
**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, 2017

Commission file number 0-1402

LINCOLN ELECTRIC HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Ohio	34-1860551
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
22801 St. Clair Avenue, Cleveland, Ohio	44117
(Address of principal executive offices)	(Zip Code)
(216) 481-8100	
(Registrant's telephone number, including area code)	

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

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

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

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

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

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

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

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 30, 2017 was \$5,917,150,492 (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, 2018 was 65,644,512.

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 2018 Annual Meeting of Shareholders.

PART I

ITEM 1. BUSINESS

General

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

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

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

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

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. Refer to Note 5 to the consolidated financial statements for segment and geographic area information, which is incorporated herein by reference.

Customers

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

The Company's major end-user markets include:

- general 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 48 facilities worldwide.

International Operations

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

Research and Development

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

Employees

The number of persons employed by the Company worldwide at December 31, 2017 was approximately 11,000. See "Part I, Item 1C" for information regarding the Company's executive officers, which is incorporated herein by reference.

Website Access

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

ITEM 1A. RISK FACTORS

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

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

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

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

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

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

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

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

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

In the normal course of business, we are exposed to market risks related to the availability of and price fluctuations in the purchase of energy and commodities used in the manufacture of our products (primarily steel, brass, copper, silver, aluminum alloys, electronic components, electricity and natural gas). The availability and prices for energy costs and raw materials, including steel, nonferrous metals and chemicals, are subject to volatility and are influenced by worldwide economic conditions, 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, 2017, we were a co-defendant in cases alleging asbestos induced illness involving claims by approximately 3,613 plaintiffs. In each instance, we are one of a large number of defendants. The asbestos claimants allege that exposure to asbestos contained in welding consumables caused the plaintiffs to develop adverse pulmonary diseases, including mesothelioma and other lung cancers.

Since January 1, 1995, we have been a co-defendant in asbestos cases that have been resolved as follows: 54,732 of those claims were dismissed, 23 were tried to defense verdicts, 7 were tried to plaintiff verdicts (one of which was appealed by defendants and was remanded to the trial court for a new trial), 1 was resolved by agreement for an immaterial amount and 776 were decided in favor of the Company following summary judgment motions.

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

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

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

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

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

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

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

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

Part of our business strategy is to pursue targeted business acquisition opportunities, including foreign investment opportunities. We cannot be certain that we will be successful in pursuing potential acquisition candidates or that the consequences of any acquisition would be beneficial to us. Future acquisitions may expose us to unexpected liabilities and involve the expenditure of significant funds and management time. Further, we may not be able to successfully integrate an acquired business with our existing businesses or recognize the expected benefits from any completed acquisition. Integration efforts may include significant rationalization activities that could be disruptive to the business. Our current operational cash flow is sufficient to fund our acquisition plans, but a significant acquisition could require access to the capital markets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The conduct and management of our business relies extensively on information technology systems, which contain confidential information related to our customers, suppliers and employees and other proprietary business information. We maintain some of these systems and are also dependent on a number of critical corporate infrastructure services provided by third parties relating to, among other things, human resources, electronic communication services and finance functions. If these systems are damaged, cease to function properly or are subject to a significant cyber security breach, we may suffer an interruption in our ability to manage and operate the business and our results of operations and financial condition could be adversely affected. Furthermore, a security breach could result in 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 6 to the Company's consolidated financial statements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. EXECUTIVE OFFICERS OF THE REGISTRANT**EXECUTIVE OFFICERS OF THE REGISTRANT**

Name	Age	Position
Christopher L. Mapes	56	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	57	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	44	Executive Vice President, General Counsel and Secretary since April 20, 2017; Vice President, Deputy General Counsel from 2004 until April 20, 2017.
George D. Blankenship	55	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	50	Executive Vice President, Chief Human Resources Officer since July 1, 2016; Executive Vice President, Chief Human Resources Officer and Chief Information Officer from February 18, 2016 to July 1, 2016; Executive Vice President, Chief Information Officer and Interim Chief Human Resources Officer from March 7, 2015 to February 18, 2016; Executive Vice President, Chief Information Officer 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	51	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	51	Executive Vice President, Chief Information Officer since July 1, 2016; Senior Vice President, Tax from 2006 to July 1, 2016.
Geoffrey P. Allman	47	Senior Vice President, Corporate Controller since January 14, 2014; Corporate Controller from July 1, 2012 to January 14, 2014; Director, Regional Finance North America from October 1, 2009 to June 30, 2012.
Thomas A. Flohn	57	Senior Vice President, President, Asia Pacific Region since February 19, 2014; Vice President, Regional President, Lincoln Electric Asia Pacific Region from November 4, 2013 to January 14, 2014. Vice President; President, Lincoln Electric Europe, Middle East & Africa (EMEA) from July 1, 2010 to November 4, 2013; Vice President; President, Lincoln Asia Pacific from January 1, 2005 to June 30, 2010.
David J. Nangle	61	Senior Vice President, President, Harris Products Group since February 19, 2014; Vice President, Group President of Brazing, Cutting and Retail Subsidiaries from January 12, 2006 to February 19, 2014.

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

ITEM 2. PROPERTIES

The Company's corporate headquarters and principal United States manufacturing facilities are located in the Cleveland, Ohio area. Total Cleveland area property consists of 244 acres, of which present manufacturing facilities comprise an area of approximately 3,017,090 square feet.

The Company has 63 manufacturing facilities, including operations and joint ventures in 23 countries, the significant locations (grouped by operating segment) of which are as follows:

Americas Welding:

United States	Cleveland and Fort Loramie, Ohio; San Diego and Anaheim, California; Reno, Nevada; Ladson, South Carolina; Chattanooga, Tennessee; Detroit, Michigan; Fort Collins, Colorado; Bettendorf, Iowa.
Brazil	Guarulhos; Indaiatuba.
Canada	Toronto; Mississauga; Hamilton; Montreal; Hawkesbury.
Colombia	Bogota.
Mexico	Mexico City; Torreon.
Venezuela	Maracay.

International Welding:

Australia	Newcastle.
China	Shanghai; Nanjing; Zhengzhou; Luan County; Hangzhou.
Egypt	Cairo.
France	Grand-Quevilly; Partheny.
Germany	Essen; Brielow; Wiesenberg; Eisenberg.
India	Chennai.
Indonesia	Cikarang.
Italy	Corsalone; Due Carrere; Ardenno; Verona; Storo.
Netherlands	Nijmegen.
Poland	Bielawa; Dzierzoniow.
Portugal	Lisbon.
Romania	Buzau.
Russia	Mtsensk.
Slovakia	Nitra.
Spain	Zaragoza.
Turkey	Istanbul.
United Kingdom	Sheffield and Chertsey, England; Port Talbot, Wales.

The Harris Products Group:

United States	Mason, Ohio; Gainesville, Georgia.
Brazil	Sao Paulo.
Poland	Dzierzoniow.

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

In addition, the Company maintains operating leases for some manufacturing facilities, distribution centers and sales offices throughout the world. Refer to Note 16 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, 2017, the Company was a co-defendant in cases alleging asbestos induced illness involving claims by approximately 3,613 plaintiffs, which is a net decrease of 138 claims from those previously reported. In each instance, the Company is one of a large number of defendants. The asbestos claimants seek compensatory and punitive damages, in most cases for unspecified sums. Since January 1, 1995, the Company has been a co-defendant in other similar cases that have been resolved as follows: 54,732 of those claims were dismissed, 23 were tried to defense verdicts, 7 were tried to plaintiff verdicts (1 of which was appealed by defendants and was remanded to the trial court for a new trial), 1 was resolved by agreement for an immaterial amount and 776 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, 2017 was 1,651.

The total amount of dividends paid in 2017 was \$92.5 million. During 2017, dividends were paid on January 13, April 14, July 14 and October 13.

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

	2017			2016		
	Stock Price		Dividends Declared	Stock Price		Dividends Declared
	High	Low		High	Low	
First quarter	\$ 88.73	\$ 75.86	\$ 0.35	\$ 60.24	\$ 45.54	\$ 0.32
Second quarter	97.97	81.85	0.35	64.79	56.02	0.32
Third quarter	94.97	84.41	0.35	65.33	57.40	0.32
Fourth quarter	99.59	85.24	0.39	80.57	61.04	0.35

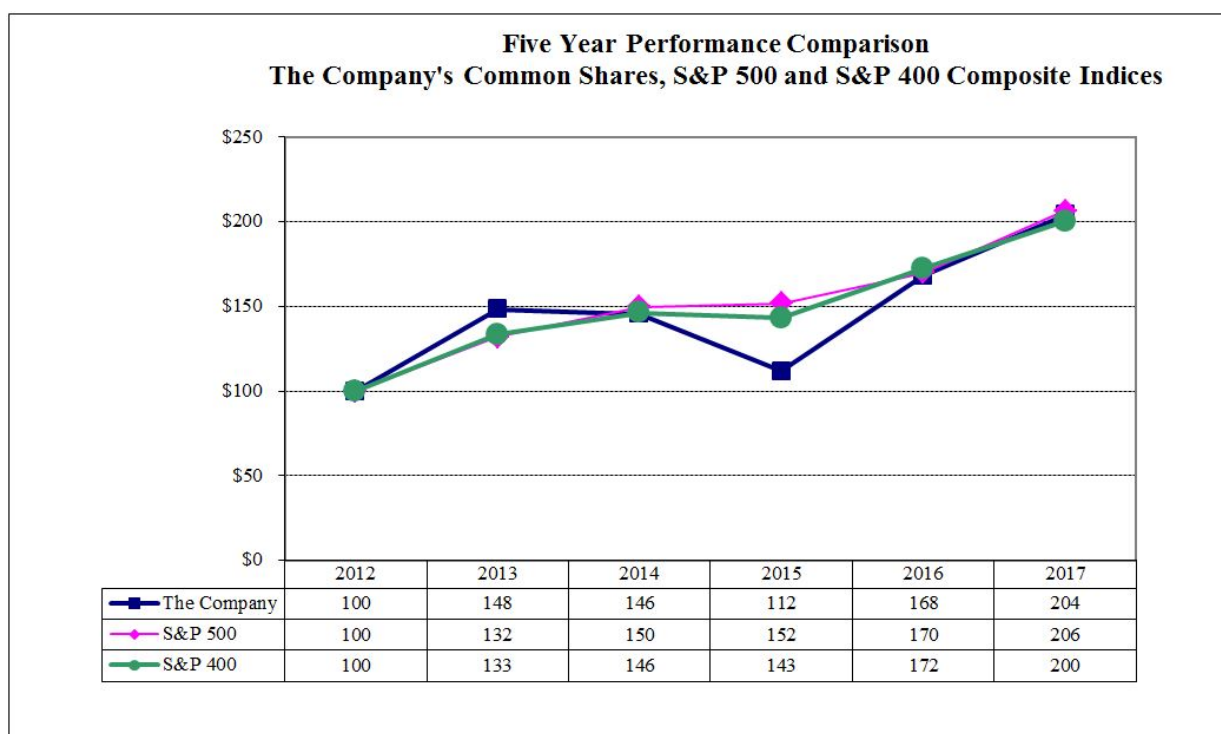
Issuer purchases of equity securities for the fourth quarter 2017 were:

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs ⁽²⁾
October 1-31, 2017	70,058 ⁽¹⁾	\$ 94.63	69,581	8,559,294
November 1-30, 2017	90,999	87.97	90,999	8,468,295
December 1-31, 2017	60,616 ⁽¹⁾	91.02	39,721	8,428,574
Total	221,673	90.91	200,301	

(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 47 million shares at a cost of \$1.7 billion for a weighted average cost of \$36.09 per share through December 31, 2017.

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, 2013 and ending December 31, 2017. This graph assumes that \$100 was invested on December 31, 2012 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.



ITEM 6. SELECTED FINANCIAL DATA*(Dollars in thousands, except per share amounts)*

	Year Ended December 31,				
	2017 ⁽¹⁾	2016 ⁽²⁾	2015 ⁽³⁾	2014 ⁽⁴⁾	2013 ⁽⁵⁾
Net sales	\$ 2,624,431	\$ 2,274,614	\$ 2,535,791	\$ 2,813,324	\$ 2,852,671
Net income	247,503	198,399	127,478	254,686	293,780
Basic earnings per share	3.76	2.94	1.72	3.22	3.58
Diluted earnings per share	3.71	2.91	1.70	3.18	3.54
Cash dividends declared per share	1.44	1.31	1.19	0.98	0.83
Total assets	2,406,547	1,943,437	1,784,171	1,939,215	2,151,867
Long-term debt, less current portion	704,136	703,704	350,347	2,488	3,791

- (1) Results for 2017 include charges related to the acquisition of Air Liquide Welding, including \$15,002, \$11,559 after-tax, of transaction and integration costs, \$4,578, \$3,453 after-tax, in amortization of step up in value of acquired inventories and a \$49,650 bargain purchase gain. Results also include \$8,150, \$5,030 after-tax, in pension settlement charges, \$6,590, \$6,198 after-tax, in rationalization and asset impairment charges and charges of \$28,616 related to the net impact of the U.S. Tax Act (as defined below).
- (2) 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.
- (3) 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.
- (4) Results for 2014 include \$32,742, \$32,706 after-tax, of non-cash asset impairment charges partially offset by gains of \$3,930, \$2,754 after-tax, related to the sale of assets. Associated with the impairment of long-lived assets is an offsetting special item of \$805 representing portions attributable to non-controlling interests. Results also include charges of \$21,133 related to Venezuelan remeasurement losses.
- (5) Results for 2013 include \$3,658, \$2,965 after-tax, of rationalization charges and impairment charges net of gains on disposals of \$4,805, \$4,608 after-tax. Results also include a charge of \$12,198 related to the devaluation of the Venezuelan currency and a loss of \$705 related to the sale of land. Associated with the impairment of long-lived assets and loss on the sale of land is an offsetting special item of \$1,068 representing portions attributable to non-controlling interests.

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

(Dollars in thousands, except per share amounts)

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

General

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

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

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

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

The Company's major end-user markets include:

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

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

The U.S. Tax Cuts and Jobs Act (the "U.S. Tax Act") was enacted on December 22, 2017. The U.S. Tax Act represents major tax reform legislation that, among other provisions, reduces the U.S. corporate tax rate. The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides for a one-year measurement period and provides guidance for the application of ASC Topic 740, *Income Taxes*. In accordance with SAB 118, the Company recognized the income tax effects of U.S. Tax Act to the extent applicable for the year of enactment. The expense primarily relates to taxes on the Company's unremitted foreign earnings and profits, partially offset by the re-measurement of deferred tax assets and liabilities. The Company's financial results reflect provisional amounts for the impact of the U.S. Tax Act for which accounting analysis under ASC 740 is ongoing. Refer to Note 12 to the consolidated financial statements for further information on the financial statement impact of the U.S. Tax Act.

During the first quarter of 2016, the Company realigned its organizational and leadership structure. The new structure allowed for further integration of operational and product development processes across regions and supported growth strategies. In accordance with this organizational change, beginning with quarterly reporting for the three months ended March 31, 2016, the Company reported three operating segments as follows: Americas Welding, International Welding and The Harris Products Group. The 2015 results reflect the realigned segment structure. Refer to Note 5 to the consolidated financial statements for segment and geographic area information.

As further described in Note 1 to the consolidated financial statements, effective June 30, 2016, the Company determined that it

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

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

The Company's facilities are subject to environmental regulations. To date, compliance with these environmental regulations has not had a material adverse effect on the Company's earnings. The Company is ISO 14001 certified at most significant manufacturing facilities in North America and Europe and is progressing towards certification at its remaining facilities worldwide. In addition, the Company is ISO 9001 certified at 48 facilities worldwide.

Key Indicators

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

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

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

Results of Operations

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

	Year Ended December 31,						Increase (Decrease) Actual vs. Prior Year	
	2017		2016		2015		2017 vs. 2016	2016 vs. 2015
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales		
Net sales	\$ 2,624,431		\$ 2,274,614		\$ 2,535,791		15.4%	(10.3%)
Cost of goods sold	1,744,105		1,485,316		1,694,647		17.4%	(12.4%)
Gross profit	880,326	33.5%	789,298	34.7%	841,144	33.2%	11.5%	(6.2%)
Selling, general & administrative expenses	537,525	20.5%	466,676	20.5%	496,748	19.6%	15.2%	(6.1%)
Rationalization and asset impairment charges	6,590		—		19,958		100.0%	(100.0%)
Pension settlement charges	8,150		—		142,738		100.0%	(100.0%)
Loss on deconsolidation of Venezuelan subsidiary	—		34,348		—		(100.0%)	100.0%
Bargain purchase gain	(49,650)		—		—		100.0%	—
Operating income	377,711	14.4%	288,274	12.7%	181,700	7.2%	31.0%	58.7%
Interest income	4,788		2,092		2,714		128.9%	(22.9%)
Equity earnings in affiliates	2,742		2,928		3,015		(6.4%)	(2.9%)
Other income	5,215		3,173		4,182		64.4%	(24.1%)
Interest expense	(24,220)		(19,079)		(21,824)		26.9%	(12.6%)
Income before income taxes	366,236	14.0%	277,388	12.2%	169,787	6.7%	32.0%	63.4%
Income taxes	118,761		79,015		42,375		50.3%	86.5%
Effective tax rate	32.4%		28.5%		25.0%			
Net income including non-controlling interests	247,475		198,373		127,412		24.8%	55.7%
Non-controlling interests in subsidiaries' loss	(28)		(26)		(66)		7.7%	(60.6%)
Net income	\$ 247,503	9.4%	\$ 198,399	8.7%	\$ 127,478	5.0%	24.8%	55.6%
Diluted earnings per share	\$ 3.71		\$ 2.91		\$ 1.70			

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, 2017 on a consolidated basis:

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

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

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

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

Net sales volumes decreased as a result of softer demand associated with the economic environment and weakness in oil & gas and U.S. export markets. Product pricing increased from prior year levels, reflecting the highly inflationary environment in Venezuela impacting results in the first six months of 2016. Net sales for 2016 include \$10,813 in sales from the Company's Venezuelan operations compared with \$84,662 in sales from the Company's Venezuelan operations in 2015. The increase in net sales from acquisitions was driven primarily by acquired companies within Americas Welding. The decrease in foreign exchange was due to a stronger U.S. dollar, as well as the highly inflationary environment in Venezuela impacting the first six months of 2016.

Gross Profit:

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

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

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

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

The decrease in SG&A expense in 2016 as compared to 2015 was due to lower bonus expense and lower foreign exchange transaction losses, partially offset by higher legal fees and SG&A from acquisitions.

Rationalization and Asset Impairment Charges:

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

In 2015, the Company recorded \$19,958, \$18,182 after-tax, in charges primarily related to non-cash goodwill and asset impairment charges, as well as severance and other related costs.

Refer to Note 6 to the consolidated financial statements for additional details.

Pension Settlement Charges:

In 2017, the Company recorded non-cash pension settlement charges of \$8,150, \$5,030 after-tax, related to lump sum pension payments.

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

Refer to Note 11 to the consolidated financial statements for additional details.

Loss on Deconsolidation of Venezuela:

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

Bargain Purchase Gain:

In 2017, the Company recorded a bargain purchase gain of \$49,650, which had no tax impact, related to the Air Liquide Welding acquisition. Refer to Note 3 to the consolidated financial statements for additional details.

