 2016-13 modifies disclosure and measurement requirements related to credit losses. The ASU impacts various financial instruments, including but not limited to, trade receivables. Topic 326 requires that an entity estimate impairment of trade receivables based on expected losses rather than incurred losses. The ASU is effective January 1, 2020.
ASU No. 2019-12, <i>Income Taxes (Topic 740)</i> , issued December 2019.	ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The ASU is effective January 1, 2021 and early adoption is permitted.

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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NOTE 2 — REVENUE RECOGNITION

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

	Year Ended December 31,	
	2019	2018
Consumables	\$ 1,715,002	\$ 1,755,652
Equipment	1,288,270	1,273,022
Net sales	<u>\$ 3,003,272</u>	<u>\$ 3,028,674</u>

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, automated joining, assembly and cutting 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.

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.

At December 31, 2019, the Company recorded \$16,040 related to advance customer payments and \$16,274 related to billings in excess of revenue recognized. These contract liabilities are included in Other current liabilities in the Consolidated Balance Sheets. At December 31, 2018, the balances related to advance customer payments and billings in excess of revenue recognized were \$17,023 and \$17,013, 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, 2019 and 2018, \$33,566 and \$25,032, respectively, related to these future customer receivables was included in Other current assets in the 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,		
	2019	2018	2017
Numerator:			
Net income	\$ 293,109	\$ 287,066	\$ 247,503
Denominator:			
Basic weighted average shares outstanding	61,960	64,886	65,739
Effect of dilutive securities - Stock options and awards	698	796	904
Diluted weighted average shares outstanding	<u>62,658</u>	<u>65,682</u>	<u>66,643</u>
Basic earnings per share	<u>\$ 4.73</u>	<u>\$ 4.42</u>	<u>\$ 3.76</u>
Diluted earnings per share	<u>\$ 4.68</u>	<u>\$ 4.37</u>	<u>\$ 3.71</u>

For the years ended December 31, 2019, 2018 and 2017, common shares subject to equity-based awards of 524,110, 324,688 and 157,033, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

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NOTE 4 – ACQUISITIONS

During July 2019, the Company acquired the controlling stake in Askaynak. Askaynak, based in Turkey, is a supplier and manufacturer of welding consumables, arc welding equipment, including plasma and oxy-fuel cutting equipment and robotic welding systems. The acquisition advances the Company's regional growth strategy in Europe, the Middle East and Africa.

During April 2019, the Company acquired Baker Industries, Inc. ("Baker"). Baker, based in Detroit, Michigan, is a provider of custom tooling, parts and fixtures primarily serving automotive and aerospace markets. The acquisition compliments the Company's automation portfolio and its metal additive manufacturing service business.

During December 2018, the Company acquired the soldering business of Worthington Industries ("Worthington"). The Worthington business, based in Winston Salem, North Carolina, broadened 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 accelerated growth and expanded 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 scaled the Company's 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. 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).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

(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 2019, 2018 and 2017, the Company recognized \$1,804, \$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.

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, 2019 and 2018 were as follows:

	Americas Welding	International Welding	The Harris Products Group	Consolidated
Balance as of December 31, 2017	\$ 197,259	\$ 25,667	\$ 11,656	\$ 234,582
Additions and adjustments ⁽¹⁾	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
Additions and adjustments ⁽²⁾	37,346	17,254	(613)	53,987
Foreign currency translation	1,935	(28)	(81)	1,826
Balance as of December 31, 2019	<u>\$ 278,496</u>	<u>\$ 41,474</u>	<u>\$ 17,137</u>	<u>\$ 337,107</u>

(1) 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.

(2) Additions to Americas Welding reflect goodwill recognized in the acquisition of Baker in 2019. Additions to International Welding reflect goodwill recognized in the acquisition of Askaynak in 2019.

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

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

	December 31, 2019		December 31, 2018	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangible assets not subject to amortization				
Trademarks and trade names	\$ 22,020		\$ 23,385	
Intangible assets subject to amortization				
Trademarks and trade names	\$ 65,957	\$ 31,284	\$ 50,458	\$ 26,357
Customer relationships	140,198	62,242	113,837	52,518
Patents	25,931	13,633	26,848	13,307
Other	70,463	39,612	60,373	34,773
Total intangible assets subject to amortization	\$ 302,549	\$ 146,771	\$ 251,516	\$ 126,955

During 2019, 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, 2019	
	Purchase Price Allocation	Weighted Average Life
Acquired intangible assets subject to amortization		
Trademarks and trade names	14,500	9
Customer relationships	27,600	10
Other	7,970	9
Total acquired intangible assets subject to amortization	50,070	

Aggregate amortization expense was \$20,755, \$15,744 and \$15,671 for 2019, 2018 and 2017, respectively. Estimated annual amortization expense for intangible assets for each of the next five years is \$22,002 in 2020, \$21,191 in 2021, \$20,267 in 2022, \$18,247 in 2023 and \$15,740 in 2024.

NOTE 6 – SEGMENT INFORMATION

The Company's primary business is the design, development and manufacture of arc welding products, automated joining, assembly and cutting systems, plasma and oxy-fuel cutting equipment. The Company also has a leading global position in brazing and soldering alloys.

The Company's 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.

The Company has aligned 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 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.

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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, 2019, 2018 and 2017 approximately 36%, 37% and 32%, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Financial information for the reportable segments follows:

	Americas Welding ⁽¹⁾	International Welding ⁽²⁾	The Harris Products Group ⁽³⁾	Corporate / Eliminations ⁽⁴⁾	Consolidated
For the Year Ended December 31, 2019					
Net sales	\$ 1,815,746	\$ 854,376	\$ 333,150	\$ —	\$ 3,003,272
Inter-segment sales	123,342	17,691	7,487	(148,520)	\$ —
Total	<u>\$ 1,939,088</u>	<u>\$ 872,067</u>	<u>\$ 340,637</u>	<u>\$ (148,520)</u>	<u>\$ 3,003,272</u>
Adjusted EBIT	\$ 315,719	\$ 50,281	\$ 45,701	\$ (10,948)	\$ 400,753
Special items charge (gain)	3,115	2,156	1,770	1,804	\$ 8,845
EBIT	<u>\$ 312,604</u>	<u>\$ 48,125</u>	<u>\$ 43,931</u>	<u>\$ (12,752)</u>	<u>\$ 391,908</u>
Interest income					2,527
Interest expense					(25,942)
Income before income taxes					<u>\$ 368,493</u>
Total assets	\$ 1,490,395	\$ 831,759	\$ 203,602	\$ (154,543)	\$ 2,371,213
Equity investments in affiliates	4,274	—	—	—	\$ 4,274
Capital expenditures	39,106	23,126	7,383	—	\$ 69,615
Depreciation and amortization	55,300	22,013	4,636	(462)	\$ 81,487
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	<u>\$ 1,925,450</u>	<u>\$ 938,347</u>	<u>\$ 309,358</u>	<u>\$ (144,481)</u>	<u>\$ 3,028,674</u>
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	<u>\$ 334,058</u>	<u>\$ 28,988</u>	<u>\$ 36,564</u>	<u>\$ (13,385)</u>	<u>\$ 386,225</u>
Interest income					6,938
Interest expense					(24,503)
Income before income taxes					<u>\$ 368,660</u>
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	<u>\$ 1,707,161</u>	<u>\$ 742,884</u>	<u>\$ 298,818</u>	<u>\$ (124,432)</u>	<u>\$ 2,624,431</u>
Adjusted EBIT	\$ 291,866	\$ 41,721	\$ 36,442	\$ 309	\$ 370,338
Special items charge	9,242	10,076	—	(34,648)	\$ (15,330)
EBIT	<u>\$ 282,624</u>	<u>\$ 31,645</u>	<u>\$ 36,442</u>	<u>\$ 34,957</u>	<u>\$ 385,668</u>
Interest income					4,788
Interest expense					(24,220)
Income before income taxes					<u>\$ 366,236</u>
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

(1) 2019 special items reflect Rationalization and asset impairment charges of \$1,716 and amortization of step up in value of acquired inventories of \$1,399 related to the acquisition of Baker.

2018 special items reflect pension settlement charges of \$6,686 in Americas Welding related to lump sum pension payments.

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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) 2019 special items reflect Rationalization and asset impairment charges of \$11,702, amortization of step up in value of acquired inventories of \$1,609 related to the acquisition of Askaynak, gains on disposals of assets of \$3,554 and a gain on change in control of \$7,601 related to the acquisition of Askaynak.

2018 special items reflect Rationalization and asset impairment 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 Rationalization and asset impairment charges of \$5,498 related to employee severance, asset impairments and other related costs.

- (3) 2019 special items reflect Rationalization and asset impairment charges of \$1,770.
- (4) 2019 special items reflect acquisition transaction and integration costs of \$1,804 related to the Air Liquide Welding acquisition as discussed in Note 4 to the consolidated financial statements.

2018 special items reflect 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.

Export sales (excluding inter-company sales) from the United States were \$147,145 in 2019, \$160,064 in 2018 and \$151,630 in 2017. No individual customer comprised more than 10% of the Company's total revenues for any of the three years ended December 31, 2019.

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,		
	2019	2018	2017
Net sales:			
United States	\$ 1,615,483	\$ 1,554,688	\$ 1,388,816
Foreign countries	1,387,789	1,473,986	1,235,615
Total	<u>\$ 3,003,272</u>	<u>\$ 3,028,674</u>	<u>\$ 2,624,431</u>
	December 31,		
	2019	2018	2017
Property, plant and equipment, net:			
United States	\$ 250,923	\$ 214,943	\$ 194,491
Foreign countries	278,566	264,110	282,931
Eliminations	(145)	(252)	(391)
Total	<u>\$ 529,344</u>	<u>\$ 478,801</u>	<u>\$ 477,031</u>

NOTE 7 – RATIONALIZATION AND ASSET IMPAIRMENTS

The Company recorded rationalization and asset impairment net charges of \$15,188, \$25,285 and \$6,590 for the years ended December 31, 2019, 2018 and 2017, respectively. 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 2019, the Company initiated rationalization plans within International Welding. The plans primarily include headcount restructuring to better align the cost structures with economic conditions and operating needs. At December 31, 2019, liabilities relating to the International Welding plans of \$7,905 were recognized in Other current liabilities. The Company does not anticipate significant additional charges related to the completion of these plans.