Equity Earnings in Affiliates:

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

Interest Expense:

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

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

Income Taxes:

The effective income tax rate is higher in 2017 as compared to 2016 primarily due to the net impact of the U.S. Tax Act. The effective tax rate increase was partially offset by the nontaxable bargain purchase gain recorded in connection with the Air Liquide Welding acquisition and the change in the reporting of excess tax benefits from the exercise of stock based compensation awards. Beginning in 2018, the Company expects the effective tax rate to be in the low- to mid-20% range due to the U.S. Tax Act.

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

Net Income:

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

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

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, 2017:

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

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

(2) Increase primarily due to the acquisition of Air Liquide Welding within Americas Welding and International Welding. Refer to Note 3 to the consolidated financial statements for a discussion of the Company's recent acquisitions.

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

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

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

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

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

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

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

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

Adjusted Earnings Before Interest and Income Taxes (“Adjusted EBIT”):

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

The following table presents Adjusted EBIT by segment:

	December 31,			Increase (Decrease) 2017 vs. 2016		Increase (Decrease) 2016 vs. 2015	
	2017	2016	2015	\$	%	\$	%
Americas Welding:							
Net sales	\$ 1,609,779	\$ 1,494,982	\$ 1,741,350	114,797	7.7%	(246,368)	(14.1%)
Inter-segment sales	97,382	93,612	92,538	3,770	4.0%	1,074	1.2%
Total Sales	<u>\$ 1,707,161</u>	<u>\$ 1,588,594</u>	<u>\$ 1,833,888</u>	118,567	7.5%	(245,294)	(13.4%)
Adjusted EBIT ⁽⁴⁾	<u>\$ 291,866</u>	<u>\$ 266,633</u>	<u>\$ 316,689</u>	25,233	9.5%	(50,056)	(15.8%)
As a percent of total sales ⁽¹⁾	<u>17.1%</u>	<u>16.8%</u>	<u>17.3%</u>		0.3%		(0.5%)
International Welding:							
Net sales	\$ 724,024	\$ 507,289	\$ 530,460	216,735	42.7%	(23,171)	(4.4%)
Inter-segment sales	18,860	15,975	18,747	2,885	18.1%	(2,772)	(14.8%)
Total Sales	<u>\$ 742,884</u>	<u>\$ 523,264</u>	<u>\$ 549,207</u>	219,620	42.0%	(25,943)	(4.7%)
Adjusted EBIT ⁽⁵⁾	<u>\$ 41,721</u>	<u>\$ 29,146</u>	<u>\$ 34,511</u>	12,575	43.1%	(5,365)	(15.5%)
As a percent of total sales ⁽²⁾	<u>5.6%</u>	<u>5.6%</u>	<u>6.3%</u>		—%		(0.7%)
The Harris Products Group:							
Net sales	\$ 290,628	\$ 272,343	\$ 263,981	18,285	6.7%	8,362	3.2%
Inter-segment sales	8,190	8,709	9,312	(519)	(6.0%)	(603)	(6.5%)
Total Sales	<u>\$ 298,818</u>	<u>\$ 281,052</u>	<u>\$ 273,293</u>	17,766	6.3%	7,759	2.8%
Adjusted EBIT	<u>\$ 36,442</u>	<u>\$ 32,380</u>	<u>\$ 27,882</u>	4,062	12.5%	4,498	16.1%
As a percent of total sales ⁽³⁾	<u>12.2%</u>	<u>11.5%</u>	<u>10.2%</u>		0.7%		1.3%
Corporate / Eliminations:							
Inter-segment sales	\$ (124,432)	\$ (118,296)	\$ (120,597)	6,136	5.2%	(2,301)	(1.9%)
Adjusted EBIT ⁽⁶⁾	309	564	(275)	(255)	(45.2%)	839	305.1%
Consolidated:							
Net sales	<u>\$ 2,624,431</u>	<u>\$ 2,274,614</u>	<u>\$ 2,535,791</u>	349,817	15.4%	(261,177)	(10.3%)
Adjusted EBIT	<u>\$ 370,338</u>	<u>\$ 328,723</u>	<u>\$ 378,807</u>	41,615	12.7%	(50,084)	(13.2%)
As a percent of total sales	<u>14.1%</u>	<u>14.5%</u>	<u>14.9%</u>		(0.4%)		(0.4%)

(1) 2017 increase as compared to 2016 driven by higher Net sales volumes, partially offset by rising input costs.

2016 decrease as compared to 2015 driven by sales volume declines and higher SG&A costs as a percent of sales, partially offset by improved margins on lower input costs.

(2) 2017 remained flat as compared to 2016 driven by higher Net sales volumes, offset by higher costs related to acquisitions.

2016 decrease as compared to 2015 driven by Net sales volume declines and higher SG&A costs as a percent of sales.

(3) 2017 increase as compared to 2016 driven by higher Net sales volume.

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

- (4) 2017 excludes non-cash 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.
- 2015 excludes net charges of \$3,287 related to employee severance and other related costs, Venezuelan foreign exchange remeasurement losses of \$27,214 related to the adoption of a new foreign exchange mechanism and \$142,728 of non-cash pension settlement charges related to the purchase of a group annuity contract.
- (5) 2017 excludes amortization of step up in value of acquired inventories of \$4,578 related to the Air Liquide Welding acquisition as discussed in Note 3 to the consolidated financial statements, as well as non-cash charges of \$5,499 related to employee severance, asset impairments and other related costs.
- 2015 excludes net charges of \$6,939 related to employee severance and other costs and adjustments to reclassify a potential divestiture that was previously held-for-sale, as well as non-cash charges of \$6,315 related to the impairment of goodwill and \$3,417 related to the impairment of long-lived assets.
- (6) 2017 excludes a bargain purchase gain of \$49,650 and acquisition transaction and integration costs of \$15,002 related to the Air Liquide Welding acquisition as discussed in Note 3 to the consolidated financial statements.
- 2016 excludes a loss of \$34,348 related to the deconsolidation of the Company's Venezuelan subsidiary.

Non-GAAP Financial Measures

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

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

	Year Ended December 31,		
	2017	2016	2015
Operating income as reported	\$ 377,711	\$ 288,274	\$ 181,700
Special items (pre-tax):			
Rationalization and asset impairment charges ⁽¹⁾	6,590	—	19,958
Loss on deconsolidation of Venezuelan subsidiary ⁽²⁾	—	34,348	—
Venezuela remeasurement losses ⁽³⁾	—	—	27,214
Pension settlement charges ⁽⁴⁾	8,150	—	142,738
Acquisition transaction and integration costs ⁽⁵⁾	15,002	—	—
Amortization of step up in value of acquired inventories ⁽⁵⁾	4,578	—	—
Bargain purchase gain ⁽⁵⁾	(49,650)	—	—
Adjusted operating income	\$ 362,381	\$ 322,622	\$ 371,610

(1) Charges in 2017 and 2015 consist of employee severance and other related costs, non-cash goodwill impairment charges and net non-cash asset impairment charges.

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

(3) Charges related to the adoption of a new foreign exchange mechanism in the period.

(4) Charges consist of the following:

- In 2017, charges related to lump sum pension payments.
- In 2015, charges related to the purchase of a group annuity contract that settled a portion of the Company's pension obligation in 2015.

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

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

	Year Ended December 31,		
	2017	2016	2015
Net income as reported	\$ 247,503	\$ 198,399	\$ 127,478
Special items (after-tax):			
Rationalization and asset impairment charges ⁽¹⁾	6,198	—	18,182
Loss on deconsolidation of Venezuelan subsidiary ⁽²⁾	—	33,251	—
Venezuela remeasurement losses ⁽³⁾	—	—	27,214
Pension settlement charges ⁽⁴⁾	5,030	—	87,310
Acquisition transaction and integration costs ⁽⁵⁾	11,559	—	—
Amortization of step up in value of acquired inventories ⁽⁵⁾	3,453	—	—
Bargain purchase gain ⁽⁵⁾	(49,650)	—	—
Income tax valuation reversal ⁽⁶⁾	—	(7,196)	—
Net impact of U.S. Tax Act ⁽⁷⁾	28,616	—	—
Adjusted net income	\$ 252,709	\$ 224,454	\$ 260,184
Diluted earnings per share as reported	\$ 3.71	\$ 2.91	\$ 1.70
Special items per share	0.08	0.38	1.78
Adjusted diluted earnings per share	\$ 3.79	\$ 3.29	\$ 3.48

(1) Charges in 2017 and 2015 consist of employee severance and other related costs, non-cash goodwill impairment charges and net non-cash asset impairment charges.

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

(3) Charges related to the adoption of a new foreign exchange mechanism in the period.

(4) Charges consist of the following:

- In 2017, charges related to lump sum pension payments.
- In 2015, charges related to the purchase of a group annuity contract that settled a portion of the Company's pension obligation in 2015.

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

(6) Tax benefit related to the reversal of an income tax valuation allowance as a result of a legal entity change.

(7) Charges related to the net impact of the U.S. Tax Act and foreign withholding taxes.

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	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Cash provided by operating activities ⁽¹⁾	\$ 334,845	\$ 312,557	\$ 312,832	\$ 22,288	\$ (275)
Cash used by investing activities ⁽²⁾	(272,027)	(159,946)	(85,352)	(112,081)	(74,594)
Capital expenditures	(61,656)	(49,877)	(50,507)	(11,779)	630
Acquisition of businesses, net of cash acquired	(72,468)	(71,567)	(37,076)	(901)	(34,491)
Purchase of marketable securities	(205,584)	(38,920)	—	(166,664)	(38,920)
Cash used by financing activities ⁽³⁾	(135,037)	(72,008)	(171,882)	(63,029)	99,874
(Payments on) proceeds from short-term borrowings, net	(491)	1,539	(34,229)	(2,030)	35,768
(Payments on) proceeds from long-term borrowings, net	(5)	349,780	350,835	(349,785)	(1,055)
Purchase of shares for treasury	(43,164)	(342,003)	(399,494)	298,839	57,491
Cash dividends paid to shareholders	(92,452)	(87,330)	(86,968)	(5,122)	(362)
(Decrease) increase in Cash and cash equivalents ⁽⁴⁾	(52,478)	74,996	25,804		

- (1) Cash provided by operating activities increased \$22,288 for the twelve months ended December 31, 2017 compared with the twelve months ended December 31, 2016. This was primarily due to improved Company performance.
- (2) Cash used by investing activities increased by \$112,081 in the twelve months ended December 31, 2017 compared with the twelve months ended December 31, 2016 predominantly due to the purchase of marketable securities in 2017. Cash used by investing activities increased \$74,594 in the twelve months ended December 31, 2016 compared with the twelve months ended December 31, 2015 predominantly due to an increase in cash paid for the acquisition of a business and the purchase of marketable securities. The Company anticipates capital expenditures of \$60,000 to \$70,000 in 2018. Anticipated capital expenditures reflect investments for capital maintenance to improve operational effectiveness. Management critically evaluates all proposed capital expenditures and expects each project to increase efficiency, reduce costs, promote business growth or improve the overall safety and environmental conditions of the Company's facilities.
- (3) Cash used by financing activities increased \$63,029 in the twelve months ended December 31, 2017 compared with the twelve months ended December 31, 2016. The increase was due to higher proceeds from long-term borrowings in 2016 partially offset by higher purchases of common shares for treasury in 2016. Cash used by financing activities decreased in the twelve months ended December 31, 2016 compared with the twelve months ended December 31, 2015 predominantly due to higher net borrowings in 2015 and lower purchases of common shares for treasury in 2016.
- (4) Cash and cash equivalents decreased 13.8%, or \$52,478, to \$326,701 during the twelve months ended December 31, 2017, from \$379,179 as of December 31, 2016. This decrease was predominantly due to the purchase of marketable securities. Cash and cash equivalents increased 24.7%, or \$74,996, to \$379,179 during the twelve months ended December 31, 2016, from \$304,183 as of December 31, 2015. The increase was predominantly due to cash provided by operating activities and net proceeds from borrowings, offset by cash used in the acquisition of a business, purchase of common shares for treasury and cash dividends paid to shareholders. At December 31, 2017, \$272,433 of Cash and cash equivalents was held by international subsidiaries and may be subject to U.S. income taxes, local country taxes and foreign withholding taxes if repatriated to the U.S.

The Company's debt levels remained consistent as compared to December 31, 2016. Total debt to total invested capital decreased to 43.1% at December 31, 2017 from 49.8% at December 31, 2016.

The Company paid \$92,452 and \$87,330 in cash dividends to its shareholders in the twelve months ended December 31, 2017 and 2016, respectively, reflecting a 11.4% increase in the dividend rate. In January 2018, the Company paid a cash dividend of \$0.39 per share, or \$25,608 to shareholders of record on December 31, 2017.

Working Capital Ratios

	December 31,		
	2017	2016	2015
Average operating working capital to net sales ⁽¹⁾	15.9%	15.6%	17.1%
Days sales in Inventories	89.2	92.1	89.2
Days sales in Accounts receivable	52.4	47.7	46.9
Average days in Trade accounts payable	54.7	48.9	38.7

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

Rationalization and Asset Impairments

Refer to Note 6 to the consolidated financial statements for a discussion of the Company's 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 3 to the consolidated financial statements for a discussion of the Company's recent acquisitions.

Debt

At December 31, 2017 and 2016, the fair value of long-term debt, including the current portion, was approximately \$687,428 and \$669,209, 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. The proceeds were used for general corporate purposes. The 2015 Notes have original maturities ranging from 10 to 30 years with a weighted average effective interest rate of 3.5%, excluding accretion of original issuance costs, and an initial average tenure of 19 years. Interest is payable semi-annually. The 2015 Notes contain certain affirmative and negative covenants. As of December 31, 2017, the Company was in compliance with all of its debt covenants.

On October 20, 2016 the Company entered into a Note Purchase Agreement pursuant to which it issued senior unsecured notes (the "2016 Notes") in the aggregate principal amount of \$350,000 through a private placement. The proceeds are being used for general corporate purposes. The 2016 Notes have original maturities ranging from 12 to 25 years with a weighted average effective interest rate of 3.1%, excluding accretion of original issuance costs, and an initial average tenure of 18 years. Interest is payable semi-annually. The 2016 Notes contain certain affirmative and negative covenants. As of December 31, 2017, the Company was in compliance with all of its debt covenants.

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

Revolving Credit Agreement

The Company has a line of credit totaling \$400,000 through the Amended and Restated Credit Agreement (the "Credit Agreement"). 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, 2017, the Company was in compliance with all of its covenants and had no outstanding borrowings under the Credit Agreement.

Short-term Borrowings

The Company had short-term borrowings included in Amounts due banks of \$2,020 and \$1,758 at December 31, 2017 and 2016, respectively. Amounts due banks included the borrowings of subsidiaries at weighted average interest rates of 31.8% and 29.0% at December 31, 2017 and 2016, respectively.

Return on Invested Capital

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

ROIC for the years ended December 31, 2017, 2016 and 2015 were as follows:

Return on Invested Capital	2017	2016	2015
Adjusted net income ⁽¹⁾	\$ 252,709	\$ 224,454	\$ 260,184
Plus: Interest expense (after-tax)	14,947	11,775	13,469
Less: Interest income (after-tax)	2,955	1,291	1,675
Net operating profit after taxes	264,701	234,938	271,978
Invested capital	1,638,720	1,417,799	1,287,073
Return on invested capital	16.2%	16.6%	21.1%

(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, 2017 are as follows:

	Payments Due By Period				
	Total	2018	2019 to 2020	2021 to 2022	2023 and Beyond
Long-term debt, including current portion	\$ 711,112	\$ 97	\$ 200	\$ 208	\$ 710,607
Interest on long-term debt	398,123	23,297	46,588	46,579	281,659
Capital lease obligations	44	16	19	9	—
Short-term debt	2,020	2,020	—	—	—
Interest on short-term debt	500	500	—	—	—
Operating leases	57,308	19,205	22,330	10,144	5,629
Purchase commitments ⁽¹⁾	204,568	204,039	495	34	—
Transition Tax ⁽²⁾	34,653	5,544	5,545	7,970	15,594
Total	\$ 1,408,328	\$ 254,718	\$ 75,177	\$ 64,944	\$ 1,013,489

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

(2) Federal income taxes on the Company's unremitted foreign earnings and profits pursuant to the U.S. Tax Act is payable over eight years.

As of December 31, 2017, there were \$16,134 of tax liabilities related to unrecognized tax benefits and a \$25,397 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, 2017 of \$7,086 for contingent consideration arrangements. The amount of future cash flows associated with these liabilities will be contingent upon actual results of the acquired entities. Refer to Notes 12 and 14 to the consolidated financial statements for further discussion.

Stock-Based Compensation

On April 23, 2015, the shareholders of the Company approved the 2015 Equity and Incentive Compensation Plan ("Employee Plan"), which replaced the 2006 Equity and Performance Incentive Plan, as amended ("EPI Plan"). The Employee Plan provides for the granting of options, appreciation rights, restricted shares, restricted stock units and performance-based awards up to an additional 5,400,000 of the Company's common shares. In addition, on April 23, 2015, the shareholders of the Company approved the 2015 Stock Plan for Non-Employee Directors ("2015 Director Plan"), which replaced the 2006 Stock Plan for Non-Employee Directors ("2006 Director Plan"). The 2015 Director Plan provides for the granting of options, restricted shares and restricted stock units up to an additional 300,000 of the Company's common shares. At December 31, 2017, there were 4,324,951 common shares available for future grant under all plans.

Under these plans, options, restricted shares and restricted stock units granted were 341,770 in 2017, 449,415 in 2016 and 411,406 in 2015. 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 2017, 2016 and 2015.

Expense is recognized for all awards of stock-based compensation by allocating the aggregate grant date fair value over the vesting period. No expense is recognized for any stock options, restricted or deferred shares or restricted stock units ultimately forfeited because recipients fail to meet vesting requirements. Total stock-based compensation expense recognized in the Consolidated Statements of Income for 2017, 2016 and 2015 was \$12,698, \$10,332 and \$7,932, respectively, with a related tax benefit of \$4,861, \$3,955 and \$3,037, respectively. As of December 31, 2017, total unrecognized stock-based compensation expense related to non-vested stock options, restricted shares and restricted stock units was \$20,022, which is expected to be recognized over a weighted average period of approximately 1.9 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, 2017 was \$45,139 and \$37,169, respectively. The total intrinsic value of awards exercised during 2017, 2016 and 2015 was \$19,328, \$30,967 and \$6,879 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 2017. 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. In accordance with SAB 118, the Company's financial results reflect provisional amounts for the impact of the U.S. Tax Act for which accounting analysis under ASC 740 is ongoing. The amounts recorded are based on reasonable estimates and may require further adjustments as additional guidance from the U.S. Department of Treasury is provided, the Company's assumptions change or as further information and interpretations become available.

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

Translation of Foreign Currencies

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

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

Foreign currency transaction gains and losses are included in Selling, general & administrative expenses and were gains of \$5,654 and \$3,741 in 2017 and 2016, respectively, and a loss of \$6,023 in 2015.

Venezuela – Highly Inflationary Economy

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

Deferred Income Taxes

Deferred income taxes are recognized at currently enacted tax rates for temporary differences between the GAAP and income tax basis of assets and liabilities and operating loss and tax credit carry-forwards. During December 2017, the Company remeasured its deferred tax assets and liabilities as a result of passage of the U.S. Tax Act. The provisional amount recorded for the remeasurement is a tax benefit of \$14,532. The Company is still analyzing certain aspects of the U.S. Tax Act and refining calculations that could potentially affect the measurement of deferred income tax balances, including law changes surrounding deferred compensation.