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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. Liabilities related to these plans were substantially paid at December 31, 2019.

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, 2017	\$ 6,803
Payments and other adjustments	(26,874)
Charged to expense	31,263
Balance at December 31, 2018	\$ 11,192
Payments and other adjustments	(14,678)
Charged to expense	11,688
Balance at December 31, 2019	<u>\$ 8,202</u>

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, 2019 and 2018:

	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, 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)
Other comprehensive income (loss) before reclassification	1,007	8,213 ⁽²⁾	6,454 ⁽³⁾	15,674
Amounts reclassified from AOCI	(1,075) ⁽¹⁾	3,290 ⁽²⁾	—	2,215
Net current-period other comprehensive income (loss)	(68)	11,503	6,454	17,889
Balance at December 31, 2019	<u>\$ 1,626</u>	<u>\$ (70,546)</u>	<u>\$ (206,930)</u>	<u>\$ (275,850)</u>

- (1) During 2019, this AOCI reclassification is a component of Net sales of \$719 (net of tax of \$256 and Cost of goods sold of \$(356) (net of tax of \$(98)); during 2018, the 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)). 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 \$4,188 and \$1,691 during the years ended December 31, 2019 and 2018, respectively). Refer to Note 12 to the consolidated financial statements for additional details.
- (3) The Other comprehensive income before reclassifications excludes \$281 and \$(93) attributable to Non-controlling interests in the years ended December 31, 2019 and 2018, respectively. The reclassified AOCI component is included in the computation of Non-controlling interests. Refer to the Consolidated Statements of Equity for additional details.

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NOTE 9 – DEBT

At December 31, 2019 and 2018, debt consisted of the following:

	December 31,	
	2019	2018
<i>Long-term debt</i>		
Senior Unsecured Notes due through 2045, interest at 2.8% to 4.0% (net of debt issuance costs of \$1,282 and \$1,392 at December 31, 2019 and 2018, respectively), swapped \$50,000 to variable interest rates of 2.4% to 2.6%	\$ 701,681	\$ 691,877
Other borrowings due through 2023, interest up to 2.0%	10,733	10,783
	<u>712,414</u>	<u>702,660</u>
Less current portion	112	111
Long-term debt, less current portion	712,302	702,549
<i>Short-term debt</i>		
Amounts due banks, weighted average interest at 4.9% in 2019	34,857	—
Current portion long-term debt	112	111
Total short-term debt	<u>34,969</u>	<u>111</u>
Total debt	<u>\$ 747,271</u>	<u>\$ 702,660</u>

At December 31, 2019 and 2018, the fair value of long-term debt, including the current portion, was approximately \$721,494 and \$649,714, 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, 2019, 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 14 years, respectively.

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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 term of 5 years 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, 2019, the Company was in compliance with all of its covenants and had \$23,000 of 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 term of 5 years 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, 2019, 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, 2019 are \$34,969 in 2020, \$119 in 2021, \$105 in 2022, \$10,607 in 2023, \$0 in 2024 and \$700,000 thereafter. Total interest paid was \$24,950 in 2019, \$23,790 in 2018 and \$23,820 in 2017. 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"). 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"). 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, 2019, there were 3,017,391 common shares available for future grant under all plans.

Stock Options

The following table summarizes stock option activity for the year ended December 31, 2019 under all Plans:

	Number of Options	Weighted Average Exercise Price
Balance at beginning of year	1,431,038	\$ 63.19
Options granted	201,881	88.44
Options exercised	(314,629)	45.60
Balance at end of year	<u>1,318,290</u>	71.25
Exercisable at end of year	<u>943,715</u>	64.34

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 3 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 2019. In 2019, 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

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historical volatility. The weighted average assumptions for each of the three years ended December 31 were as follows:

	2019	2018	2017
Expected volatility	25.98%	25.36%	25.77%
Dividend yield	2.42%	1.92%	1.62%
Risk-free interest rate	2.49%	2.69%	1.90%
Expected option life (years)	4.6	4.6	4.5
Weighted average fair value per option granted during the year	\$ 17.46	\$ 18.97	\$ 17.50

The following table summarizes non-vested stock options for the year ended December 31, 2019:

	Number of Options	Weighted Average Fair Value at Grant Date
Balance at beginning of year	360,444	\$ 17.21
Granted	201,881	17.46
Vested	(187,750)	16.04
Balance at end of year	<u>374,575</u>	17.93

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, 2019 was \$34,138 and \$30,960, respectively. The total intrinsic value of awards exercised during 2019, 2018 and 2017 was \$13,964, \$4,779 and \$19,328, respectively. The total fair value of options that vested during 2019, 2018 and 2017 was \$3,012, \$3,511 and \$3,040, respectively.

The following table summarizes information about awards outstanding as of December 31, 2019:

Exercise Price Range	Outstanding			Exercisable		
	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	219,050	\$ 42.31	2.3	219,050	\$ 42.31	2.3
\$50.00 - \$59.99	192,609	58.11	6.1	192,609	58.11	6.1
Over \$60.00	906,631	81.04	6.8	532,056	75.67	5.5
	<u>1,318,290</u>		5.9	<u>943,715</u>		4.9

Restricted Share Awards ("RSAs")

The following table summarizes restricted share award activity for the year ended December 31, 2019 under all Plans:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance at beginning of year	12,438	\$ 80.98
Shares vested	(12,438)	94.71
Balance at end of year	<u>—</u>	<u>—</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Restricted Stock Units ("RSUs") and Performance Share Units ("PSUs")

The following table summarizes RSU and PSU activity for the year ended December 31, 2019 under all Plans:

	Number of Units	Weighted Average Grant Date Fair Value
Balance at beginning of year	506,030	\$ 75.69
Units granted	170,857	87.55
Units vested	(186,224)	60.69
Units forfeited	(9,534)	82.30
Balance at end of year	<u>481,129</u>	<u>85.58</u>

RSUs are valued at the quoted market price on the grant date. The majority of RSUs vest over a period of 3 years. The Company issues shares of common stock from treasury upon the vesting of RSUs and any earned dividend equivalents. Conversion of 30,955 RSUs to common shares in 2019 were deferred as part of the 2005 Deferred Compensation Plan for Executives (the "2005 Plan"). As of December 31, 2019, 129,621 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 2019, 128,715 RSUs were issued under the Employee Plan and the 2015 Director Plan. The remaining weighted average vesting period of all non-vested RSUs is 1.3 years as of December 31, 2019.

PSUs are valued at the quoted market price on the grant date. PSUs vest over a period of 3 years 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 2019, the Company issued 42,142 PSU's and has 98,065 PSUs outstanding under the Employee Plan at a weighted average fair value of \$88.19 per share. The remaining weighted average vesting period of all non-vested PSUs is 1.2 years as of December 31, 2019.

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 2019, 2018 and 2017 was \$16,624, \$18,554 and \$12,698, respectively. The related tax benefit for 2019, 2018 and 2017 was \$4,151, \$4,632 and \$4,861, respectively. As of December 31, 2019, total unrecognized stock-based compensation expense related to non-vested stock options, RSAs, RSUs and PSUs was \$19,817, 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 13,300 in 2019, 8,324 in 2018 and 10,458 in 2017.

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, 2019, the Company purchased a total of 3.4 million shares for \$288,134 at an average cost per share of \$85.52. As of December 31, 2019, there remained 2.8 million shares remained available for repurchase under the stock repurchase program. The treasury shares have not been retired.

On February 12, 2020, the Company's Board of Director's approved a new share repurchase program authorizing the Company to repurchase, in the aggregate, up to \$10 million shares of its outstanding common stock.

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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,			
	2019		2018	
	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans
<i>Change in benefit obligations</i>				
Benefit obligations at beginning of year	\$ 438,945	\$ 168,811	\$ 507,075	\$ 193,523
Service cost	140	2,908	139	3,252
Interest cost	18,610	3,739	18,084	3,703
Plan participants' contributions	—	153	—	196
Acquisitions & other adjustments	—	(1,864)	—	(5,322)
Actuarial (gain) loss	58,842	10,653	(46,924)	(5,674)
Benefits paid	(24,026)	(8,961)	(7,973)	(9,723)
Settlements/curtailments ⁽¹⁾	—	(1,256)	(31,456)	(1,886)
Currency translation	—	2,675	—	(9,258)
Benefit obligations at end of year	492,511	176,858	438,945	168,811
<i>Change in plan assets</i>				
Fair value of plan assets at beginning of year	512,078	100,187	568,388	113,344
Actual return on plan assets	100,744	9,743	(23,012)	(2,855)
Employer contributions	—	2,210	690	2,087
Plan participants' contributions	—	153	—	196
Acquisitions & other adjustments	—	(2,651)	—	586
Benefits paid	(23,271)	(6,120)	(7,047)	(5,904)
Settlements ⁽¹⁾	—	(920)	(26,941)	(1,455)
Currency translation	—	3,071	—	(5,812)
Fair value of plan assets at end of year	589,551	105,673	512,078	100,187
Funded status at end of year	97,040	(71,185)	73,133	(68,624)
Unrecognized actuarial net loss	67,050	28,543	85,624	25,581
Unrecognized prior service cost	—	457	—	534
Unrecognized transition assets, net	—	30	—	32
Net amount recognized	<u>\$ 164,090</u>	<u>\$ (42,155)</u>	<u>\$ 158,757</u>	<u>\$ (42,477)</u>

(1) Settlements in 2018 resulting from lump sum pension payments.

The Company did not make significant contributions to the defined benefit plans in the United States in 2019 or 2018.

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The after-tax amounts of unrecognized actuarial net loss, prior service costs and transition assets included in Accumulated other comprehensive loss at December 31, 2019 were \$70,205, \$320 and \$21, 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 2020 are \$3,105, \$60 and \$3, respectively.