The Company previously considered the earnings in non-U.S. subsidiaries to be indefinitely reinvested and, accordingly, recorded no deferred income taxes. As a result of the U.S. Tax Act, the Company determined it will repatriate earnings for certain non-U.S. subsidiaries, which are subject to foreign withholding taxes. The Company has estimated the associated tax to be \$6,667. 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, 2017, the Company had approximately \$118,412 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, 2017, a valuation allowance of \$68,694 was recorded against certain deferred tax assets based on this assessment. The Company believes it is more likely than not that the

tax benefit of the remaining net deferred tax assets will be realized. The amount of net deferred tax assets considered realizable could be increased or reduced in the future if the Company's assessment of future taxable income or tax planning strategies changes.

Pensions

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

A significant element in determining the Company's pension expense is the expected return on plan assets. At the end of each year, the expected return on plan assets is determined based on the weighted average expected return of the various asset classes in the plan's portfolio and the targeted allocation of plan assets. The asset class return is developed using historical asset return performance as well as current market conditions such as inflation, interest rates and equity market performance. The Company determined this rate to be 5.8% and 6.1% at December 31, 2017 and 2016, 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 2017, investment returns were 14.8% compared with a return of 6.6% in 2016. A 25 basis point change in the expected return on plan assets would increase or decrease pension expense by approximately \$1,300.

Another significant element in determining the Company's pension expense is the discount rate for plan liabilities. To develop the discount rate assumption, the Company refers to the yield derived from matching projected pension payments with maturities of a portfolio of available non-callable bonds rated AA or an equivalent quality. The Company determined this rate to be 4.1% at December 31, 2017 and 4.3% at December 31, 2016. A 10 basis point change in the discount rate would increase or decrease pension expense by approximately \$100.

The Company's defined benefit plan expense was \$2,517, \$13,988 and \$162,815 in 2017, 2016 and 2015, respectively. Pension expense includes \$8,252 and \$142,738 in settlement charges in 2017 and 2015, respectively. The Company's defined contribution plan expense was \$25,285, \$8,361 and \$10,082 in 2017, 2016 and 2015, respectively. Excluding the pension settlement charges in 2017, the Company expects total 2018 expense related to retirement plans to increase by a range of approximately \$2,000 to \$3,000. The increase is the result of lower expected return on assets. Refer to Note 11 to the consolidated financial statements for additional information.

The Accumulated other comprehensive loss, excluding tax effects, recognized on the Consolidated Balance Sheet was \$116,690 as of December 31, 2017 and \$146,604 as of December 31, 2016. The increase is primarily the result of the amortization of net losses and settlements in 2017.

The Company made contributions to its defined benefit plans of \$1,739, \$21,373 and \$50,468 in 2017, 2016 and 2015, respectively. The Company does not expect to make significant contributions to the defined benefit plans in 2018.

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 32% and 40% of total inventories at December 31, 2017 and 2016, respectively. Cost of other inventories is determined by costing methods that approximate a first-in, first-out ("FIFO") basis. The valuation of LIFO inventories is made at the end of each year based on inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs. Actual year-end inventory levels and costs may differ from interim LIFO inventory valuations. The excess of current cost over LIFO cost was \$68,641 at December 31, 2017 and \$61,329 at December 31, 2016.

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 2017, the Company early adopted Accounting Standard Update No. 2017-04, "*Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*." As such, the quantitative goodwill impairment analysis is now a one-step process. The Company compared 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 the applicable discount rates to value estimated cash flows. Changes in economic and operating conditions impacting these assumptions could result in asset impairments in future periods.

As a result of 2017 testing, the Company recorded an impairment charge of \$1,091 to the carrying value of goodwill for one reporting unit. The fair value of goodwill for all other reporting units exceeded its carrying value by at least 10%. Key assumptions in estimating the reporting unit's fair value include assumed market participant assumptions of revenue growth, operating margins and the rate used to discount future cash flows. Actual revenue growth and operating margins below the assumed market participant assumptions or an increase in the discount rate would have a negative impact on the fair value of the reporting unit that could result in a goodwill impairment charge in a future period.

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 properties using the cost approach supported where available by observable market data, which includes consideration of obsolescence. Management values acquired intangible assets using the relief from royalty method, a form of the income approach supported by observable market data for peer companies. Acquired inventories are marked to fair value. For certain items, the carrying value is determined to be a reasonable approximation of fair value based on information available to the Company. Refer to Note 3 to the consolidated financial statements for additional details.

Revenue Recognition

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

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

Stock-Based Compensation

The Company uses the Black-Scholes option pricing model for estimating fair values of options. The Black-Scholes model requires assumptions regarding the volatility of the Company's common shares, the expected life of the stock award and the Company's dividend yield. The Company utilizes historical data in determining these assumptions. An increase or decrease in the assumptions or economic events outside of management's control could have an impact on the Black-Scholes model.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Included below is a sensitivity analysis based upon a hypothetical 10% weakening or strengthening in the U.S. dollar compared to foreign currency exchange rates at December 31, 2017 and a 100 basis point increase in effective interest rates at December 31, 2017. The derivative, borrowing and investment arrangements in effect at December 31, 2017 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, 2017, the Company hedged certain third-party and intercompany purchases and sales. The gross notional amount of these foreign exchange contracts at December 31, 2017 was \$35,489. At December 31, 2017, a hypothetical 10% strengthening or weakening in the U.S. dollar would have changed Accumulated other comprehensive income (loss) by \$1,341.

In addition, the Company enters into forward foreign exchange contracts to hedge transaction exposures or significant cross-border intercompany loans by either purchasing or selling specified amounts of foreign currency at a specified date. The gross notional amount of these foreign exchange contracts at December 31, 2017 was \$340,884. A hypothetical 10% change in the year-end exchange rates would have resulted in an increase or decrease to Income before income taxes of \$9,983 related to these positions. However, any loss (or gain) resulting from a hypothetical 10% change would be offset by the associated gain (or loss) on the underlying balance sheet exposure and would ultimately not materially affect the Company's financial statements.

Commodity Price Risk

From time to time, the Company uses various hedging arrangements to manage exposures to price risk from commodity purchases. These hedging arrangements have the effect of fixing for specified periods the prices the Company will pay for the volume to which the hedge relates. The Company had no commodity contracts outstanding during 2017.

Interest Rate Risk

At December 31, 2017, the Company had various floating interest rate swaps used to convert \$100,000 of its outstanding fixed-rate, long-term borrowings into short-term variable interest rates. The fixed-rate nature of the remaining long-term borrowings limits the Company's exposure to changes in near-term interest rates. An increase in interest expense resulting from a hypothetical increase of 100 basis points in the December 31, 2017 floating rate, would not materially affect the Company's financial statements. A hypothetical 100 basis point increase to effective interest rates would also impact the fair value of interest rate swap. However, any loss resulting from this hypothetical scenario would be offset by the associated gain on the underlying debt and have no impact on the Company's consolidated financial statements.

The fair value of the Company's cash and cash equivalents at December 31, 2017 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, 2017 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, 2017.

During 2017, the Company completed the acquisition of Air Liquide Welding. The results of operations are included in the Company's consolidated financial statements from the date of acquisition and constituted 14% of total assets as of December 31, 2017 and 7% of revenues for the year then ended. As permitted by guidance issued by the Securities and Exchange Commission, the Company has elected to exclude Air Liquide Welding from our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2017.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 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

In July 2017, the Company acquired Air Liquide Welding. The acquired business operated under its 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 business' operations into the Company's systems and control environment in fiscal year 2018.

Except for changes in connection with the Company's acquisition of the Air Liquide Welding business noted above, there have been no changes in the Company's internal control over financial reporting that occurred during the fourth quarter of 2017 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 2018 proxy statement pursuant to Regulation 14A of the Exchange Act within 120 days after December 31, 2017.

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 2018 proxy statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the 2018 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 2018 proxy statement.

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

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

The information required by this item is incorporated by reference from the 2018 proxy statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference from the 2018 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, 2017, 2016 and 2015

Consolidated Statements of Comprehensive Income – Years ended December 31, 2017, 2016 and 2015

Consolidated Balance Sheets – December 31, 2017 and 2016

Consolidated Statements of Equity – Years ended December 31, 2017, 2016 and 2015

Consolidated Statements of Cash Flows – Years ended December 31, 2017, 2016 and 2015

Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules

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

Schedule II – Valuation and Qualifying Accounts

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

(a)(3) Exhibits

Exhibit No.	Description
<u>3.1</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>3.2</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>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>	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).
<u>10.4*</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>10.5*</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).

Exhibit No.	Description
<u>10.6*</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>10.7*</u>	Non-Employee Directors' Deferred Compensation Plan (Amended and Restated as of December 31, 2008) (filed as Exhibit 10.3 to Form 8-K of Lincoln Electric Holdings, Inc. filed on January 7, 2009, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
<u>10.8*</u>	2005 Deferred Compensation Plan for Executives (Amended and Restated as of January 1, 2016) (filed as Exhibit 10.6 to Form 10-K of Lincoln 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>10.9*</u>	2005 Deferred Compensation Plan for Executives (Amended and Restated as of January 1, 2018) (filed as Exhibit 10.1 to Form 10-Q of Lincoln Electric Holdings, Inc. for the three months ended September 30, 2017, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
<u>10.10*</u>	2005 Deferred Compensation Plan for Executives (Amended and Restated as of January 1, 2018) (filed herewith).
<u>10.11*</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).
<u>10.12*</u>	The Lincoln Electric Company Employee Savings Plan As Amended and Restated Effective January 1, 2017 dated December 20, 2016 (filed as Exhibit 10.11 to Form 10-K of Lincoln Electric Holdings, Inc. for the year ended December 31, 2016, SEC File No. 0-1402 and incorporated herein by reference and made a part hereof).
<u>10.13*</u>	Amendment No. 1 to The Lincoln Electric Company Employee Savings Plan As Amended and Restated Effective January 1, 2017 dated July 25, 2017 (filed herewith).
<u>10.14*</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>10.15*</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>10.16*</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>10.17*</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>10.18*</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>10.19*</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>10.20*</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>10.21*</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>10.22*</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>10.23*</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>10.24*</u>	Form of Restricted Share Agreement for Non-Employee Directors (filed herewith).

Exhibit No.	Description
<u>10.25*</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>10.26*</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>10.27*</u>	Form of Stock Option Agreement for Executive Officers (filed herewith).
<u>10.28*</u>	Form of Stock Option Agreement for Executive Officers (filed herewith).
<u>10.31*</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>10.32*</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>10.33*</u>	Form of Restricted Stock Unit Agreement for Executive Officers (filed herewith).
<u>10.34*</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>10.35*</u>	Form of Performance Share Award Agreement for Executive Officers (filed herewith).
<u>10.36*</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>10.37*</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.
<u>23</u>	Consent of Independent Registered Public Accounting Firm.
<u>24</u>	Powers of Attorney.
<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.
<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.
<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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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

SIGNATURES

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

LINCOLN ELECTRIC HOLDINGS, INC.

By: /s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman
Senior Vice President, Corporate Controller
(principal accounting officer)
February 27, 2018

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, 2018

/s/ VINCENT K. PETRELLA

Vincent K. Petrella,
Executive Vice President, Chief Financial Officer and Treasurer
(principal financial officer)
February 27, 2018

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman,
Senior Vice President, Corporate Controller
(principal accounting officer)
February 27, 2018

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Curtis E. Espeland, Director
February 27, 2018

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
David H. Gunning, Director
February 27, 2018

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Stephen G. Hanks, Director
February 27, 2018

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Michael F. Hilton, Director
February 27, 2018

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
G. Russell Lincoln, Director
February 27, 2018

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Kathryn Jo Lincoln, Director
February 27, 2018

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
William E. MacDonald, III, Director
February 27, 2018

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Phillip J. Mason, Director
February 27, 2018

Geoffrey P. Allman as
Attorney-in-Fact for
Ben Patel, Director
February 27, 2018

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
Hellene S. Runtagh, Director
February 27, 2018

/s/ GEOFFREY P. ALLMAN

Geoffrey P. Allman as
Attorney-in-Fact for
George H. Walls, Jr., Director
February 27, 2018

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders 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, 2017 and 2016, the related consolidated statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes and the financial statement schedule listed in the Index as Item 15 (a) (2) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with US 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, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations or the Treadway Commission (2013 framework) and our report dated February 27, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

/s/ Ernst & Young LLP

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

Cleveland, OH

February 27, 2018

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited Lincoln Electric Holdings, Inc. internal control over financial reporting as of December 31, 2017, 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, 2017, 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 Air Liquide Welding, which is included in the 2017 consolidated financial statements of the Company and constituted 14% of total assets as of December 31, 2017 and 7% of revenues 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 Air Liquide Welding.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, equity and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes and the financial statement schedule listed in the Index as Item 15(a)(2), and our report dated February 27, 2018 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, 2018

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

	Year Ended December 31,		
	2017	2016	2015
Net sales	\$ 2,624,431	\$ 2,274,614	\$ 2,535,791
Cost of goods sold	1,744,105	1,485,316	1,694,647
Gross profit	880,326	789,298	841,144
Selling, general & administrative expenses	537,525	466,676	496,748
Rationalization and asset impairment charges (Notes 4 and 6)	6,590	—	19,958
Pension settlement charges (Note 11)	8,150	—	142,738
Loss on deconsolidation of Venezuelan subsidiary (Note 1)	—	34,348	—
Bargain purchase gain (Note 3)	(49,650)	—	—
Operating income	377,711	288,274	181,700
Other income (expense):			
Interest income	4,788	2,092	2,714
Equity earnings in affiliates	2,742	2,928	3,015
Other income	5,215	3,173	4,182
Interest expense	(24,220)	(19,079)	(21,824)
Total other income (expense)	(11,475)	(10,886)	(11,913)
Income before income taxes	366,236	277,388	169,787
Income taxes (Note 12)	118,761	79,015	42,375
Net income including non-controlling interests	247,475	198,373	127,412
Non-controlling interests in subsidiaries' loss	(28)	(26)	(66)
Net income	\$ 247,503	\$ 198,399	\$ 127,478
Basic earnings per share	\$ 3.76	\$ 2.94	\$ 1.72
Diluted earnings per share	\$ 3.71	\$ 2.91	\$ 1.70
Cash dividends declared per share	\$ 1.44	\$ 1.31	\$ 1.19

See notes to these consolidated financial statements.

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

	Year Ended December 31,		
	2017	2016	2015
Net income including non-controlling interests	\$ 247,475	\$ 198,373	\$ 127,412
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax of \$17 in 2017; \$(21) in 2016; \$336 in 2015	288	39	557
Defined pension plan activity, net of tax of \$19,252 in 2017; \$4,297 in 2016; \$61,538 in 2015	10,662	3,837	98,117
Currency translation adjustment	71,016	(36,752)	(106,935)
Transactions with non-controlling interests	—	—	(7)
Other comprehensive loss	81,966	(32,876)	(8,268)
Comprehensive income	329,441	165,497	119,144
Comprehensive loss attributable to non-controlling interests	87	(132)	(689)
Comprehensive income attributable to shareholders	<u>\$ 329,354</u>	<u>\$ 165,629</u>	<u>\$ 119,833</u>

See notes to these consolidated financial statements.

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

	December 31,	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 326,701	\$ 379,179
Accounts receivable (less allowance for doubtful accounts of \$15,943 in 2017; \$7,768 in 2016)	395,279	273,993
Inventories (Note 15)	348,667	255,406
Marketable securities	179,125	38,922
Other current assets	123,836	96,213
Total Current Assets	1,373,608	1,043,713
Property, plant and equipment, net (Note 1)	\$ 477,031	\$ 372,377
Intangibles, net (Note 4)	127,452	130,088
Goodwill (Note 4)	234,582	231,919
Deferred income taxes (Note 12)	15,937	8,424
Other assets	177,937	156,916
TOTAL ASSETS	\$ 2,406,547	\$ 1,943,437
LIABILITIES AND EQUITY		
Current Liabilities		
Amounts due banks (Note 8)	\$ 2,020	\$ 1,758
Trade accounts payable	269,763	176,757
Accrued employee compensation and benefits	91,902	67,431
Dividends payable	25,608	22,986
Customer advances	19,683	21,238
Other current liabilities	119,655	97,806
Current portion of long-term debt (Note 8)	111	131
Total Current Liabilities	528,742	388,107
Long-term debt, less current portion (Note 8)	704,136	703,704
Deferred income taxes (Note 12)	40,716	41,617
Other liabilities	200,500	97,803
Total Liabilities	1,474,094	1,231,231
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 2017 and 2016; outstanding – 65,662,546 shares in 2017 and 65,674,754 shares in 2016	9,858	9,858
Additional paid-in capital	334,309	309,417
Retained earnings	2,388,219	2,236,071
Accumulated other comprehensive loss	(247,186)	(329,037)
Treasury shares, at cost – 32,918,888 shares in 2017 and 32,906,680 shares in 2016	(1,553,563)	(1,514,832)
Total Shareholders' Equity	931,637	711,477
Non-controlling interests	816	729
Total Equity	932,453	712,206
TOTAL LIABILITIES AND EQUITY	\$ 2,406,547	\$ 1,943,437

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, 2014	76,997	\$ 9,858	\$ 258,816	\$2,086,174	\$ (288,622)	\$ (783,677)	\$ 3,232	\$ 1,285,781
Net income				127,478			(66)	127,412
Unrecognized amounts from defined benefit pension plans, net of tax					98,117			98,117
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax					557			557
Currency translation adjustment					(106,312)		(623)	(106,935)
Cash dividends declared – \$1.19 per share				(87,814)				(87,814)
Stock-based compensation activity	274		14,092			2,421		16,513
Purchase of shares for treasury	(6,578)					(399,494)		(399,494)
Transactions with non-controlling interests					(7)		(1,682)	(1,689)
Balance at December 31, 2015	70,693	9,858	272,908	2,125,838	(296,267)	(1,180,750)	861	932,448
Net income				198,399			(26)	198,373
Unrecognized amounts from defined benefit pension plans, net of tax					3,837			3,837
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax					39			39
Currency translation adjustment					(36,646)		(106)	(36,752)
Cash dividends declared – \$1.31 per share				(88,166)				(88,166)
Stock-based compensation activity	843		36,509			7,921		44,430
Purchase of shares for treasury	(5,862)					(342,003)		(342,003)
Balance at December 31, 2016	65,674	9,858	309,417	2,236,071	(329,037)	(1,514,832)	729	712,206
Net income				247,503			(28)	247,475
Unrecognized amounts from defined benefit pension plans, net of tax					10,662			10,662
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax					288			288
Currency translation adjustment					70,901		115	71,016
Cash dividends declared – \$1.44 per share				(95,355)				(95,355)
Stock-based compensation activity	470		24,892			4,433		29,325
Purchase of shares for treasury	(481)					(43,164)		(43,164)
Balance at December 31, 2017	<u>65,663</u>	<u>\$ 9,858</u>	<u>\$ 334,309</u>	<u>\$2,388,219</u>	<u>\$ (247,186)</u>	<u>\$ (1,553,563)</u>	<u>\$ 816</u>	<u>\$ 932,453</u>

See notes to these consolidated financial statements.