Amounts Recognized in Consolidated Balance Sheets

	December 31,			
	2019		2018	
	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans
Prepaid pensions ⁽¹⁾	\$ 111,879	\$ —	\$ 87,786	\$ 77
Accrued pension liability, current ⁽²⁾	(739)	(2,847)	(786)	(2,996)
Accrued pension liability, long-term ⁽³⁾	(14,100)	(68,338)	(13,867)	(65,705)
Accumulated other comprehensive loss, excluding tax effects	67,050	29,030	85,624	26,147
Net amount recognized in the balance sheets	<u>\$ 164,090</u>	<u>\$ (42,155)</u>	<u>\$ 158,757</u>	<u>\$ (42,477)</u>

(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,					
	2019		2018		2017	
	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	\$ 140	\$ 2,908	\$ 139	\$ 3,252	\$ 608	\$ 2,678
Interest cost	18,610	3,739	18,084	3,703	19,497	3,253
Expected return on plan assets	(24,980)	(4,430)	(27,052)	(5,057)	(31,530)	(4,270)
Amortization of prior service cost	—	58	—	1	—	15
Amortization of net loss	1,654	2,296	1,498	2,211	2,133	1,881
Settlement/curtailment loss (gain) ⁽¹⁾	—	266	6,686	(397)	8,150	102
Pension cost for defined benefit plans	<u>\$ (4,576)</u>	<u>\$ 4,837</u>	<u>\$ (645)</u>	<u>\$ 3,713</u>	<u>\$ (1,142)</u>	<u>\$ 3,659</u>

(1) Pension settlement charges resulting from lump sum pension payments.

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,			
	2019		2018	
	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans
Projected benefit obligation	\$ 14,794	\$ 169,455	\$ 14,653	\$ 158,746
Accumulated benefit obligation	14,521	164,203	14,406	152,724
Fair value of plan assets	—	98,434	—	90,076

The total accumulated benefit obligation for all plans was \$663,163 as of December 31, 2019 and \$600,998 as of December 31, 2018.

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Benefit Payments for Plans

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

	U.S. pension plans	Non-U.S. pension plans
Estimated Payments		
2020	\$ 36,785	\$ 8,282
2021	31,465	8,348
2022	32,045	7,793
2023	34,763	7,589
2024	33,550	8,550
2025 through 2029	140,878	39,551

Assumptions

Weighted average assumptions used to measure the benefit obligation for the Company's significant defined benefit plans as of December 31, 2019 and 2018 were as follows:

	December 31,			
	2019		2018	
	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans
Discount Rate	3.4%	1.7%	4.4%	2.3%
Rate of increase in compensation	2.5%	2.6%	2.5%	2.6%

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,					
	2019		2018		2017	
	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	4.4%	2.3%	3.7%	2.0%	4.2%	2.2%
Rate of increase in compensation	2.5%	2.8%	2.5%	2.7%	2.5%	2.5%
Expected return on plan assets	5.0%	4.5%	5.0%	4.6%	6.0%	4.5%

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 5% to 15% equity securities and 85% to 95% debt securities.

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The following table sets forth, by level within the fair value hierarchy, the pension plans' assets as of December 31, 2019:

Pension Plans' Assets at Fair Value as of December 31, 2019				
	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	\$ 11,263	\$ —	\$ —	\$ 11,263
Fixed income securities ⁽¹⁾				
U.S. government bonds	46,048	—	—	46,048
Corporate debt and other obligations	—	482,203	—	482,203
Investments measured at NAV ⁽²⁾				
Common trusts and 103-12 investments ⁽³⁾				124,389
Private equity funds ⁽⁴⁾				31,321
Total investments at fair value	<u>\$ 57,311</u>	<u>\$ 482,203</u>	<u>\$ —</u>	<u>\$ 695,224</u>

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 ⁽⁵⁾	3,851	—	—	3,851
Fixed income securities ⁽¹⁾				
U.S. government bonds	16,743	—	—	16,743
Corporate debt and other obligations	—	392,090	—	392,090
Investments measured at NAV ⁽²⁾				
Common trusts and 103-12 investments ⁽³⁾				151,153
Private equity funds ⁽⁴⁾				35,399
Total investments at fair value	<u>\$ 33,623</u>	<u>\$ 392,090</u>	<u>\$ —</u>	<u>\$ 612,265</u>

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.

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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 \$576, \$1,268 and \$772 in 2019, 2018 and 2017, respectively. The projected benefit obligation associated with this plan is also included in the pension disclosure shown above and was \$12,202, \$12,183 and \$17,047 at December 31, 2019, 2018 and 2017, respectively.

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 in 2016 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.

Effective January 1, 2017, the Company created The Lincoln Electric Company Restoration Plan ("Restoration Plan"). 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.

The annual costs recognized for defined contribution plans were \$24,835, \$26,477 and \$25,285 in 2019, 2018 and 2017, 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.

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NOTE 13 — OTHER INCOME (EXPENSE)

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

	Year Ended December 31,		
	2019	2018	2017
Equity earnings in affiliates	\$ 3,163	5,481	\$ 2,742
Other components of net periodic pension (cost) income ⁽¹⁾	2,787	502	769
Other income ⁽²⁾	15,048	4,703	5,215
Total Other income (expense)	<u>\$ 20,998</u>	<u>10,686</u>	<u>\$ 8,726</u>

(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.

(2) Includes a gain on change in control related to the acquisition of Askaynak in the year ended December 31, 2019. Refer to Note 4 to the consolidated financial statements for details.

NOTE 14 – INCOME TAXES

The components of income before income taxes were as follows:

	Year Ended December 31,		
	2019	2018	2017
U.S.	\$ 237,296	\$ 255,088	\$ 213,171
Non-U.S.	131,197	113,572	153,065
Total	<u>\$ 368,493</u>	<u>\$ 368,660</u>	<u>\$ 366,236</u>

The components of income tax expense (benefit) were as follows:

	Year Ended December 31,		
	2019	2018	2017
Current:			
Federal	\$ 25,063	\$ 45,521	\$ 89,182
Non-U.S.	26,540	28,894	25,746
State and local	9,064	10,515	7,640
	<u>60,667</u>	<u>84,930</u>	<u>122,568</u>
Deferred:			
Federal	6,971	(691)	(4,391)
Non-U.S.	6,513	(3,121)	(82)
State and local	1,259	549	666
	<u>14,743</u>	<u>(3,263)</u>	<u>(3,807)</u>
Total	<u>\$ 75,410</u>	<u>\$ 81,667</u>	<u>\$ 118,761</u>

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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, 2019 were as follows:

	Year Ended December 31,		
	2019	2018	2017
Statutory rate applied to pre-tax income	\$ 77,384	\$ 77,419	\$ 128,182
State and local income taxes, net of federal tax benefit	8,830	8,844	5,671
Excess tax benefits resulting from exercises of stock-based compensation	(3,451)	(1,094)	(6,276)
Net impact of the U.S. Tax Act	—	4,823	21,949
Foreign withholding taxes	—	(4,424)	6,667
Resolution and settlements to uncertain tax positions	(9,432)	(457)	2,216
Foreign Derived Intangible Income Deduction	(4,315)	(2,647)	—
Foreign rate variance	7,023	(4,560)	(13,929)
Bargain purchase gain	—	—	(17,556)
Valuation allowances	3,198	5,596	102
Manufacturing deduction	—	—	(5,922)
Research and development credit	(4,786)	(3,859)	(2,688)
Other	959	2,026	345
Total	<u>\$ 75,410</u>	<u>\$ 81,667</u>	<u>\$ 118,761</u>
Effective tax rate	<u>20.5%</u>	<u>22.2%</u>	<u>32.4%</u>

The 2019 effective tax rate is impacted by the reduced corporate income tax rate associated with the U.S. Tax Act beginning in 2018. The 2019 effective tax rate was lower than 2018 primarily due to income tax benefits for the settlement of tax items as well as tax deductions associated with excess tax benefits resulting from exercises of stock based compensation, offset by the geographic mix of earnings and taxes at higher rates in foreign jurisdictions.

Total income tax payments, net of refunds, were \$42,880 in 2019, \$85,805 in 2018 and \$81,691 in 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

Deferred Taxes

Significant components of deferred tax assets and liabilities at December 31, 2019 and 2018, were as follows:

	December 31,	
	2019	2018
Deferred tax assets:		
Tax loss and credit carry-forwards	\$ 64,712	\$ 60,756
Inventory	3,442	3,544
Other accruals	13,048	13,172
Employee benefits	24,532	22,963
Pension obligations	11,561	12,122
Other	3,401	3,739
Deferred tax assets, gross	120,696	116,296
Valuation allowance	(71,546)	(69,400)
Deferred tax assets, net	49,150	46,896
Deferred tax liabilities:		
Property, plant and equipment	39,583	28,606
Intangible assets	16,695	10,950
Inventory	6,427	4,814
Pension obligations	25,171	19,346
Other	11,285	8,770
Deferred tax liabilities	99,161	72,486
Total deferred taxes	\$ (50,011)	\$ (25,590)

At December 31, 2019, certain subsidiaries had net operating loss carry-forwards of approximately \$51,129 that expire in various years from 2020 through 2034, plus \$213,724 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, 2019, a valuation allowance of \$71,546 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 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 \$1,697. 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 related to uncertain tax positions are classified as Other liabilities unless expected to be paid in one year. Additionally, to the extent a position would not result in a cash tax liability, those amounts are generally 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 \$1,957 for the year ended December 31, 2019 and benefits of \$1,277 for the year ended December 31, 2018 for interest and penalties. For those same years, the Company's accrual for interest and penalties related to unrecognized tax benefits totaled \$4,512 and \$6,655, respectively.

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

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

	2019	2018
Balance at beginning of year	\$ 28,804	\$ 28,449
Increase related to current year tax provisions	1,204	1,431
Increase/(decrease) related to prior years' tax positions	(101)	4,917
Decrease related to settlements with taxing authorities	(3,567)	(111)
Resolution of and other decreases in prior years' tax liabilities	(5,692)	(1,501)
Other	(63)	(4,381)
Balance at end of year	<u>\$ 20,585</u>	<u>\$ 28,804</u>

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$17,552 at December 31, 2019 and \$25,069 at December 31, 2018.

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 2015. The Company is currently subject to 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 unrecognized tax benefits related to 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 management's judgment in the interpretation of applicable tax law, regulation or tax ruling, the progress of tax audits and closing of statutes of limitations. Based on information currently available, management believes that additional audit activity could be completed and/or statutes of limitations may close relating to existing unrecognized tax benefits. It is reasonably possible there could be a further reduction of \$2,971 in prior years' unrecognized tax benefits in 2020.

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, 2019.

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, 2019. 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 \$59,982 at December 31, 2019 and \$45,909 at December 31, 2018.