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

	Year Ended December 31,		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 247,503	\$ 198,399	\$ 127,478
Non-controlling interests in subsidiaries' loss	(28)	(26)	(66)
Net income including non-controlling interests	247,475	198,373	127,412
Adjustments to reconcile Net income including non-controlling interests to Net cash provided by operating activities:			
Rationalization and asset impairment charges (Notes 4 and 6)	1,441	—	6,269
Loss on deconsolidation of Venezuelan subsidiary (Note 1)	—	34,348	—
Bargain purchase gain (Note 3)	(49,650)	—	—
Net impact of U.S. Tax Act (Note 12)	28,616	—	—
Depreciation and amortization	68,115	65,073	64,007
Equity earnings in affiliates, net	(337)	(261)	(530)
Deferred income taxes (Note 12)	4,058	(9,805)	(55,728)
Stock-based compensation (Note 9)	12,698	10,332	7,932
Pension expense, settlements and curtailments (Note 11)	2,517	13,988	162,815
Pension contributions and payments	(4,683)	(22,484)	(53,547)
Other, net	6,085	(4,076)	958
Changes in operating assets and liabilities, net of effects from acquisitions:			
(Increase) decrease in accounts receivable	(16,811)	(12,314)	56,741
Decrease in inventories	19,448	14,601	56,067
(Increase) decrease in other current assets	(8,143)	1,532	(19,972)
Increase (decrease) in accounts payable	17,871	29,627	(46,911)
(Decrease) increase in other current liabilities	(13)	(9,286)	1,511
Net change in other assets and liabilities	6,158	2,909	5,808
NET CASH PROVIDED BY OPERATING ACTIVITIES	334,845	312,557	312,832
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(61,656)	(49,877)	(50,507)
Acquisition of businesses, net of cash acquired (Note 3)	(72,468)	(71,567)	(37,076)
Proceeds from sale of property, plant and equipment	2,301	1,127	2,310
Purchase of marketable securities	(205,584)	(38,920)	—
Proceeds from marketable securities	65,380	—	—
Other investing activities	—	(709)	(79)
NET CASH USED BY INVESTING ACTIVITIES	(272,027)	(159,946)	(85,352)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	—	1,892	12,505
Payments on short-term borrowings	—	(1,822)	(9,268)
Amounts due banks, net	(491)	1,469	(37,466)
Proceeds from long-term borrowings	34	350,261	357,780
Payments on long-term borrowings	(39)	(481)	(6,945)
Proceeds from exercise of stock options	16,627	25,049	5,996
Purchase of shares for treasury	(43,164)	(342,003)	(399,494)
Cash dividends paid to shareholders	(92,452)	(87,330)	(86,968)
Other financing activities	(15,552)	(19,043)	(8,022)
NET CASH USED BY FINANCING ACTIVITIES	(135,037)	(72,008)	(171,882)
Effect of exchange rate changes on cash and cash equivalents	19,741	(5,607)	(29,794)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(52,478)	74,996	25,804
Cash and cash equivalents at beginning of year	379,179	304,183	278,379
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 326,701	\$ 379,179	\$ 304,183

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

Translation of Foreign Currencies

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

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

Foreign currency transaction gains and losses are included in Selling, general & administrative expenses and were gains of \$5,654 and \$3,741 in 2017 and 2016, respectively, and a loss of \$6,023 in 2015.

Venezuela – Deconsolidation

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

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

Beginning July 1, 2016, the Company no longer includes the results of the Venezuelan subsidiary in its consolidated financial statements. Under the cost method of accounting, if cash were to be received from the Venezuela entity in future periods from the sale of inventory, dividends or royalties, income would be recognized. The Company does not anticipate dividend or royalty payments being made in the foreseeable future and has no outstanding receivables or payables with the Venezuelan entity. The factors that led to the Company's conclusion to deconsolidate at June 30, 2016 continued to exist through December 31, 2017. The Company expects these conditions to continue for the foreseeable future.

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

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

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

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

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

Cash Equivalents

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

Accounts Receivable

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

Marketable Securities

The Company's marketable securities consist of short-term highly liquid investments classified as available-for-sale and recorded at fair value using quoted market prices for similar assets at the end of the reporting period.

Inventories

Inventories are valued at the lower of cost or net realizable value. Fixed manufacturing overhead costs are allocated to inventory based on normal production capacity and abnormal manufacturing costs are recognized as period costs. Cost for a substantial portion of U.S. inventories is determined on a last-in, first-out ("LIFO") basis. At December 31, 2017 and 2016, approximately 32% and 40% 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 15 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 \$27,544 and \$19,252 at December 31, 2017 and 2016, respectively.

Prepaid Expenses

Prepaid expenses include prepaid insurance, prepaid rent, prepaid service contracts and other prepaid items. Prepaid expenses are included in Other current assets in the accompanying Consolidated Balance Sheets and amounted to \$15,599 at December 31, 2017 and \$12,139 at December 31, 2016.

Equity Investments

Investments in businesses which the Company does not own a majority interest and does not have the ability to exercise significant influence over operating and financial policies are accounted for using the equity method. The Company's 50% ownership interest in equity investments includes investments in Turkey and Chile. The amount of retained earnings that represents undistributed earnings of 50% or less owned equity investments was \$19,670 at December 31, 2017 and \$19,333 at December 31, 2016.

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

Property, Plant and Equipment

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

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

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

	December 31,	
	2017	2016
Land	\$ 66,653	\$ 46,219
Buildings	421,722	335,885
Machinery and equipment	776,436	706,938
	<u>1,264,811</u>	<u>1,089,042</u>
Less accumulated depreciation	787,780	716,665
Total	<u>\$ 477,031</u>	<u>\$ 372,377</u>

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 2017, the Company early adopted Accounting Standard Update No. 2017-04, "*Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*". As such, the quantitative goodwill impairment analysis is now a one-step process. The Company compared 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 the applicable discount rates to value estimated cash flows. Changes in economic and operating conditions impacting these assumptions could result in asset impairments in future periods. Refer to Note 4 to the consolidated financial statements for additional details.

Long-Lived Assets

The Company periodically evaluates whether current facts or circumstances indicate that the carrying value of its depreciable long-lived assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset, or the appropriate grouping of assets, is compared to the carrying value to determine whether impairment exists. If an asset is determined to be impaired, a loss is recognized to the extent that carrying value exceeds fair value. Fair value is measured based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. Refer to Notes 4 and 6 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)

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 11 and 14 to the consolidated financial statements for additional details.

Product Warranties

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

Revenue Recognition

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

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

Distribution Costs

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

Stock-Based Compensation

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

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

Financial Instruments

The Company uses derivative instruments to manage exposures to interest rates, commodity prices and currency exchange rate fluctuations on certain purchase and sales transactions, balance sheet and net investment exposures. Derivative contracts to hedge currency and commodity exposures are generally written on a short-term basis, but may cover exposures for up to two years while interest rate contracts may cover longer periods consistent with the terms of the underlying debt. The Company does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized at fair value on the Company's Consolidated Balance Sheets. The accounting for gains and losses resulting from changes in fair value depends on the use of the derivative and whether it is designated and qualifies for hedge accounting. The Company formally documents the relationship of the hedge with the hedged item as well as the risk-

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

management strategy for all designated hedges. Both at inception and on an ongoing basis, the hedging instrument is assessed as to its effectiveness, when applicable. If and when a derivative is determined not to be highly effective as a hedge, the underlying hedged transaction is no longer likely to occur, or the derivative is terminated, hedge accounting is discontinued. The cash flows from settled derivative contracts are recognized in Net cash provided by operating activities in the Company's Consolidated Statements of Cash Flows.

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

Cash flow hedges

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

Fair value hedges

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

Net investment hedges

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

Derivatives not designated as hedging instruments

The Company has certain foreign exchange forward contracts which are not designated as hedges. These derivatives are held as hedges of certain balance sheet exposures. The gains or losses on these contracts are recognized in Selling, general and administrative expenses, offsetting the losses or gains on the exposures being hedged.

Refer to Note 13 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 \$47,899, \$44,720 and \$47,182 in 2017, 2016 and 2015, 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 \$97,392 in 2017, \$83,620 in 2016 and \$98,651 in 2015.

Income Taxes

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

Acquisitions

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

Fair value estimates are based on a series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. Management values property, plant and equipment using the cost approach supported where available by observable market data, which includes consideration of obsolescence. Management values acquired intangible assets using the relief from royalty method, a form of the income approach supported by observable market data for peer companies. Acquired inventories are marked to fair value. For certain items, the carrying value is determined to be a reasonable approximation of fair value based on information available to the Company. Refer to Note 3 to the consolidated financial statements for additional details.

Estimates

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

Reclassification

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

New Accounting Pronouncements

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

New Accounting Pronouncements Adopted:

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

ASU 2016-09 requires prospective recognition of excess tax benefits and deficiencies resulting from stock-based compensation award vesting and exercises as a discrete income tax adjustment in the income statement. Previously, these amounts were recognized in Additional paid-in capital. Net excess tax benefits of \$6,276 for the twelve months ended December 31, 2017 were recognized as a reduction of income tax expense. Earnings per share increased by \$0.09 per share for the twelve months ended December 31, 2017, respectively, as a result of this change. In addition, ASU 2016-09 requires excess tax benefits and deficiencies to be prospectively excluded from the assumed future proceeds in the calculation of diluted shares. This change results in an insignificant increase in diluted weighted average shares outstanding for the twelve months ended December 31, 2017.

ASU 2016-09 requires that excess tax benefits from stock-based compensation awards be reported as operating activities in the Consolidated Statements of Cash Flows. Previously, this activity was included in financing activities in the Consolidated Statements of Cash Flows. The Company has elected to apply this change on a retrospective basis. As a result, excess tax benefits of \$6,276 are reported as Net cash provided by operating activities for the twelve months ended December 31, 2017 and \$9,154 of excess tax benefits were reclassified from Net cash used by financing activities to Net cash provided by operating activities for the twelve months ended December 31, 2016.

ASU 2016-09 requires that employee taxes paid when an employer withholds shares for tax-withholding purposes be reported as financing activities in the Consolidated Statements of Cash Flows on a retrospective basis. Previously, this activity was included in operating activities. The impact of this change was immaterial to the Consolidated Statements of Cash Flows. The Company has elected to continue to estimate the number of stock-based awards expected to vest, as permitted by ASU 2016-09, rather than electing to account for forfeitures as they occur.

In May 2017, the FASB issued ASU No. 2017-09, *"Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting."* ASU 2017-09 provides updated guidance about which changes to the terms and conditions of a share-based payment award require an entity to apply modification accounting. Under this ASU, an entity should account for the effects of an award modification unless the fair value, vesting conditions and equity or liability classification of the modified award are the same as the original award. The ASU is effective January 1, 2018, early adoption is permitted and the ASU should be

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

applied prospectively. The Company elected early adoption and ASU 2017-09 is effective for the Company as of October 1, 2017.

In January 2017, the FASB issued ASU No. 2017-04, *"Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment."* ASU 2017-04 simplifies the subsequent measurement of goodwill by eliminating the second step from the goodwill impairment test. Under this ASU, an entity should perform the first step in the annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. If the carrying amount exceeds the fair value, an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The ASU is effective January 1, 2020, early adoption is permitted and the ASU should be applied prospectively. The Company elected early adoption and ASU 2017-09 is effective for the Company as of January 1, 2017.

New Accounting Pronouncements to be Adopted:

In May 2014, the FASB issued ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)."* ASU 2014-09 requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also specifies the accounting of some costs to obtain or fulfill a contract with a customer and expands the disclosure requirements around contracts with customers. In August 2015, the FASB issued ASU 2015-14, *"Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,"* which deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. An entity can either adopt this amendment retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of initial application.

To evaluate the impact of adopting this new guidance on the consolidated financial statements, the Company completed a scoping analysis of revenue streams against the requirements of the standard. In addition, the Company completed a review of customer contracts and implemented changes to processes and controls to meet the standard's reporting and disclosure requirements. Upon adoption of the guidance's control model, ASU 2014-09 will change the timing of when revenue is recognized for certain customized products and deliverables. The Company adopted ASU 2014-09 as of January 1, 2018, using the modified retrospective transition method applied to those contracts that were not completed as of that date. The adoption will not have a material impact on the Company's consolidated financial statements.

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

The following ASUs were adopted as of January 1, 2018. The impact on the Company's consolidated financial statements is described within the table below:

Standard	Description
ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, issued August 2017.	Provides updated guidance to more closely align hedge accounting with a company's risk management strategy, to simplify the application of hedge accounting and to better portray the economic results of hedging instruments in the financial statements. The ASU is effective January 1, 2019 and early adoption is permitted. On the date of adoption, the ASU applies to all existing hedging relationships and should be reflected as of the beginning of the respective fiscal year. The Company early adopted the ASU effective January 1, 2018. The adoption is not expected to have a material impact on the Company's consolidated financial statements.
ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Period Pension Cost and Net Periodic Postretirement Benefit Cost, issued March 2017.	Requires an entity to report the service cost component of the net periodic benefit cost in the same income statement line item as other employee compensation costs. The other components of the net periodic benefit cost are required to be presented in the income statement separately from the service cost component and outside of any subtotal of operating income. Additionally, only the service cost component will be eligible for capitalization in assets. The ASU should be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost in the income statement and prospectively for the capitalization of the service cost component. The adoption primarily results in the reclassification of other components of net periodic benefit cost outside of Operating income in the Consolidated Statements of Income. Refer to Note 11 of the consolidated financial statements for details.
ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, issued January 2017.	Provides updated guidance for evaluating whether certain transactions should be accounted for as an acquisition (or disposal) of an asset or a business. The ASU should be applied prospectively. The adoption is not expected to have a material impact on the Company's consolidated financial statements.
ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, issued November 2016.	Requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU should be applied retrospectively. The adoption is not expected to have a material impact on the Company's consolidated financial statements.
ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory, issued October 2016.	Requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The ASU should be applied using a modified retrospective approach, through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The adoption is not expected to have a material impact on the Company's consolidated financial statements.
ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, issued August 2016.	Reduces existing diversity in practice by addressing eight specific cash flow issues related to how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The ASU should be applied retrospectively. The adoption is not expected to have a material impact on the Company's consolidated financial statements.

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

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

Standard	Description
ASU No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220), issued February 2018.	Allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Act (as defined within Note 12 to the consolidated financial statements). The ASU only applies to the income tax effects of the U.S. Tax Act, all other existing guidance remains the same. The ASU is effective January 1, 2019, early adoption is permitted and the ASU should be applied retrospectively to each period impacted by the U.S. Tax Act.
ASU No. 2016-02, Leases (Topic 842), issued February 2016.	Increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing agreements. Entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The ASU is effective January 1, 2019, early adoption is permitted and the ASU should be applied using either a modified retrospective or modified retrospective with practical expedients approach.

NOTE 2 - EARNINGS PER SHARE

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

	Year Ended December 31,		
	2017	2016	2015
Numerator:			
Net income	\$ 247,503	\$ 198,399	\$ 127,478
Denominator:			
Basic weighted average shares outstanding	65,739	67,462	74,111
Effect of dilutive securities - Stock options and awards	904	694	743
Diluted weighted average shares outstanding	66,643	68,156	74,854
Basic earnings per share	\$ 3.76	\$ 2.94	\$ 1.72
Diluted earnings per share	\$ 3.71	\$ 2.91	\$ 1.70

For the years ended December 31, 2017, 2016 and 2015, common shares subject to equity-based awards of 157,033, 774,502 and 522,471, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

NOTE 3 – ACQUISITIONS

During 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 offers 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 Company anticipates future integration initiatives are necessary in order to achieve commercial and operational synergies. The assets and liabilities assumed and presented in the table below are based on available information and may be revised during the measurement period, not to exceed 12 months, if additional information becomes available.

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

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⁾	<u>\$ 61,953</u>

- (1) Inventories acquired were sold in 2017 resulting in a \$4,578 increase in cost of sales for the amortization of step up in the value of acquired inventories.
- (2) Property, plant and equipment acquired includes a number of manufacturing and distribution sites, including the related facilities, land and leased sites, and machinery and equipment for use in manufacturing operations.
- (3) \$7,099 of the intangible asset balance was assigned to a trade name expected to have an indefinite life. Of the remaining amount, \$1,183 was assigned to a finite-lived trade name (10 year weighted average useful life) and \$3,433 was assigned to other intangible assets (9 year weighted average life).
- (4) Consists primarily of other accrued liabilities.
- (5) Reflects a receivable from seller of \$10,670 as of December 31, 2017 for an agreed upon purchase price adjustment received in the first quarter of 2018.

In 2017, the Company recognized \$15,002 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.

In 2016, the Air Liquide Welding businesses generated sales of approximately \$400 million. Beginning August 1, 2017, the Company's Consolidated Statements of Income include the results of the Air Liquide Welding businesses, including sales revenue of \$182 million through December 31, 2017. The impact on net income in the year ended December 31, 2017 from Air Liquide Welding businesses was immaterial.

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

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

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

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

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

NOTE 4 – GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill by reportable segments for the years ended December 31, 2017 and 2016 were as follows:

	Americas Welding	International Welding	The Harris Products Group	Consolidated
Balance as of December 31, 2015	\$ 152,335	\$ 23,345	\$ 11,824	\$ 187,504
Additions and adjustments ⁽¹⁾⁽²⁾	43,217	(30)	(301)	42,886
Foreign currency translation	826	349	354	1,529
Balance as of December 31, 2016	196,378	23,664	11,877	231,919
Additions and adjustments ⁽²⁾	(76)	—	(301)	(377)
Impairment charges ⁽³⁾	(1,091)	—	—	(1,091)
Foreign currency translation	2,048	2,003	80	4,131
Balance as of December 31, 2017	<u>\$ 197,259</u>	<u>\$ 25,667</u>	<u>\$ 11,656</u>	<u>\$ 234,582</u>

- (1) Additions to Americas Welding reflect goodwill recognized in the acquisition of Vizient in 2016.
- (2) Adjustments to Harris Products Group include the tax benefit attributable to the amortization of tax deductible goodwill in excess of goodwill recorded for financial reporting purposes.
- (3) The Company performed an interim goodwill impairment test, using a combination of income and market valuation approaches, resulting in a non-cash impairment charge to the carrying value of goodwill. The impairment charge is recorded within Rationalization and asset impairment charges in the accompanying Consolidated Statements of Income.

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

	December 31, 2017		December 31, 2016	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangible assets not subject to amortization				
Trademarks and trade names	\$ 24,235		\$ 17,113	
Intangible assets subject to amortization				
Trademarks and trade names	\$ 41,203	\$ 24,147	\$ 38,972	\$ 20,648
Customer relationships	93,139	47,175	91,216	39,033
Patents	27,777	12,978	28,073	11,467
Other	57,351	31,953	52,071	26,209
Total intangible assets subject to amortization	<u>\$ 219,470</u>	<u>\$ 116,253</u>	<u>\$ 210,332</u>	<u>\$ 97,357</u>

Increases in gross intangible assets reflect the acquisition of Air Liquide Welding in 2017.

Aggregate amortization expense was \$15,671, \$14,525 and \$13,296 for 2017, 2016 and 2015, respectively. Estimated annual amortization expense for intangible assets for each of the next five years is \$14,856 in 2018, \$13,233 in 2019, \$12,513 in 2020, \$11,467 in 2021 and \$10,437 in 2022.

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

NOTE 5 – SEGMENT INFORMATION

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

During the first quarter of 2016, the Company realigned its organizational and leadership structure into three operating segments to support growth strategies and enhance the utilization of the Company's worldwide resources and global sourcing initiatives. The operating segments consist of Americas Welding, International Welding and The Harris Products Group. The Americas Welding segment includes welding operations in North and South America. The International Welding segment primarily includes welding operations in Europe, Africa, Asia and Australia. The Harris Products Group includes the Company's global cutting, soldering and brazing businesses as well as its retail business in the United States. 2015 results reflect the realigned segment structure.