Fair value hedges

Certain interest rate swap agreements are qualified and designated as fair value hedges. At December 31, 2019, the Company had interest rate swap agreements outstanding that effectively convert notional amounts of \$50,000 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 0.6%. The variable rates reset every three months, at which time payment or receipt of interest will be settled.

Net investment hedges

The Company has cross currency swaps that are qualified and designated as net investment hedges. The dollar equivalent gross notional amount of these contracts is \$50,000 as of December 31, 2019.

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 \$363,820 at December 31, 2019 and \$328,534 at December 31, 2018.

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

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

Derivatives by hedge designation	December 31, 2019				December 31, 2018			
	Other Current Assets	Other Current Liabilities	Other Assets	Other Liabilities	Other Current Assets	Other Current Liabilities	Other Assets	Other Liabilities
Designated as hedging instruments:								
Foreign exchange contracts	\$ 1,288	\$ 522	\$ —	\$ —	\$ 647	\$ 404	\$ —	\$ —
Interest rate swap agreements	—	—	2,964	—	—	—	302	7,033
Cross currency swap agreements	—	—	—	653	—	—	—	—
Not designated as hedging instruments:								
Foreign exchange contracts	2,397	973	—	—	6,375	829	—	—
Total derivatives	\$ 3,685	\$ 1,495	\$ 2,964	\$ 653	\$ 7,022	\$ 1,233	\$ 302	\$ 7,033

The effects of undesignated derivative instruments on the Company's Consolidated Statements of Income consisted of the following:

Derivatives by hedge designation	Classification of gains	Year Ended December 31,	
		2019	2018
Not designated as hedges:			
Foreign exchange contracts	Selling, general & administrative expenses	\$ 13,154	\$ 7,452

The effects of designated cash flow hedges on AOCI and the Company's Consolidated Statements of Income consisted of the following:

Total gain (loss) recognized in AOCI, net of tax	December 31,	
	2019	2018
Foreign exchange contracts	\$ 620	\$ 173
Net investment hedges	1,006	1,521

The Company expects a gain of \$620 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,	
		2019	2018
Foreign exchange contracts	Net sales	\$ 975	\$ (225)
	Cost of goods sold	454	(3)

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

NOTE 16 – FAIR VALUE

The following table provides a summary of fair value assets and liabilities as of December 31, 2019 measured at fair value on a recurring basis:

Description	Balance as of December 31, 2019	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	\$ 3,685	\$ —	\$ 3,685	\$ —
Interest rate swap agreements	2,964	—	2,964	—
Total assets	\$ 6,649	\$ —	\$ 6,649	\$ —
Liabilities:				
Foreign exchange contracts	\$ 1,495	\$ —	\$ 1,495	\$ —
Cross currency swap agreements	653	—	653	—
Contingent considerations	470	—	—	470
Deferred compensation	29,170	—	29,170	—
Total liabilities	\$ 31,788	\$ —	\$ 31,318	\$ 470

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 Company's derivative contracts are valued at fair value using the market approach. The Company measures the fair value of foreign exchange contracts, interest rate swap agreements and cross currency swaps using Level 2 inputs based on observable spot and forward rates in active markets. During the year ended December 31, 2019, there were no transfers between Levels 1, 2 or 3.

In connection with an acquisition, the Company recorded contingent consideration liability, which will be paid based upon actual financial results of the acquired entity for specified future periods. The fair value of the contingent consideration is a Level 3 valuation and fair valued using 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.

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

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, 2019 and December 31, 2018. 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,	
	2019	2018
Raw materials	\$ 116,716	\$ 103,820
Work-in-process	63,744	53,950
Finished goods	213,288	204,059
Total	<u>\$ 393,748</u>	<u>\$ 361,829</u>

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, 2019 and 2018, approximately 36% and 37% of total inventories, respectively, were valued using the LIFO method. The excess of current cost over LIFO cost was \$75,292 at December 31, 2019 and \$79,626 at December 31, 2018.

NOTE 18 – LEASES

On January 1, 2019, the Company adopted Topic 842 using the modified retrospective transition option. The adoption of Topic 842 resulted in the recording of right-of-use assets and lease liabilities for the Company's operating leases. The table below summarizes the right-of-use assets and lease liabilities in the Company's Consolidated Balance sheets:

Operating Leases	Balance Sheet Classification	December 31, 2019
Right-of-use assets	Other assets	<u>\$ 51,533</u>
Current liabilities	Other current liabilities	\$ 13,572
Noncurrent liabilities	Other liabilities	39,076
Total lease liabilities		<u>\$ 52,648</u>

Topic 842 did not materially impact the Company's consolidated net earnings, cash flows or debt covenants.

The Company determines if an agreement is a lease at inception. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the Company's operating leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on information available at commencement date to present value the lease payments.

The Company has operating leases for sales offices, manufacturing facilities, warehouses and distribution centers, transportation equipment, office equipment and information technology equipment. Some of these leases are noncancelable. Variable or short-term lease costs contained within the Company's operating leases are not material. Most leases include one or more options to renew, which can extend the lease term from 1 to 11 years or more. The exercise of lease renewal options is at the Company's sole discretion. Certain leases also include options to purchase the leased property. Leases with an initial term of 12 months or less are not recorded on the Company's Consolidated Balance sheets. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Total lease expense, which is included in Cost of goods sold and Selling, general and administrative expenses in the Company's Consolidated Statements of Income, was \$25,389, \$25,720 and \$20,450 in the years ended December 31, 2019, 2018 and 2017, respectively. Cash paid for amounts included in the measurement of lease liabilities for the year ended December 31, 2019 was \$17,800 and is included in Net cash provided by operating activities in the Company's Consolidated Statements of Cash Flows. Right-of-use assets obtained in exchange for operating lease liabilities during the year ended December 31, 2019 was \$19,216, respectively.

The total future minimum lease payments for noncancelable operating leases were as follows:

	December 31, 2019
2020	\$ 15,235
2021	11,509
2022	8,766
2023	7,220
2024	5,787
After 2024	10,929
Total lease payments	\$ 59,446
Less: Imputed interest	(6,798)
Operating lease liabilities	\$ 52,648

As of December 31, 2019, the weighted average remaining lease term is 6.3 years and the weighted average discount rate used to determine the operating lease liability is 3.6%.

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

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 were as follows:

	December 31,		
	2019	2018	2017
Balance at beginning of year	\$ 19,778	\$ 22,029	\$ 21,053
Accruals for warranties	17,094	8,897	9,901
Settlements	(16,211)	(11,403)	(11,500)
Foreign currency translation and other adjustments ⁽¹⁾	(11)	255	2,575
Balance at end of year	<u>\$ 20,650</u>	<u>\$ 19,778</u>	<u>\$ 22,029</u>

(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.

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except share and per share amounts)

NOTE 21 – QUARTERLY FINANCIAL DATA (UNAUDITED)

	First ⁽¹⁾	Second ⁽²⁾	Third ⁽³⁾	Fourth ⁽⁴⁾
2019				
Net sales	\$ 759,174	\$ 777,008	\$ 730,783	\$ 736,307
Gross profit	258,421	269,881	238,351	240,934
Income before income taxes	92,918	103,484	91,797	80,294
Net income	71,480	85,452	72,461	63,716
Basic earnings per share ⁽⁵⁾	\$ 1.13	\$ 1.37	\$ 1.18	\$ 1.04
Diluted earnings per share ⁽⁵⁾	\$ 1.12	\$ 1.36	\$ 1.17	\$ 1.03
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

- (1) 2019 includes special item charges of \$3,535 (\$2,814 after-tax) for Rationalization and asset impairment charges and \$790 (\$698 after-tax) for acquisition transaction and integration costs.

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.

- (2) 2019 includes special item charges of \$3,554 (\$2,586 after-tax) for gains on the disposal of assets, \$1,399 (\$1,049 after-tax) for amortization of step up in value of acquired inventories, \$1,014 (\$867 after-tax) for acquisition transaction and integration costs, \$1,307 (\$937 after-tax) for Rationalization and asset impairment charges and \$4,852 for the settlement of a tax item as well as tax deductions associated with an investment in a subsidiary.

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.

- (3) 2019 includes special item charges of \$1,495 (\$1,240 after-tax) for Rationalization and asset impairment charges, \$1,609 for amortization of step up in value of acquired inventories and \$7,601 for a gain on change in control related to the acquisition of Askaynak.

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.

- (4) 2019 includes special item charges of \$8,851 (\$7,284 after-tax) for Rationalization and asset impairment charges.

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.

- (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)

Description	Balance at Beginning of Period	Additions		Deductions ⁽²⁾	Balance at End of Period
		Charged to Costs and Expenses	Charged (Credited) to Other Accounts ⁽¹⁾		
Allowance for doubtful accounts:					
Year Ended December 31, 2019	\$ 12,827	\$ 1,227	\$ 3,792	\$ 1,844	\$ 16,002
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
Deferred tax asset valuation allowance:					
Year Ended December 31, 2019	\$ 69,400	\$ 3,691	\$ (481)	\$ 1,064	\$ 71,546
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

(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.

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Washington Group International, Inc.

Michael F. Hilton
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Nordson Corporation

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

Kathryn Jo Lincoln
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Lincoln Institute of Land Policy

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Strategy and Business Development

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General Counsel and Secretary

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President, Global Automation,
Cutting & Additive Businesses

*Member of the Management Committee

CORPORATE INFORMATION

For additional corporate information and copies of Lincoln Electric's 2019 Annual Report, Form 10-K and 2020 Proxy Statement, 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 22, 2020
11:00 a.m. Eastern Time
Online at www.virtualshareholdermeeting.com/LECO2020

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, 2019: 1,957





LINCOLN[®]
ELECTRIC

Lincoln Electric Holdings, Inc.

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www.lincolnelectric.com

LINCOLN ELECTRIC HOLDINGS, INC.

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Cutting & Additive Businesses

CORPORATE INFORMATION

For additional corporate information and copies of Lincoln Electric's 2019 Annual Report, Form 10-K and 2020 Proxy Statement, 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 22, 2020
11:00 a.m. Eastern Time
Lincoln Electric Welding Technology
& Training Center
22800 St. Clair Avenue, Cleveland, Ohio
44117 Online at www.virtualshareholdermeeting.com/LECO2020

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, 2019: 1,957

*Member of the Management Committee



Lincoln Electric Holdings, Inc.

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

www.lincolnelectric.com