Segment performance is measured and resources are allocated based on a number of factors, the primary profit measure being adjusted earnings before interest and income taxes ("Adjusted EBIT"). EBIT is defined as Operating income plus Equity earnings in affiliates and Other income. Segment EBIT is adjusted for special items as determined by management such as the impact of rationalization activities, certain asset impairment charges and gains or losses on disposals of assets. The accounting principles applied at the operating segment level are generally the same as those applied at the consolidated financial statement level with the exception of LIFO. Segment assets include inventories measured on a FIFO basis while consolidated inventories include inventories reported on a LIFO basis. Segment and consolidated income before interest and income taxes include the effect of inventories reported on a LIFO basis. At December 31, 2017 approximately 32% of total inventories were valued using the LIFO method. At December 31, 2016 and 2015 approximately 40% of total inventories were valued using the LIFO method. LIFO is used for a substantial portion of U.S. inventories included in Americas Welding. Inter-segment sales are recorded at agreed upon prices that approximate arm's length prices and are eliminated in consolidation. Corporate-level expenses are allocated to the operating segments.

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

Financial information for the reportable segments follows:

	Americas Welding ⁽¹⁾	International Welding ⁽²⁾	The Harris Products Group	Corporate / Eliminations ⁽³⁾	Consolidated
For the Year Ended December 31, 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 (gain)	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
For the Year Ended December 31, 2016					
Net sales	\$ 1,494,982	\$ 507,289	\$ 272,343	\$ —	\$ 2,274,614
Inter-segment sales	93,612	15,975	8,709	(118,296)	\$ —
Total	<u>\$ 1,588,594</u>	<u>\$ 523,264</u>	<u>\$ 281,052</u>	<u>\$ (118,296)</u>	<u>\$ 2,274,614</u>
Adjusted EBIT	\$ 266,633	\$ 29,146	\$ 32,380	\$ 564	\$ 328,723
Special items charge	—	—	—	34,348	\$ 34,348
EBIT	<u>\$ 266,633</u>	<u>\$ 29,146</u>	<u>\$ 32,380</u>	<u>\$ (33,784)</u>	<u>\$ 294,375</u>
Interest income					2,092
Interest expense					(19,079)
Income before income taxes					<u>\$ 277,388</u>
Total assets	\$ 1,278,417	\$ 529,223	\$ 161,391	\$ (25,594)	\$ 1,943,437
Equity investments in affiliates	3,946	23,355	—	—	\$ 27,301
Capital expenditures	35,314	12,354	2,209	—	\$ 49,877
Depreciation and amortization	47,359	15,063	2,860	(209)	\$ 65,073
For the Year Ended December 31, 2015					
Net sales	\$ 1,741,350	\$ 530,460	\$ 263,981	\$ —	\$ 2,535,791
Inter-segment sales	92,538	18,747	9,312	(120,597)	\$ —
Total	<u>\$ 1,833,888</u>	<u>\$ 549,207</u>	<u>\$ 273,293</u>	<u>\$ (120,597)</u>	<u>\$ 2,535,791</u>
Adjusted EBIT	\$ 316,689	\$ 34,511	\$ 27,882	\$ (275)	\$ 378,807
Special items charge	173,239	16,671	—	—	\$ 189,910
EBIT	<u>\$ 143,450</u>	<u>\$ 17,840</u>	<u>\$ 27,882</u>	<u>\$ (275)</u>	<u>\$ 188,897</u>
Interest income					2,714
Interest expense					(21,824)
Income before income taxes					<u>\$ 169,787</u>
Total assets	\$ 1,165,817	\$ 543,254	\$ 143,905	\$ (68,805)	\$ 1,784,171
Equity investments in affiliates	3,791	23,450	—	—	\$ 27,241
Capital expenditures	35,721	12,059	2,727	—	\$ 50,507
Depreciation and amortization	45,447	15,776	2,978	(194)	\$ 64,007

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

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

2015 special items reflect net charges related to employee severance and other related costs, Venezuelan foreign exchange remeasurement losses related to the adoption of a new foreign exchange mechanism and non-cash pension settlement charges related to the purchase of a group annuity contract.

- (2) 2017 special items reflect amortization of step up in value of acquired inventories related to the Air Liquide Welding acquisition as discussed in Note 3 to the consolidated financial statements, as well as charges related to employee severance, asset impairments and other related costs.

2015 special items reflect net charges related to employee severance and other costs and adjustments to reclassify a potential divestiture that was previously held-for-sale, as well as non-cash charges related to the impairment of goodwill and long-lived assets.

- (3) 2017 special items reflect a bargain purchase gain and acquisition transaction and integration costs related to the Air Liquide Welding acquisition as discussed in Note 3 to the consolidated financial statements.

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

Export sales (excluding inter-company sales) from the United States were \$151,630 in 2017, \$134,216 in 2016 and \$175,049 in 2015. No individual customer comprised more than 10% of the Company's total revenues for any of the three years ended December 31, 2017.

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,		
	2017	2016	2015
Net sales:			
United States	\$ 1,388,816	\$ 1,308,635	\$ 1,387,882
Foreign countries	1,235,615	965,979	1,147,909
Total	<u>\$ 2,624,431</u>	<u>\$ 2,274,614</u>	<u>\$ 2,535,791</u>
	December 31,		
	2017	2016	2015
Property, plant and equipment, net:			
United States	\$ 194,491	\$ 176,041	\$ 173,974
Foreign countries	282,931	196,679	237,718
Eliminations	(391)	(343)	(369)
Total	<u>\$ 477,031</u>	<u>\$ 372,377</u>	<u>\$ 411,323</u>

NOTE 6 – RATIONALIZATION AND ASSET IMPAIRMENTS

The Company recorded rationalization and asset impairment charges of \$6,590 and \$19,958 for the years ended December 31, 2017 and 2015. The 2017 charges include \$5,149 primarily related to employee severance and \$1,441 in asset impairment charges.

A description of each restructuring plan and the related costs follows:

Americas Welding Plans:

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

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

International Welding Plans:

During 2017, the Company initiated rationalization plans within International Welding. The plan includes headcount restructuring and the consolidation of manufacturing operations to better align the cost structures with economic conditions and operating needs. At December 31, 2017, liabilities relating to the International Welding plans of \$3,610 were recognized in Other current liabilities. The Company does not anticipate significant additional charges related to the completion of these plans.

During 2015, the Company initiated rationalization plans within International Welding. The plan included headcount restructuring to better align the cost structures with economic conditions and operating needs. The Company does not anticipate any additional charges related to the completion of these plans.

The Company believes the rationalization actions will positively impact future results of operations and will not have a material effect on liquidity and sources and uses of capital. The Company continues to evaluate its cost structure and additional rationalization actions may result in charges in future periods. The following table summarizes the activity related to the rationalization liabilities by segment for the year ended December 31, 2017:

	Americas Welding	International Welding	Consolidated
Balance at December 31, 2015	\$ 67	\$ 7,598	\$ 7,665
Payments and other adjustments	(67)	(2,408)	(2,475)
Balance at December 31, 2016	\$ —	\$ 5,190	\$ 5,190
Payments and other adjustments	—	(3,536)	(3,536)
Charged to expense	—	5,149	5,149
Balance at December 31, 2017	\$ —	\$ 6,803	\$ 6,803

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

The following tables set forth the total changes in AOCI by component, net of taxes, for the years ended December 31, 2017 and 2016:

	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, 2015	\$ 548	\$ (99,776)	\$ (197,039)	\$ (296,267)
Other comprehensive income (loss) before reclassification	2,026	(1,268) ⁽²⁾	(36,646) ⁽³⁾	(35,888)
Amounts reclassified from AOCI	(1,987) ⁽¹⁾	5,105 ⁽²⁾	—	3,118
Net current-period other comprehensive income (loss)	39	3,837	(36,646)	(32,770)
Balance at December 31, 2016	\$ 587	\$ (95,939)	\$ (233,685)	\$ (329,037)
Other comprehensive income (loss) before reclassification	(2,074)	2,736 ⁽²⁾	70,901 ⁽³⁾	71,563
Amounts reclassified from AOCI	2,362 ⁽¹⁾	7,926 ⁽²⁾	—	10,288
Net current-period other comprehensive income (loss)	288	10,662	70,901	81,851
Balance at December 31, 2017	\$ 875	\$ (85,277)	\$ (162,784)	\$ (247,186)

- (1) During 2017, this AOCI reclassification is a component of Net sales of \$1,860 (net of tax of \$693) and Cost of goods sold of \$502 (net of tax of \$93); during 2016, the reclassification is a component of Net sales of \$(1,580) (net of tax of \$(577)) and Cost of goods sold of \$(407) (net of tax of \$(24)). Refer to Note 13 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)

- (2) This AOCI component is included in the computation of net periodic pension costs (net of tax of \$19,252 and \$4,297 during the years ended December 31, 2017 and 2016, respectively). Refer to Note 11 to the consolidated financial statements for additional details.
- (3) The Other comprehensive income before reclassifications excludes \$115 and \$(106) attributable to Non-controlling interests in the years ended December 31, 2017 and 2016, respectively. The reclassified AOCI component is included in the computation of Non-controlling interests. Refer to Consolidated Statements of Equity for additional details.

NOTE 8 – DEBT

At December 31, 2017 and 2016, debt consisted of the following:

	December 31,	
	2017	2016
<i>Long-term debt</i>		
Senior Unsecured Notes due through 2045, interest at 2.8% to 4.0% (net of debt issuance costs of \$1,491 and \$1,586 at December 31, 2017 and 2016, respectively), swapped \$100,000 to variable interest rates of 2.0% to 3.2%	\$ 693,424	\$ 692,975
Other borrowings due through 2023, interest up to 8.0%	10,823	10,860
	704,247	703,835
Less current portion	111	131
Long-term debt, less current portion	704,136	703,704
<i>Short-term debt</i>		
Amounts due banks, interest at 31.8% (29.0% in 2016)	2,020	1,758
Current portion long-term debt	111	131
Total short-term debt	2,131	1,889
Total debt	<u>\$ 706,267</u>	<u>\$ 705,593</u>

At December 31, 2017 and 2016, the fair value of long-term debt, including the current portion, was approximately \$687,428 and \$669,209, 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. The proceeds were used for general corporate purposes. The 2015 Notes, as shown in the table below, have original maturities ranging from 10 to 30 years with a weighted average effective interest rate of 3.5%, excluding accretion of original issuance costs, and an initial average tenure of 19 years. Interest is payable semi-annually. The 2015 Notes contain certain affirmative and negative covenants. As of December 31, 2017, the Company was in compliance with all of its debt covenants.

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

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

On October 20, 2016 the Company entered into a Note Purchase Agreement pursuant to which it issued senior unsecured notes (the "2016 Notes") in the aggregate principal amount of \$350,000 through a private placement. The proceeds are being used for general corporate purposes. The 2016 Notes, as shown in the table below, have original maturities ranging from 12 to 25 years with a weighted average effective interest rate of 3.1%, excluding accretion of original issuance costs, and an initial average tenure of 18 years. Interest is payable semi-annually. The 2016 Notes contain certain affirmative and negative covenants. As of December 31, 2017, the Company was in compliance with all of its debt covenants.

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

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

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

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

Revolving Credit Agreement

The Company has a line of credit totaling \$400,000 through the Amended and Restated Credit Agreement (the "Credit Agreement"). 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, 2017, the Company was in compliance with all of its covenants and had no outstanding borrowings under the Credit Agreement.

Other

Maturities of long-term debt, including payments under capital leases and amounts due banks, for the five years succeeding December 31, 2017 are \$2,132 in 2018, \$111 in 2019, \$108 in 2020, \$110 in 2021, \$107 in 2022 and \$710,607 thereafter. Total interest paid was \$23,820 in 2017, \$15,332 in 2016 and \$5,631 in 2015. The difference between interest paid and interest expense is due to the accrual of interest associated with the Senior Unsecured Notes and adjustments to the forward contract discussed in Note 14.

NOTE 9 – STOCK PLANS

On April 23, 2015, the shareholders of the Company approved the 2015 Equity and Incentive Compensation Plan ("Employee Plan"), which replaced the 2006 Equity and Performance Incentive Plan, as amended ("EPI Plan"). The Employee Plan provides for the granting of options, appreciation rights, restricted shares, restricted stock units and performance-based awards up to an additional 5,400,000 of the Company's common shares. In addition, on April 23, 2015, the shareholders of the Company approved the 2015 Stock Plan for Non-Employee Directors ("2015 Director Plan"), which replaced the 2006 Stock Plan for Non-Employee Directors ("2006 Director Plan"). The 2015 Director Plan provides for the granting of options, restricted shares and restricted stock units up to an additional 300,000 of the Company's common shares. At December 31, 2017, there were 4,324,951 common shares available for future grant under all plans.

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

Stock Options

The following table summarizes stock option activity for the year ended December 31, 2017 under all Plans:

	Year Ended December 31,	
	2017	
	Number of Options	Weighted Average Exercise Price
Balance at beginning of year	1,609,702	\$ 51.32
Options granted	182,615	85.43
Options exercised	(401,233)	41.44
Options canceled	(28,636)	68.18
Balance at end of year	1,362,448	58.45
Exercisable at end of year	952,889	52.57

Options granted under both the Employee Plan and its predecessor plans may be outstanding for a maximum of 10 years from the date of grant. The majority of options granted vest ratably over a period of three years from the grant date. The exercise prices of all options were equal to the quoted market price of the Company's common shares at the date of grant. The Company issued shares of common stock from treasury upon all exercises of stock options in 2017. In 2017, all options issued were under the Employee Plan.

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

	Year Ended December 31,		
	2017	2016	2015
Expected volatility	25.77%	28.86%	30.73%
Dividend yield	1.62%	1.70%	1.48%
Risk-free interest rate	1.90%	1.27%	1.32%
Expected option life (years)	4.5	4.5	4.5
Weighted average fair value per option granted during the year	\$ 17.50	\$ 12.55	\$ 16.35

The following table summarizes non-vested stock options for the year ended December 31, 2017:

	Year Ended December 31, 2017	
	Number of Options	Weighted Average Fair Value at Grant Date
Balance at beginning of year	458,382	\$ 14.32
Granted	182,615	17.50
Vested	(205,066)	14.82
Forfeited	(26,372)	14.58
Balance at end of year	409,559	15.47

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, 2017 was \$45,139 and \$37,169, respectively. The total intrinsic value of awards exercised during 2017, 2016 and 2015 was \$19,328, \$30,967 and \$6,879, respectively. The total fair value of options that vested during 2017, 2016 and 2015 was \$3,040, \$2,865 and \$3,273, respectively.

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

The following table summarizes information about awards outstanding as of December 31, 2017:

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	508,257	\$ 38.79	3.9	508,257	\$ 38.79	3.9
\$50.00 - \$59.99	224,894	58.11	8.1	75,615	58.07	8.1
Over \$60.00	629,297	74.45	7.3	369,017	70.43	6.5
	<u>1,362,448</u>		6.2	<u>952,889</u>		5.2

Restricted Share Awards ("RSAs")

The following table summarizes restricted share award activity for the year ended December 31, 2017 under all Plans:

	Year Ended December 31,	
	2017	
	Number of Shares	Weighted Average Grant Date Fair Value
Balance at beginning of year	46,159	\$ 64.65
Shares granted	13,910	89.82
Shares vested	(12,213)	90.37
Balance at end of year	<u>47,856</u>	<u>71.54</u>

RSAs are valued at the quoted market price on the grant date. The majority of RSAs vest over a period of three to five years. The Company issued common shares from treasury upon the granting of RSAs in 2017. Restricted shares issued in 2017 were under the 2015 Director Plan. The remaining weighted average vesting period of all non-vested RSAs is 1.2 years as of December 31, 2017.

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

The following table summarizes RSU and PSU activity for the year ended December 31, 2017 under all Plans:

	Year Ended December 31,	
	2017	
	Number of Units	Weighted Average Grant Date Fair Value
Balance at beginning of year	376,784	\$ 59.75
Units granted	145,245	85.69
Units vested	(71,845)	49.39
Units forfeited	(31,218)	66.68
Balance at end of year	<u>418,966</u>	<u>69.98</u>

RSUs are valued at the quoted market price on the grant date. The majority of RSUs vest over a period of three to five years. The Company issues shares of common stock from treasury upon the vesting of RSUs and any earned dividend equivalents. Conversion of 10,193 RSUs to common shares in 2017 were deferred as part of the 2005 Deferred Compensation Plan for Executives (the "2005 Plan"). As of December 31, 2017, 96,180 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 2017, 110,585 RSUs were issued under the Employee Plan. The remaining weighted average vesting period of all non-vested RSUs is 1.9 years as of December 31, 2017.

PSUs are valued at the quoted market price on the grant date. PSUs vest over a three-year period and are based on the Company's performance relative to pre-established performance goals. The Company issues common stock from treasury upon the vesting of PSUs and any earned dividend equivalents. In 2017, the Company issued 34,660 PSU's and has 75,285 PSUs

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

outstanding under the Employee Plan at a weighted average fair value of \$70.09 per share. The remaining weighted average vesting period of all non-vested PSUs is 1.6 years as of December 31, 2017.

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 2017, 2016 and 2015 was \$12,698, \$10,332 and \$7,932, respectively. The related tax benefit for 2017, 2016 and 2015 was \$4,861, \$3,955 and \$3,037, respectively. As of December 31, 2017, total unrecognized stock-based compensation expense related to non-vested stock options, RSAs, RSUs and PSUs was \$20,022, which is expected to be recognized over a weighted average period of approximately 1.9 years 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 10,458 in 2017, 15,827 in 2016 and 16,012 in 2015.

NOTE 10 – COMMON STOCK REPURCHASE PROGRAM

The Company has a share repurchase program for up to 55 million of the Company's common shares. At management's discretion, the Company repurchases its common shares from time to time in the open market, depending on market conditions, stock price and other factors. During the year ended December 31, 2017, the Company purchased a total of 0.5 million shares at an average cost per share of \$89.58. As of December 31, 2017, 8.4 million shares remained available for repurchase under the stock repurchase program. The treasury shares have not been retired.

NOTE 11 – RETIREMENT ANNUITY AND GUARANTEED CONTINUOUS EMPLOYMENT PLANS

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

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

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

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,			
	2017		2016	
	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	\$ 484,758	\$ 79,972	\$ 481,345	\$ 76,824
Service cost	608	2,678	15,474	2,215
Interest cost	19,497	3,253	20,676	2,902
Plan participants' contributions	—	176	—	148
Acquisitions ⁽¹⁾	—	100,551	—	—
Actuarial loss (gain)	46,144	4,926	20,333	7,671
Benefits paid	(6,409)	(4,909)	(29,002)	(2,306)
Settlements/curtailments ⁽²⁾	(37,523)	(700)	(24,068)	—
Currency translation	—	7,576	—	(7,482)
Benefit obligations at end of year	507,075	193,523	484,758	79,972
<i>Change in plan assets</i>				
Fair value of plan assets at beginning of year	528,744	70,341	502,184	73,917
Actual return on plan assets	82,732	5,770	34,779	3,485
Employer contributions	55	1,684	20,087	1,286
Plan participants' contributions	—	176	—	148
Acquisitions ⁽¹⁾	—	32,599	—	—
Benefits paid	(5,620)	(3,196)	(28,306)	(1,840)
Settlements ⁽²⁾	(37,523)	(22)	—	—
Currency translation	—	5,992	—	(6,655)
Fair value of plan assets at end of year	568,388	113,344	528,744	70,341
Funded status at end of year	61,313	(80,179)	43,986	(9,631)
Unrecognized actuarial net loss	90,679	25,987	122,109	24,476
Unrecognized prior service cost	—	(11)	—	(18)
Unrecognized transition assets, net	—	35	—	37
Net amount recognized	\$ 151,992	\$ (54,168)	\$ 166,095	\$ 14,864

(1) Acquisitions in 2017 relate to acquisition of Air Liquide Welding as discussed in Note 3 to the consolidated financial statements.

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

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

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

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

The after-tax amounts of unrecognized actuarial net loss, prior service costs and transition assets included in Accumulated other comprehensive loss at December 31, 2017 were \$85,253, \$(8) and \$32, 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 2018 are \$3,793, \$1 and \$3, respectively.

Amounts Recognized in Consolidated Balance Sheets

	December 31,			
	2017		2016	
	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans
Prepaid pensions ⁽¹⁾	\$ 81,485	\$ 368	\$ 64,169	\$ 228
Accrued pension liability, current ⁽²⁾	(5,332)	(3,483)	(5,064)	(283)
Accrued pension liability, long-term ⁽³⁾	(14,840)	(77,064)	(15,119)	(9,576)
Accumulated other comprehensive loss, excluding tax effects	90,679	26,011	122,109	24,495
Net amount recognized in the balance sheets	<u>\$ 151,992</u>	<u>\$ (54,168)</u>	<u>\$ 166,095</u>	<u>\$ 14,864</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,		
	2017	2016	2015
Service cost	\$ 3,286	\$ 17,689	\$ 19,933
Interest cost	22,750	23,578	36,002
Expected return on plan assets	(35,800)	(35,716)	(54,638)
Amortization of prior service cost	15	(394)	(626)
Amortization of net loss ⁽¹⁾	4,014	9,893	19,406
Settlement/curtailment loss (gain) ⁽²⁾	8,252	(1,062)	142,738
Pension cost for defined benefit plans ⁽³⁾	<u>\$ 2,517</u>	<u>\$ 13,988</u>	<u>\$ 162,815</u>

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

(2) Pension settlement charges for the year ended December 31, 2017 resulting from lump sum pension payments. For the year ended December 31, 2015, the Company recorded pension settlement charges of \$142,738, primarily related to the purchase of the group annuity contract.

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

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

Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets

	December 31,			
	2017		2016	
	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans
Projected benefit obligation	\$ 26,149	\$ 182,512	\$ 25,731	\$ 47,776
Accumulated benefit obligation	25,870	174,667	25,460	45,128
Fair value of plan assets	5,977	102,107	5,548	38,200

The total accumulated benefit obligation for all plans was \$691,827 as of December 31, 2017 and \$560,230 as of December 31, 2016.

Benefit Payments for Plans

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

	U.S. pension plans	Non-U.S. pension plans
<u>Estimated Payments</u>		
2018	\$ 38,031	\$ 8,129
2019	29,782	8,633
2020	32,547	8,833
2021	28,542	9,133
2022	28,724	8,756
2023 through 2027	149,468	44,284

Assumptions

Weighted average assumptions used to measure the benefit obligation for the Company's significant defined benefit plans as of December 31, 2017 and 2016 were as follows:

	December 31,			
	2017		2016	
	U.S. pension plans	Non-U.S. pension plans	U.S. pension plans	Non-U.S. pension plans
Discount Rate	3.7%	2.0%	4.2%	3.3%
Rate of increase in compensation	2.5%	2.7%	2.5%	3.7%

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

	December 31,					
	2017		2016		2015	
	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	4.2%	2.2%	4.5%	3.9%	4.0%	4.0%
Rate of increase in compensation	2.5%	2.5%	2.6%	3.7%	2.5%	3.9%
Expected return on plan assets	6.0%	4.5%	6.2%	5.7%	6.4%	5.4%

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.

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

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 15% to 25% equity securities and 75% to 85% debt securities.

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

Pension Plans' Assets at Fair Value as of December 31, 2017				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$ 8,922	\$ —	\$ —	\$ 8,922
Equity securities ⁽¹⁾	4,566	—	—	4,566
Fixed income securities ⁽²⁾				
U.S. government bonds	33,205	—	—	33,205
Corporate debt and other obligations	—	398,578	—	398,578
Investments measured at NAV ⁽³⁾				
Common trusts and 103-12 investments ⁽⁴⁾				199,066
Private equity funds ⁽⁵⁾				37,395
Total investments at fair value	\$ 46,693	\$ 398,578	\$ —	\$ 681,732

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

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

- (1) Equity securities are primarily comprised of corporate stock and mutual funds directly held by the plans. Equity securities are valued using the closing price reported on the active market on which the individual securities are traded.
- (2) Fixed income securities are primarily comprised of governmental and corporate bonds directly held by the plans. Governmental and corporate bonds are valued using both market observable inputs for similar assets that are traded on an active market and the closing price on the active market on which the individual securities are traded.
- (3) Certain assets that are measured at fair value using the net asset value ("NAV") practical expedient have not been classified in the fair value hierarchy.
- (4) Common trusts and 103-12 investments (collectively "Trusts") are comprised of a number of investment funds that invest in a diverse portfolio of assets including equity securities, corporate and governmental bonds, equity and credit indexes and money markets. Trusts are valued at the NAV as determined by their custodian. NAV represents the

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

accumulation of the unadjusted quoted close prices on the reporting date for the underlying investments divided by the total shares outstanding at the reporting dates.

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

Supplemental Executive Retirement Plan

The Company maintains a domestic unfunded Supplemental Executive Retirement Plan ("SERP") under which non-qualified supplemental pension benefits are paid to certain employees in addition to amounts received under the Company's qualified retirement plan which is subject to Internal Revenue Service ("IRS") limitations on covered compensation. The annual cost of this program has been included in the determination of total net pension costs shown above and was \$772, \$2,113 and \$1,703 in 2017, 2016 and 2015, respectively. The projected benefit obligation associated with this plan is also included in the pension disclosure shown above and was \$17,047, \$16,738 and \$14,643 at December 31, 2017, 2016 and 2015, respectively.

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

Defined Contribution Plans

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

The annual costs recognized for defined contribution plans were \$25,285, \$8,361 and \$10,082 in 2017, 2016 and 2015, 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.

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

NOTE 12 – INCOME TAXES

The components of income before income taxes for the three years ended December 31, 2017 were as follows:

	Year Ended December 31,		
	2017	2016	2015
U.S.	\$ 213,171	\$ 209,409	\$ 118,037
Non-U.S.	153,065	67,979	51,750
Total	<u>\$ 366,236</u>	<u>\$ 277,388</u>	<u>\$ 169,787</u>

The components of income tax expense (benefit) for the three years ended December 31, 2017 were as follows:

	Year Ended December 31,		
	2017	2016	2015
Current:			
Federal	\$ 89,182	\$ 57,090	\$ 60,500
Non-U.S.	25,746	23,344	28,046
State and local	7,640	8,386	9,557
	<u>122,568</u>	<u>88,820</u>	<u>98,103</u>
Deferred:			
Federal	(4,391)	(1,716)	(47,902)
Non-U.S.	(82)	(8,261)	(3,362)
State and local	666	172	(4,464)
	<u>(3,807)</u>	<u>(9,805)</u>	<u>(55,728)</u>
Total	<u>\$ 118,761</u>	<u>\$ 79,015</u>	<u>\$ 42,375</u>

The U.S. Tax Cuts and Jobs Act (the "U.S. Tax Act") was enacted on December 22, 2017. The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides for a one-year measurement period and provides guidance for the application of ASC Topic 740, *Income Taxes*. In accordance with SAB 118, the Company recognized the income tax effects of the U.S. Tax Act to the extent applicable for the year of enactment. The expense primarily relates to taxes on the Company's unremitted foreign earnings and profits, partially offset by the re-measurement of deferred tax assets and liabilities. The amounts recorded are based on reasonable estimates and may require further adjustments as additional guidance from the U.S. Department of Treasury is provided, the Company's assumptions change or as further information and interpretations become available.

The provisional amount recorded for the remeasurement of the Company's deferred tax assets and liabilities is a tax benefit of \$14,532. The Company is still analyzing certain aspects of the U.S. Tax Act and refining calculations that could potentially affect the measurement of deferred income tax balances, including law changes surrounding deferred compensation.

The one-time transition tax is based on total post-1986 earnings and profits for which the Company had previously deferred from U.S. income taxes. The Company recorded a provisional amount for the one-time transition tax liability of \$36,387, resulting in an increase to income tax expense. The transition tax is based partially on the earnings and profits held in cash and partially on the earnings and profits invested in assets.

The provisional amount recorded for taxes on the planned repatriation of certain earnings and profits subject to the transition tax is \$6,667. This additional tax pertains to foreign withholding taxes associated with the repatriation of earnings that are not indefinitely reinvested in the foreign operations.

The net impact of the U.S. Tax Act provisional amounts are included in Income taxes in the accompanying Consolidated Statements of Income.

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

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, 2017 were as follows:

	Year Ended December 31,		
	2017	2016	2015
Statutory rate of 35% applied to pre-tax income	\$ 128,182	\$ 97,086	\$ 59,426
State and local income taxes, net of federal tax benefit	5,671	5,554	1,868
Excess tax benefits resulting from exercises of stock-based compensation	(6,276)	—	—
Net impact of the U.S. Tax Act	21,949	—	—
Foreign withholding taxes	6,667	—	—
Intangible and asset impairments/(write-off)	—	(4,438)	2,184
Foreign rate variance	(13,929)	(8,128)	(11,399)
Venezuela deconsolidation/devaluation	—	5,192	11,396
Bargain purchase gain	(17,556)	—	—
Valuation allowances	102	(8,525)	2,900
Manufacturing deduction	(5,922)	(5,190)	(9,207)
U.S. tax cost (benefit) of foreign source income	294	(489)	(8,754)
Other	(421)	(2,047)	(6,039)
Total	\$ 118,761	\$ 79,015	\$ 42,375
Effective tax rate	32.4%	28.5%	25.0%

The 2017 effective tax rate is impacted by the nontaxable bargain purchase gain recorded in connection with the acquisition of Air Liquide Welding, excess tax benefits from the exercise of stock based compensation awards, the net impact of the U.S. Tax Act and income earned in lower tax rate jurisdictions. Total income tax payments, net of refunds, were \$81,691 in 2017, \$72,965 in 2016 and \$101,939 in 2015.

LINCOLN ELECTRIC HOLDINGS, INC.
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, 2017 and 2016, were as follows:

	December 31,	
	2017	2016
Deferred tax assets:		
Tax loss and credit carry-forwards	\$ 65,284	\$ 52,270
Inventory	2,501	2,080
Other accruals	14,873	18,186
Employee benefits	18,468	23,596
Pension obligations	12,363	2,503
Other	4,923	3,020
Deferred tax assets, gross	118,412	101,655
Valuation allowance	(68,694)	(47,849)
Deferred tax assets, net	49,718	53,806
Deferred tax liabilities:		
Property, plant and equipment	21,427	32,210
Intangible assets	10,729	17,506
Inventory	5,891	10,059
Pension obligations	16,137	17,915
Other	20,313	9,309
Deferred tax liabilities	74,497	86,999
Total deferred taxes	\$ (24,779)	\$ (33,193)

At December 31, 2017, certain subsidiaries had tax loss carry-forwards of approximately \$80,961 that expire in various years from 2018 through 2033, plus \$177,796 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, 2017, a valuation allowance of \$68,694 was recorded against certain deferred tax assets based on this assessment. The Company believes it is more likely than not that the tax benefit of the remaining net deferred tax assets will be realized. The amount of net deferred tax assets considered realizable could be increased or reduced in the future if the Company's assessment of future taxable income or tax planning strategies changes.

The Company previously considered the earnings in non-U.S. subsidiaries to be indefinitely reinvested and, accordingly, recorded no deferred income taxes. As a result of the U.S. Tax Act, the Company determined it will repatriate earnings for certain non-U.S. subsidiaries, which are subject to foreign withholding taxes. The Company has estimated the associated tax to be \$6,667. 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.

Unrecognized Tax Benefits

Liabilities for unrecognized tax benefits are classified as Other liabilities unless expected to be paid in one year, with a portion recorded to Deferred income taxes to offset tax attributes. The Company recognizes interest and penalties related to unrecognized tax benefits in Income taxes. Current income tax expense included expense of \$1,079 for the year ended December 31, 2017 and expense of \$597 for the year ended December 31, 2016 for interest and penalties. For those same years, the Company's accrual for interest and penalties related to unrecognized tax benefits totaled \$8,135 and \$6,431, 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:

	2017	2016
Balance at beginning of year	\$ 18,499	\$ 14,332
Increase related to current year tax provisions	1,448	1,975
Increase related to prior years' tax positions	1,460	5,188
Increase related to acquisitions	8,223	—
Decrease related to settlements with taxing authorities	(522)	(265)
Resolution of and other decreases in prior years' tax liabilities	(1,734)	(1,982)
Other	1,075	(749)
Balance at end of year	<u>\$ 28,449</u>	<u>\$ 18,499</u>

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$12,709 at December 31, 2017 and \$9,813 at December 31, 2016.

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 2013. The Company is currently subject to U.S. federal, various state audits and non-U.S. income tax audits. The Company is generally not able to precisely estimate the ultimate settlement amounts or timing until after the close of an audit. The Company evaluates its tax positions and establishes liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained.

Unrecognized tax benefits are reviewed on an ongoing basis and are adjusted for changing facts and circumstances, including progress of tax audits and closing of statutes of limitations. Based on information currently available, management believes that additional audit activity could be completed and/or statutes of limitations may close relating to existing unrecognized tax benefits. It is reasonably possible there could be a further reduction of \$2,414 in prior years' unrecognized tax benefits in 2018.

NOTE 13 – DERIVATIVES

The Company uses derivative instruments to manage exposures to currency exchange rates, interest rates and commodity prices arising in the normal course of business. Both at inception and on an ongoing basis, the derivative instruments that qualify for hedge accounting are assessed as to their effectiveness, when applicable. Hedge ineffectiveness was immaterial for each of the three years in the period ended December 31, 2017.

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, 2017. 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 \$35,489 at December 31, 2017 and \$36,385 at December 31, 2016.

Fair value hedges

Certain interest rate swap agreements were qualified and designated as fair value hedges. At December 31, 2017, the Company had interest rate swap agreements outstanding that effectively convert notional amounts of \$100,000 of debt from a fixed interest rate to a variable interest rate based on three-month LIBOR plus a spread of between 0.6% and 1.8%. The variable rates reset every three months, and cash flows related to these swaps are settled every three or six months.

Net investment hedges

From time to time, the Company executes foreign currency forward contracts that qualify and are designated as net investment hedges. No such contracts were outstanding at December 31, 2017 and December 31, 2016.

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 \$340,884 at December 31, 2017 and \$261,168 at December 31, 2016.

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, 2017			December 31, 2016		
	Other Current Assets	Other Current Liabilities	Other Liabilities	Other Current Assets	Other Current Liabilities	Other Liabilities
Designated as hedging instruments:						
Foreign exchange contracts	\$ 519	\$ 604	\$ —	\$ 439	\$ 923	\$ —
Interest rate swap agreements	—	—	5,085	—	—	5,439
Not designated as hedging instruments:						
Foreign exchange contracts	2,257	3,747	—	746	1,529	—
Total derivatives	<u>\$ 2,776</u>	<u>\$ 4,351</u>	<u>\$ 5,085</u>	<u>\$ 1,185</u>	<u>\$ 2,452</u>	<u>\$ 5,439</u>

The effects of undesignated derivative instruments on the Company's Consolidated Statements of Income for the years ended December 31, 2017 and 2016 consisted of the following:

Derivatives by hedge designation	Classification of gains (losses)	Year Ended December 31,	
		2017	2016
Not designated as hedges:			
Foreign exchange contracts	Selling, general & administrative expenses	\$ 17,590	\$ (21,096)
Commodity contracts	Cost of goods sold	—	(742)

The effects of designated cash flow hedges on AOCI and the Company's Consolidated Statements of Income for the years ended December 31, 2017 and 2016 consisted of the following:

Total gain (loss) recognized in AOCI, net of tax	December 31,	
	2017	2016
Foreign exchange contracts	\$ (224)	\$ (512)
Net investment contracts	1,099	1,099

The Company expects a loss of \$224 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,	
		2017	2016
Foreign exchange contracts	Net sales	\$ 1,860	\$ (1,580)
	Cost of goods sold	502	(407)

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

NOTE 14 – FAIR VALUE

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

Description	Balance as of December 31, 2017	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Foreign exchange contracts	\$ 2,776	\$ —	\$ 2,776	\$ —
Marketable securities	179,125	—	179,125	—
Total assets	<u>\$ 181,901</u>	<u>\$ —</u>	<u>\$ 181,901</u>	<u>\$ —</u>
Liabilities:				
Foreign exchange contracts	\$ 4,351	\$ —	\$ 4,351	\$ —
Interest rate swap agreements	5,085	—	5,085	—
Contingent considerations	7,086	—	—	7,086
Deferred compensation	25,397	—	25,397	—
Total liabilities	<u>\$ 41,919</u>	<u>\$ —</u>	<u>\$ 34,833</u>	<u>\$ 7,086</u>

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

Description	Balance as of December 31, 2016	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Foreign exchange contracts	\$ 1,185	\$ —	\$ 1,185	\$ —
Marketable securities	38,922	—	38,922	—
Total assets	<u>\$ 40,107</u>	<u>\$ —</u>	<u>\$ 40,107</u>	<u>\$ —</u>
Liabilities:				
Foreign exchange contracts	\$ 2,452	\$ —	\$ 2,452	\$ —
Interest rate swap agreements	5,439	—	5,439	—
Contingent considerations	8,154	—	—	8,154
Forward contract	15,272	—	—	15,272
Deferred compensation	25,244	—	25,244	—
Total liabilities	<u>\$ 56,561</u>	<u>\$ —</u>	<u>\$ 33,135</u>	<u>\$ 23,426</u>

The Company's derivative contracts are valued at fair value using the market approach. The Company measures the fair value of foreign exchange contracts and interest rate swap agreements using Level 2 inputs based on observable spot and forward rates in active markets. During the year ended December 31, 2017, there were no transfers between Levels 1, 2 or 3.

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

In connection with acquisitions, the Company recorded contingent considerations fair valued at \$7,086 as of December 31, 2017. Under the contingent consideration agreements the amounts to be paid are based upon actual financial results of the acquired entity for specified future periods. The fair value of the contingent considerations are a Level 3 valuation and fair valued using either a probability weighted discounted cash flow analysis or an option pricing model.

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

In connection with an acquisition, the Company obtained a controlling financial interest in the acquired entity and at the same time entered into a forward contract to obtain the remaining financial interest in the entity over a three-year period. The final payment associated with the forward contract was paid by the Company in the second quarter of 2017.

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

The Company has various financial instruments, including cash and cash equivalents, short and long-term debt and forward contracts. While these financial instruments are subject to concentrations of credit risk, the Company has minimized this risk by entering into arrangements with a number of major banks and financial institutions and investing in several high-quality instruments. The Company does not expect any counterparties to fail to meet their obligations. The fair value of Cash and cash equivalents, Accounts receivable, Amounts due banks and Trade accounts payable approximated book value due to the short-term nature of these instruments at both December 31, 2017 and December 31, 2016. Refer to Note 8 to the consolidated financial statements for the fair value estimate of debt.

NOTE 15 – INVENTORY

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

	December 31,	
	2017	2016
Raw materials	\$ 97,577	\$ 76,811
Work-in-process	50,695	40,556
Finished goods	200,395	138,039
Total	<u>\$ 348,667</u>	<u>\$ 255,406</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, 2017 and 2016, approximately 32% and 40% of total inventories, respectively, were valued using the LIFO method. The excess of current cost over LIFO cost was \$68,641 at December 31, 2017 and \$61,329 at December 31, 2016.

NOTE 16 – LEASES

The Company leases sales offices, manufacturing facilities, warehouses and distribution centers, transportation equipment, office equipment and information technology equipment. Such leases, some of which are noncancelable and, in many cases, include renewals, expire at various dates. The Company pays most insurance, maintenance and taxes relating to leased assets. Rental expense was \$20,450 in 2017, \$16,897 in 2016 and \$16,703 in 2015.

At December 31, 2017, total future minimum lease payments for noncancelable operating leases were \$19,205 in 2018, \$13,358 in 2019, \$8,972 in 2020, \$5,252 in 2021, \$4,892 in 2022 and \$5,629 thereafter. Assets held under capital leases are included in property, plant and equipment and are immaterial.

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

NOTE 17 – CONTINGENCIES

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

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

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

NOTE 18 – PRODUCT WARRANTY COSTS

The changes in product warranty accruals for 2017, 2016 and 2015 were as follows:

	December 31,		
	2017	2016	2015
Balance at beginning of year	\$ 21,053	\$ 19,469	\$ 15,579
Accruals for warranties	9,901	13,058	19,824
Settlements	(11,500)	(11,434)	(15,458)
Foreign currency translation and other adjustments ⁽¹⁾	2,575	(40)	(476)
Balance at end of year	<u>\$ 22,029</u>	<u>\$ 21,053</u>	<u>\$ 19,469</u>

(1) At December 31, 2017, Foreign currency translation and other adjustments includes \$2,299 in an acquired liability related to the Air Liquide Welding acquisition as discussed in Note 3 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 19 – QUARTERLY FINANCIAL DATA (UNAUDITED)

	First ⁽¹⁾	Second ⁽²⁾	Third ⁽³⁾	Fourth ⁽⁴⁾
2017				
Net sales	\$ 580,897	\$ 626,858	\$ 669,491	\$ 747,185
Gross profit	203,856	217,488	219,516	239,466
Income before income taxes	77,900	83,966	130,642	73,728
Net income	55,844	61,352	106,126	24,181
Basic earnings per share ⁽⁵⁾	\$ 0.85	\$ 0.93	\$ 1.61	\$ 0.37
Diluted earnings per share ⁽⁵⁾	\$ 0.84	\$ 0.92	\$ 1.59	\$ 0.36
2016				
Net sales	\$ 550,772	\$ 592,418	\$ 567,646	\$ 563,828
Gross profit	189,102	202,927	199,812	197,457
Income before income taxes	73,182	45,758	80,296	78,152
Net income	53,638	31,317	60,049	53,395
Basic earnings per share ⁽⁵⁾	\$ 0.77	\$ 0.46	\$ 0.90	\$ 0.81
Diluted earnings per share ⁽⁵⁾	\$ 0.76	\$ 0.45	\$ 0.89	\$ 0.81

(1) 2017 includes special item charges of \$3,615 (\$2,734 after-tax) related to acquisition transaction costs.

(2) 2017 includes special item charges of \$4,498 (\$3,494 after-tax) related to acquisition transaction and integration costs.

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

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

(4) 2017 includes special item charges of \$2,867 (\$1,770 after-tax) for pension settlement charges, \$6,590 (\$6,198 after-tax) for rationalization and asset impairment charges, \$28,616 for the net impact of the U.S. Tax Act and acquisition-related items including \$2,264 (\$1,708 after-tax) in amortization of step up in value of acquired inventories, \$3,616 (\$3,102 after-tax) for acquisition transaction and integration costs and a \$1,935 adjustment to the bargain purchase gain.

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

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

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, 2017	\$ 7,768	\$ 1,172	\$ 9,501	\$ 2,498	\$ 15,943
Year Ended December 31, 2016	7,299	1,657	72	1,260	7,768
Year Ended December 31, 2015	7,858	1,969	(1,046)	1,482	7,299
Deferred tax asset valuation allowance:					
Year Ended December 31, 2017	47,849	16,222	4,854	(231)	68,694
Year Ended December 31, 2016	51,294	3,704	3,923	(11,072)	47,849
Year Ended December 31, 2015	48,840	7,533	(521)	(4,558)	51,294

(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.

QuickLinks

[ITEM 1. BUSINESS](#)

[ITEM 1A. RISK FACTORS](#)

[ITEM 1B. UNRESOLVED STAFF COMMENTS](#)

[ITEM 1C. EXECUTIVE OFFICERS OF THE REGISTRANT](#)

[ITEM 2. PROPERTIES](#)

[ITEM 3. LEGAL PROCEEDINGS](#)

[ITEM 4. MINE SAFETY DISCLOSURES](#)

[ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES](#)

[ITEM 6. SELECTED FINANCIAL DATA \(Dollars in thousands, except per share amounts\)](#)

[ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS \(Dollars in thousands, except per share amounts\)](#)

[ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK](#)

[ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA](#)

[ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES](#)

[ITEM 9A. CONTROLS AND PROCEDURES](#)

[ITEM 9B. OTHER INFORMATION](#)

[ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE](#)

[ITEM 11. EXECUTIVE COMPENSATION](#)

[ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS](#)

[ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE](#)

[ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES](#)

[ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES](#)

[SIGNATURES](#)

[Report of Independent Registered Public Accounting Firm](#)

[Report of Independent Registered Public Accounting Firm](#)

[LINCOLN ELECTRIC HOLDINGS, INC. CONSOLIDATED BALANCE SHEETS \(Dollars in thousands\)](#)

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

[LINCOLN ELECTRIC HOLDINGS, INC. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME \(In thousands, except per share amounts\)](#)

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

[LINCOLN ELECTRIC HOLDINGS, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS \(In thousands\)](#)

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

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

LINCOLN ELECTRIC HOLDINGS, INC.
2005 DEFERRED COMPENSATION PLAN FOR EXECUTIVES

(SECOND AMENDMENT AND RESTATEMENT EFFECTIVE AS OF JANUARY 1, 2018)

ARTICLE I

PURPOSE

The Lincoln Electric Holdings, Inc. 2005 Deferred Compensation Plan (the “Plan”) was established by Lincoln Electric Holdings, Inc., effective December 30, 2004, to allow designated management and highly compensated employees to defer a portion of their current salary and bonus compensation. The Plan has been amended from time to time, was most recently amended and restated as of January 1, 2018 on July 28, 2017, and is hereby again amended and restated as of January 1, 2018. Except as provided herein, this amendment and restatement shall apply to Deferral Commitments made for Deferral Periods commencing on or after January 1, 2018. This amendment and restatement shall also apply to Investment Re-Allocation Requests that relate to amounts in Participant’s Accounts that are attributable to Deferral Commitments made for Deferral Periods prior to January 1, 2018. This amendment and restatement supersedes and replaces the amendment and restatement adopted on July 28, 2017.

The Plan is intended to comply with Section 409A of the Code, and shall be construed and interpreted in accordance with such intent.

It is intended that the Plan will aid in attracting and retaining employees of exceptional ability by providing these benefits. The terms and conditions of the Plan are set forth below.

ARTICLE II

DEFINITIONS AND CONSTRUCTION

Section 2.1. Definitions. Whenever the following terms are used in this Plan they shall have the meanings specified below unless the context clearly indicates to the contrary:

- (a) “Account”: The bookkeeping account maintained for each Participant showing his or her interest under the Plan.
- (b) “Accounting Date”: The first business day of each calendar quarter.
- (c) “Accounting Period”: The period beginning on an Accounting Date and ending on the day immediately preceding the next following Accounting Date.
- (d) “Administrator”: The committee established pursuant to the provisions of Section 7.1.
- (e) “Award Agreement”: The evidence of award under the Equity Incentive Plan that relates to an award to a Participant of Performance Shares or RSUs.
- (f) “Base Salary”: The base earnings earned by a Participant and payable to him by the Corporation with respect to a Plan Year without regard to any increases or decreases in base earnings as a result of an election to defer base earnings under this Plan, or an election between benefits or cash provided under a plan of the Corporation maintained pursuant to Section 125 or 401(k) of the Code.

(g) “Beneficiary”: The person or persons (natural or otherwise), within the meaning of Section 6.5, who are entitled to receive distribution of the Participant’s Account balance in the event of the Participant’s death.

(h) “Board”: The Board of Directors of Holdings.

(i) “Bonus” or “Bonuses”: Any cash bonus earned by a Participant and payable to him by the Corporation with respect to any bonus plan year ending within a Plan Year without regard to any decreases as a result of an election to defer any portion of a bonus under this Plan, or an election between benefits or cash provided under a plan of the Corporation maintained pursuant to Section 125 or 401(k) of the Code.

(j) “Cash LTIP”: Any cash incentive award made under the Lincoln Electric Holdings, Inc. Cash Long Term Incentive Plan.

(k) “Code”: The Internal Revenue Code of 1986, as amended from time to time, and any rules and regulations promulgated thereunder. Any reference to a provision of the Code shall also include any successor provision that modifies, replaces or supersedes it.

(l) “Committee”: The Compensation & Executive Development Committee of the Board, or its delegate hereunder.

(m) “Common Shares”: Shares of common stock of Holdings.

(n) “Compensation”: The amount of Base Salary plus Bonuses earned by a Participant and payable to him by the Corporation with respect to a Plan Year, plus the amount of Cash LTIP, if any, awarded to a Participant.

(o) “Corporation”: Holdings and any Participating Employer or any successor or successors thereto.

(p) “Deemed Investment Sub-account”: The portion of a Participant’s Account other than the Participant’s Deferred Performance Share Sub-account and Deferred RSU Sub-account.

(q) “Deferral Commitment”: An agreement by a Participant (i) to have a specified percentage or dollar amount of his or her Compensation deferred under the Plan, (ii) to have a specified percentage of his or her Performance Shares deferred under the Plan, and/or (iii) to have a specified percentage of his or her RSUs deferred under the Plan.

(r) “Deferral Period”:

(i) In the case of Base Salary or a Bonus, the Plan Year in which a Participant performs the services that relate to such Base Salary or Bonus.

(ii) In the case of a Cash LTIP, a Performance Share or an RSU, the period that commences on the first day of the Plan Year in which a Participant first performs services in respect of such Cash LTIP, Performance Share or RSU and ends at the time that the amount payable under such Cash LTIP, Performance Share or RSU would be paid to the Participant but for the Participant’s Deferral Commitment with respect to such Cash LTIP, Performance Share or RSU.

In all events, the Deferral Period begins on the first day of the first Plan Year during which services are performed in order to earn the Base Salary, Bonus, Cash LTIP, Performance Shares or RSUs.

(s) “Deferred Performance Share Sub-account”: The bookkeeping sub-account maintained for each Participant who elects to defer the delivery of Common Shares payable to the Participant under the applicable Award Agreement relating to Performance Shares.

(t) “Deferred RSU Sub-account”: The bookkeeping sub-account maintained for each Participant who elects to defer the delivery of Common Shares payable to the Participant under the applicable Award Agreement relating to RSUs.

(u) “Disability”: A Participant shall be considered to have a Disability if the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under the Corporation’s plan providing benefits for short term disability.

(v) “Effective Date”: This Plan was originally established effective as of December 30, 2004 and has been amended from time to time. Except as otherwise provided herein, this amended and restated Plan shall be effective as of January 1, 2018.

(w) “Employee”: Any employee of the Corporation who is, as determined by the Committee, a member of a “select group of management or highly compensated employees” of the Corporation, within the meaning of Sections 201, 301 and 401 of ERISA, and who is designated by the Committee as an Employee eligible to participate in the Plan.

(x) “Equity Incentive Plan”: The Lincoln Electric Holdings, Inc. 2015 Equity and Incentive Compensation Plan, or any similar or successor plan.

(y) “ERISA”: The Employee Retirement Income Security Act of 1974, as amended from time to time, and any rules or regulations promulgated thereunder. Any reference to a provision of ERISA shall also include any provision that modifies, replaces or supersedes it.

(z) “Financial Hardship”: A severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant’s spouse, or a dependent of the Participant, loss of the Participant’s property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

(aa) “Holdings”: Lincoln Electric Holdings, Inc., an Ohio corporation.

(bb) “Investment Funds”: Has the meaning set forth in Section 5.3.

(cc) “Investment Request”: An investment preference request filed by a Participant which (i) shall apply with respect to contributions credited to the Participant’s Deemed Investment Sub-account until the timely filing of a subsequent Investment Request and (ii) shall determine the manner in which such credited contributions shall be initially allocated by the Participant among the various Investment Funds within the Deemed Investment Sub-account. A subsequent Investment Request may be submitted in writing (or in another format, including electronic format, prescribed by the

Administrator) to the Administrator by the Participant. Such Investment Request will be effective as soon as practicable following receipt by the Administrator of such Investment Request.

(dd) “Investment Re-Allocation Request”: An investment preference request filed by a Participant which (i) shall redirect the manner in which all earlier credited amounts to a Participant’s Deemed Investment Sub-account, as well as any appreciation (or depreciation) to-date, are invested within the deemed Investment Funds available in the Plan or (ii) shall direct that all or a portion of the Common Shares deemed to be held in the Participant’s Deferred Performance Share Sub-account or Deferred RSU Sub-account shall be deemed to have been redeemed (at a per share value equal to the then “Market Value per Share” (as determined pursuant to the Equity Incentive Plan) of a Common Share on the date of such deemed redemption) and the proceeds thereof reallocated to the Participant’s Deemed Investment Sub-account and invested within the deemed Investment Funds available under the Deemed Investment Sub-account as further directed by the Participant in such Investment Re-Allocation Request. An Investment Re-Allocation Request may be submitted in writing (or in another format, including electronic format, prescribed by the Administrator) to the Administrator by the Participant, provided that an Investment Re-Allocation Request described in clause (ii) of this subsection may be filed no earlier than the later of (A) the date that is 6 months after the date on which the amounts to which such Investment Re-Allocation Request relate are allocated to the Participant’s Deferred Performance Share Sub-account or Deferred RSU Sub-account pursuant to Section 4.2(b)(i) or (B) the date that such Investment Re-Allocation Request is permitted under Holdings’ stock ownership guidelines for officers. An Investment Re-Allocation Request described in this subsection will be effective as soon as practicable following receipt by the Administrator of such Investment Re-Allocation Request.

(ee) “Participant”: An Employee participating in the Plan in accordance with the provisions of Section 3.1 or former Employee retaining benefits under the Plan that have not been fully paid.

(ff) “Participating Employer”: The Lincoln Electric Company, and any other subsidiary or affiliate of Holdings that adopts the Plan with the consent of the Committee. Any Participating Employer that adopts the Plan and thereafter ceases to exist, ceases to be a subsidiary or affiliate of Holdings or withdraws from the Plan shall no longer be considered a Participating Employer unless otherwise determined by the Committee.

(gg) “Participation Agreement”: The Agreement submitted by a Participant to the Administrator with respect to one (1) or more Deferral Commitments.

(hh) “Performance Shares”: An award of Performance Shares under the Equity Incentive Plan, representing the right to receive Common Shares in accordance with the terms of the Equity Incentive Plan and an applicable Award Agreement.

(ii) “Plan”: The Plan set forth in this instrument as it may, from time to time, be amended.

(jj) “Plan Year”: The twelve (12) - month period beginning January 1 through December 31, commencing with the Plan Year beginning January 1, 2005.

(kk) “Retirement”: Termination of employment with the Corporation on or after attainment of age fifty-five (55).

(ll) “RSUs”: An award of Restricted Stock Units under the Equity Incentive Plan, representing the right to receive Common Shares in accordance with the terms of the Equity Incentive Plan and an applicable Award Agreement.

(mm) “Section 409A”: Section 409A of the Code and any proposed, temporary or final regulations, and any notices or other guidance, promulgated with respect to Section 409A.

(nn) “Settlement Date”: Except with respect to a distribution election under Section 6.3, the date on which a Participant separates from service (within the meaning of Section 409A) with the Corporation. “Bona fide leaves of absence” (within the meaning of Section 409A) granted by the Corporation will not be considered a separation from service during the term of such leave. With respect to a distribution election under Section 6.3, Settlement Date means the date selected by the Participant pursuant to Section 6.3.

(oo) “Specified Employee”: A Participant who is a “specified employee” within the meaning of Section 409A and pursuant to procedures established by the Corporation.

(pp) “Subsequent Deferral Rule”:

(i) For Deferral Commitments made with respect to Deferral Periods commencing before January 1, 2018, any subsequent deferral election that alters the payment form or the date of distribution designated in the Participant’s original Participation Agreement (A) may not take effect for at least twelve (12) months; (B) if the subsequent deferral election relates to an election pursuant to Section 6.3, must be made at least twelve (12) months prior to the due date of the payment under the Participant’s original Participation Agreement; (C) in the case of a subsequent deferral election that does not relate to a payment on account of Disability, Financial Hardship or death, must extend the payment at least five (5) years from the due date of the payment under the Participant’s original Participation Agreement; and (D) must be submitted by the Participant to the Administrator in a form prescribed by the Administrator.

(ii) For Deferral Commitments with respect to Deferral Periods commencing on or after January 1, 2018, any subsequent deferral election that alters the payment form or the date of distribution designated in the Participant’s original Participation Agreement (A) may not take effect for at least twelve (12) months; (B) if the subsequent deferral election relates to an election pursuant to Section 6.3, must be made at least twelve (12) months prior to the due date of the first payment under the Participant’s original Participation Agreement; (C) in the case of a subsequent deferral election that does not relate to a payment on account of Disability, Financial Hardship or death, must extend the payment at least five (5) years from the due date of the first payment under the Participant’s original Participation Agreement; and (D) must be submitted by the Participant to the Administrator in a form prescribed by the Administrator.

Section 2.2. Construction. The masculine or feminine gender, where appearing in the Plan, shall be deemed to include the opposite gender, and the singular may include the plural, unless the context clearly indicates to the contrary. The words “hereof,” “herein,” “hereunder,” and other similar compounds of the word “here” shall mean and refer to the entire Plan, and not to any particular provision or Section.

ARTICLE III

PARTICIPATION AND DEFERRALS

Section 3.1. Eligibility and Participation.

(a) Eligibility. Eligibility to participate in the Plan for any Deferral Period is limited to those management and/or highly compensated Employees of the Corporation who are designated, from time to time, by the Committee.

(b) Participation. An eligible Employee may elect to participate in the Plan with respect to any Deferral Period by submitting a Participation Agreement to the Administrator by the last business day immediately preceding the applicable Deferral Period. A Participation Agreement must be submitted with respect to each Deferral Period for which a Participant elects a Deferral Commitment. Elections made in a Participation Agreement for a specific Deferral Period shall not carry over to subsequent Deferral Periods.

(c) Initial Year of Participation. In the event that an individual first becomes eligible to participate during a Plan Year and wishes to elect a Deferral Commitment with respect to Compensation, Performance Shares or RSUs earned by the individual in respect of services performed during such Plan Year, a Participation Agreement that complies with the following provisions of this Section 3.1(c) must be submitted to the Administrator no later than thirty (30) days following such individual's initial eligibility. Any Deferral Commitments elected in such Participation Agreement shall be effective only with regard to Compensation or Performance Shares earned solely in respect of services performed following the submission of the Participation Agreement to the Administrator. With respect to RSUs, any Deferral Commitments elected in such Participation Agreement shall be effective only with regard to RSUs that begin vesting based solely on services performed following the submission of the Participation Agreement to the Administrator. If an eligible Employee does not submit a Participation Agreement within such period of time, such individual will not be eligible to participate in the Plan until the first day of a Deferral Period subsequent to the Deferral Period in which the individual initially became eligible to participate.

(d) Other Deferrals. Effective as of August 1, 2017, the Administrator may establish procedures from time to time under which a Participant may elect to defer amounts of compensation under the Plan other than pursuant to the preceding provisions of this Section 3.1 (including deferrals that constitute "subsequent deferrals" under Section 409A). Any such deferred amount shall be allocated by the Administrator to such sub-account or sub-accounts under the Plan as is determined to be appropriate by the Administrator, provided that (i) only amounts payable under a Performance Share award or an RSU award may be allocated to the Participant's Deferred Performance Share Sub-account or Deferred RSU Sub-account, as applicable, and (ii) no amount may be allocated to the Participant's Deferred Performance Share Sub-account or Deferred RSU Sub-account, as applicable, earlier than the date on which the applicable Performance Share or RSU vests by its terms. Any deferral pursuant to this Section 3.1(d) shall be made in compliance with Section 409A.

(e) Termination of Participation. Participation in the Plan shall continue as long as the Participant is eligible to receive benefits under the Plan.

Section 3.2. Ineligible Participant. If the Administrator determines that any Participant may not qualify as a member of a select group of "management or highly compensated employees" within the meaning of ERISA, or regulations promulgated thereunder, the Administrator may determine, in its sole discretion, that such Participant shall not be permitted to elect to defer Compensation, Performance Shares or RSUs with respect to any subsequent Deferral Period.

Section 3.3. Amount of Deferral.

(a) With respect to each Deferral Period, a Participant may elect to defer a specified dollar amount or percentage of his or her Compensation, provided the amount the Participant elects to defer under this Plan shall not exceed the sum of eighty percent (80%) of his or her Base Salary plus eighty percent (80%) of his or her Bonus plus eighty percent (80%) of his or her Cash LTIP with respect to such Deferral Period. With respect to each Deferral Period, a Participant may elect to defer a specified percentage of his or her Performance Shares or RSUs, provided that the amount the Participant elects to defer under this Plan shall not exceed one hundred percent (100%) of his or her Performance Shares or RSUs with respect to such Deferral Period. Such amount to be deferred shall be indicated in the Participant's Participation Agreement applicable to such Deferral Period. A Participant may choose to have amounts deferred under this Plan deducted from his or her Base Salary, Bonus, Cash LTIP, Performance Shares, RSUs or a combination of the foregoing, which shall also be indicated in the Participant's Participation Agreement applicable to such Deferral Period.

(b) For the first Deferral Period with respect to each category of Compensation, Performance Shares or RSUs, a Participant may elect to defer all or any portion of his or her Base Salary, Bonus, Cash LTIP, Performance Shares and/or RSUs earned after the later of the effective date of the Participation Agreement or the date of filing the Participation Agreement with the Administrator, provided each deferred amount for each Deferral Period does not exceed the annual limitations under this Section 3.3 computed for the calendar year in which such Deferral Period commences.

ARTICLE IV

PARTICIPANTS' ACCOUNTS

Section 4.1. Establishment of Accounts. The Corporation, through its accounting records, shall establish an Account for each Participant. In addition, the Corporation may establish one (1) or more sub-accounts of a Participant's Account, if the Corporation determines that such subaccounts are necessary or appropriate in administering the Plan, including, but not limited to, a Deemed Investment Sub-account, a Deferred Performance Share Sub-account and a Deferred RSU Sub-account.

Section 4.2. Elective Deferred Compensation, Performance Shares and RSUs. A Participant's Compensation, Performance Shares and RSUs that are deferred pursuant to a Deferral Commitment shall be credited to the Participant's Account as follows:

(a) With respect to Compensation, to the Participant's Deemed Investment Sub-account, as of the date the Compensation would have been paid to the Participant but for the Participant's Deferral Commitment with respect to such Compensation.

(b) With respect to Performance Shares or RSUs:

(i) With respect to Common Shares payable under the applicable Award Agreement (including Common Shares that relate to dividend equivalents in respect of dividends paid in Common Shares), to the Participant's Deferred Performance Share Sub-account or Deferred RSU Sub-account, as applicable, as of the date such Common Shares would have been delivered to the Participant but for the Participant's Deferral Commitment with respect to such Performance Shares or RSUs (but in no event earlier than the date on which the applicable Performance Share or RSU vests by its terms); and

(ii) With respect to dividend equivalent amounts payable in cash under the applicable Award Agreement at the time described in the preceding clause (i), to the Participant's Deemed Investment Sub-account at such time.

(c) Any withholding of taxes or other amounts with respect to deferred Compensation, Performance Shares or RSUs which is required by state, federal or local laws shall be withheld from the Participant's deferred Compensation, Performance Shares or RSUs.

Section 4.3. Determination of Accounts.

(a) The amount credited to each Participant's Account as of a particular date shall equal the deemed balance of such Account as of such date. The balance in the Account shall equal the amount credited pursuant to Section 4.2, and shall be adjusted in the manner provided in Section 4.4.

(b) The Corporation, through its accounting records, shall maintain a separate and distinct record of the amount in each Account as adjusted to reflect income, gains, losses, withdrawals and distributions.

Section 4.4. Adjustments to Accounts.

(a) On each Accounting Date, each Participant's Account and applicable sub-accounts shall be debited with the amount of any distributions under the Plan to or on behalf of the Participant or, in the event of his or her death, his or her Beneficiary during the immediately preceding Accounting Period.

(b) The Participant's Deemed Investment Sub-account shall next be credited or debited, as the case may be, on a daily basis with the performance of each deemed Investment Fund based on the manner in which the balance of such Participant's Account has been allocated among the deemed Investment Funds provided for in Article V. The performance of each deemed Investment Fund (either positive or negative) will be determined by the Administrator, in its sole discretion.

(c) Earnings on any amounts deemed to have been invested in the Deemed Investment Sub-account will be deemed to have been reinvested as the Committee so determines.

(d) Each Participant's Deferred Performance Share Sub-account and Deferred RSU Sub-account shall be deemed invested solely in Common Shares, including fractions of a Common Share, until such time, if any, that the Participant files an Investment Re-Allocation Request described in Section 2.1(dd)(ii).

(e) Common Shares deemed held in the Participant's Deferred Performance Share Sub-account and Deferred RSU Sub-account will be credited with dividend equivalent rights, in respect of any dividends paid on its Common Shares by Holdings in cash or in Common Shares. Such dividend equivalent rights shall be credited on the date of the payment of such dividend by Holdings. Dividend equivalent rights in respect of dividends paid in Common Shares shall be credited to the Participant's Deferred Performance Share Sub-account or Deferred RSU Sub-account, as applicable. Dividend equivalent rights in respect of dividends paid in cash shall not be credited to such Sub-accounts but instead shall be credited to the Participant's Deemed Investment Sub-account and invested in accordance with Article V in the same manner as the remainder of the Participant's Deemed Investment Sub-account.

Section 4.5. Statement of Accounts. As soon as practicable after the end of each Plan Year, a statement shall be furnished to each Participant or, in the event of his or her death, to his or her Beneficiary showing the status of his or her Account as of the end of the Plan Year, any changes in his or her Account since the end of the immediately preceding Plan Year, and such other information as the Administrator shall determine.

Section 4.6. Vesting of Accounts. Subject to Sections 5.1 and 8.7, each Participant shall at all times have a nonforfeitable interest in his or her Account balance.

ARTICLE V

FINANCING OF BENEFITS

Section 5.1. Financing of Benefits. Benefits payable under the Plan to a Participant or, in the event of his or her death, to his or her Beneficiary shall be paid by the Corporation from its general assets or, with respect to the Deferred Performance Share Sub-account and Deferred RSU Sub-account, from treasury shares. The payment of benefits under the Plan represents an unfunded, unsecured obligation of the Corporation. Notwithstanding the fact that the Participant's Deemed Investment Sub-account may be adjusted by an amount that is measured by reference to the performance of any deemed Investment Funds as provided in Section 5.3, no person entitled to payment under the Plan shall have any claim, right, security interest or other interest in any fund, trust, account, insurance contract, or asset of the Corporation.

Section 5.2. Security For Benefits. Notwithstanding the provisions of Section 5.1, nothing in this Plan shall preclude the Corporation from setting aside amounts in trust (the "Trust") pursuant to one (1) or more trust agreements between a trustee and the Corporation. However, no Participant or Beneficiary shall have any secured interest or claim in any assets or property of the Corporation or the Trust and all funds contained in the Trust shall remain subject to the claims of the Corporation's general creditors.

Section 5.3. Deemed Investments.

(a) The Committee may designate one (1) or more separate investment funds or vehicles or measures for crediting earnings on amounts allocated to the Deemed Investment Sub-account, including, without limitation, certificates of deposit, mutual funds, money market accounts or funds, limited partnerships, or debt or equity securities, in which the amount credited to a Participant's Deemed Investment Sub-account will be deemed to be invested (collectively, the "Investment Funds"). The amount credited to a Participant's Deferred Performance Share Sub-account and Deferred RSU Sub-account will be deemed invested solely in Common Shares.

(b) An Investment Request or Investment Re-Allocation Request will advise the Administrator as to the Participant's preference with respect to Investment Funds for all or some portion of the amounts credited to a Participant's Account in specified multiples of one percent (1%), consistent with the definitions of Investment Request and Investment Re-Allocation Request set forth in Sections 2.1(cc) and 2.1(dd), respectively.

Section 5.4. Change of Investment Request Election.

(a) A Participant may change his or her Investment Request prospectively by giving the Administrator prior written (or electronic) notice by filing an Investment Request, which shall apply to contributions credited to the Participant's Deemed Investment Sub-account after such Investment Request is filed.

(b) A Participant may make an Investment Re-Allocation Request prospectively by giving the Administrator prior written (or electronic) notice by filing an Investment Re-Allocation Request with respect to all or a portion of the Participant's Account, consistent with the definitions of Investment Request and Investment Re-Allocation Request set forth in Sections 2.1(cc) and 2.1(dd), respectively.

(c) The Administrator may, but is under no obligation to, deem the amounts credited to a Participant's Deemed Investment Sub-account to be invested in accordance with the Investment Request or Investment Re-Allocation Request made by the Participant, or the Committee may, instead, in its sole discretion, deem such Account to be invested in any deemed Investment Funds selected by the Committee.

(d) Notwithstanding any provision of the Plan to the contrary:

(i) The Administrator, in its sole and absolute discretion (but subject to the requirements of applicable law) may temporarily suspend, in whole or in part, certain Plan transactions, including without limitation, the right to change investment preference allocation elections and/or the right to receive a distribution or withdrawal from a Participant's Account in the event of any conversion, change in recordkeepers, change in Investment Funds and/or Plan merger, spin-off or similar corporate change.

(ii) In the event of a change in Investment Funds and/or a Plan merger, spinoff or similar corporate change, the Administrator, in its sole and absolute discretion may decide to map investments from a Participant's prior investment preference allocation elections to the then available Investment Funds under the Plan. In the event that investments are mapped in this manner, the Participant will be permitted to reallocate funds among the Investment Funds (in accordance with this Section 5.4) after the suspension period described in Section 5.4(d)(i), if any, has ended.

(iii) The Common Shares deemed allocated to the Participant's Deferred Performance Share Sub-account or Deferred RSU Sub-account shall remain subject to adjustment pursuant to Section 11 of the Equity Incentive Plan.

ARTICLE VI

DISTRIBUTION OF BENEFITS

Section 6.1. Settlement Date. A Participant or, in the event of his or her death, his or her Beneficiary will be entitled to distribution of the balance of his or her Account, as provided in this Article VI, following his or her Settlement Date or Dates.

Section 6.2. Amount to be Distributed. The amount to which a Participant or, in the event of his or her death, his or her Beneficiary is entitled in accordance with the following provisions of this Article shall be based on the Participant's adjusted account balance determined as of the Accounting Date coincident with or next following his or her Settlement Date or Dates.

Section 6.3. In Service Distribution. A Participant may elect to receive an in service distribution of the total of his or her deferred Base Salary and Bonus for any Deferral Period in a single lump sum payment in cash on a date which is the first day of a calendar quarter and is at least one (1) year after the end of such Deferral Period, provided that the Participant is an Employee on such date. A Participant's election of an in service distribution shall be filed in writing with the Administrator at the same time as is filed his or her election to participate as provided in Section 3.1. Any benefits paid to the Participant

pursuant to this Section shall be paid on or as soon as practicable after the specified date selected by the Participant (but in no event later than seventy-five (75) days following such date) and shall reduce the Participant's Account. Any changes to the foregoing election shall be subject to the Subsequent Deferral Rule.

Section 6.4. Form of Distribution.

(a) (1) As soon as practicable after the end of the Accounting Period in which a Participant's Settlement Date (other than a Settlement Date selected by the Participant pursuant to Section 6.3) occurs, but in no event later than seventy-five (75) days following the end of such Accounting Period, the Corporation shall commence distribution or cause distribution to be commenced, to the Participant or, in the event of his or her death, to his or her Beneficiary, of the balance of the Participant's Account, as determined under Section 6.2, under one (1) of the forms provided in this Section 6.4, as specified in the Participant's Participation Agreement.

(i) Notwithstanding the foregoing, if a Participant is a Specified Employee on the Settlement Date that results from his or her separation from service, and if any portion of the payments to such Participant upon his or her separation from service would be considered deferred compensation under Section 409A, such Participant's payment, whether in the form of a single lump sum or an initial installment payment, shall be made as soon as practicable after the end of the Accounting Period in which occurs the earliest of (A) the first day of the 7th month following the Settlement Date, or (B) the Participant's death, provided that an installment payment will only be distributed on such date if such payment has otherwise become due and payable and any subsequent annual installment shall be paid pursuant to the schedule elected by the Participant in his or her applicable Participation Agreement (determined without regard to any delay in the first installment pursuant to this Section 6.4(a)(ii)).

(b) Notwithstanding Section 6.4(a)(i) and subject to Section 6.4(a)(ii), if elected by the Participant in his or her Participation Agreement,

(i) for Deferral Commitments made with respect to Deferral Periods commencing before January 1, 2018, the distribution of the Participant's Account may be made or commence (under one (1) of the forms provided in this Section 6.4, as specified in the Participant's Participation Agreement) at the beginning of the second calendar year (as elected by the Participant in his or her Participation Agreement) commencing after the Participant's separation from service due to Retirement or death; and

(ii) for Deferral Commitments made with respect to Deferral Periods commencing on or after January 1, 2018, the distribution of the Participant's Account may be made or commence (under one (1) of the forms provided in this Section 6.4, as specified in the Participant's Participation Agreement) on the Accounting Date immediately following the first or second anniversary (as elected by the Participant in his or her Participation Agreement) of the end of the Accounting Period in which the Participant's separation from service due to Retirement or death occurs.

(c) Distribution of a Participant's Account following his or her separation from service, other than a separation from service due to a Participant's Retirement or death, shall be made in a single lump sum payment in cash (or, in the case of a Participant's Deferred Performance Share Sub-account and Deferred RSU Subaccount, in Common Shares).

(d) Distribution of a Participant's Account following his or her Retirement or death may be made in cash (or, in the case of a Participant's Deferred Performance Share Sub-account and Deferred RSU Sub-account, in Common Shares) in one (1) of the following forms as elected by the Participant in his or her Participation Agreement applicable to each of his or her Deferral Commitments:

- (i) in five (5) annual installments; or
- (ii) in ten (10) annual installments; or
- (iii) in fifteen (15) annual installments; or
- (iv) in a single lump sum;

provided, however, that in the event of a Participant's death, if the balance in his or her Account is then less than \$35,000, such balance shall be distributed in a single lump sum payment. For Deferral Commitments made with respect to Deferral Periods commencing before January 1, 2018, each installment described in clause (i), (ii) or (iii) of this section 6.4 (d) shall be designated as a "separate payment" as described in Treasury Regulation §1.409A-2(b)(2)(iii). For Deferral Commitments made with respect to Deferral Periods commencing on or after January 1, 2018, each series of annual installments described in clause (i), (ii) or (iii) of this Section 6.4(d) shall be treated as the entitlement to a single payment as described in Treasury Regulation §1.409A-2(b)(2)(iii). If the Participant fails to select a form of distribution with respect to any Deferral Commitment, such amount shall be paid in a lump sum at the time of such Participant's separation from service.

(e) The Participant's election of the form and date of distribution shall be provided for in the Participant's Participation Agreement applicable to each of his or her Deferral Commitments. A Participant may change the payment form or the date of distribution provided in a Participation Agreement of the Participant only in compliance with the Subsequent Deferral Rule

(f) The amount of each installment shall be equal to the quotient obtained by dividing the Participant's Account balance as of the date of such installment payment by the number of installment payments remaining to be made to or in respect of such Participant at the time of calculation, and, with respect to a Participant's Deferred Performance Share Sub-account and Deferred RSU Sub-account, rounded up to the next whole share.

(g) Any fraction of a Common Share payable from a Participant's Deferred Performance Share Sub-account or Deferred RSU Sub-account shall be distributed in cash.

Section 6.5. Beneficiary Designation. As used in the Plan the term "Beneficiary" means:

(a) The last person designated as Beneficiary by the Participant in a written notice on a form prescribed by the Administrator;

(b) If there is no designated Beneficiary or if the person so designated shall not survive the Participant, such Participant's spouse; or

(c) If no such designated Beneficiary and no such spouse is living upon the death of a Participant, or if all such persons die prior to the full distribution of the Participant's Account balance, then the legal representative of the last survivor of the Participant and such persons, or, if the Administrator shall not receive notice of the appointment of any such legal representative within one (1) year after such death, the heirs-at-law of such survivor (in the proportions in which they would

inherit his or her intestate personal property) shall be the Beneficiaries to whom the then remaining balance of the Participant's Account shall be distributed.

Prior to the Participant's death, any Beneficiary designation may be changed from time to time by like notice similarly delivered. No notice given under this Section shall be effective unless and until the Administrator actually receives such notice.

Section 6.6. Facility of Payment. Whenever and as often as any Participant or his or her Beneficiary entitled to payments hereunder shall be under a legal disability or, in the sole judgment of the Administrator, shall otherwise be unable to apply such payments to his or her own best interests and advantage, the Administrator in the exercise of its discretion may direct all or any portion of such payments to be made in any one (1) or more of the following ways: (i) directly to him; (ii) to his or her legal guardian or conservator; or (iii) to his or her spouse or to any other person, to be expended for his or her benefit; and the decision of the Administrator, shall in each case be final and binding upon all persons in interest.

Section 6.7. Hardship Distributions. Upon a finding by the Administrator that a Participant has suffered a Financial Hardship, the Administrator may, in its sole discretion, distribute, or direct the Trustee to distribute, to the Participant an amount which does not exceed the amount required to meet the immediate financial needs created by the Financial Hardship, plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution and are not otherwise available through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent that the liquidation of such assets would not itself cause severe financial hardship to the Participant). No distributions pursuant to this Section 6.7 may be made in excess of the value of the Participant's Account at the time of such distribution.

Section 6.8. Coordination with Other Benefits. The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Corporation.

Section 6.9. Change in Control. Notwithstanding any of the preceding provisions of this Plan, as soon as possible following "change in the ownership" or the "effective control" of the Corporation or a "change in the ownership of a substantial portion of the Corporation's assets" (each within the meaning of Section 409A), but in no event later than 30 days following such event, a lump sum payment shall be made, in cash (or, in the case of a Participant's Deferred Performance Share Sub-account and Deferred RSU Sub-account, in Common Shares), of the entire Account hereunder of each Participant.

ARTICLE VII

ADMINISTRATION, AMENDMENT AND TERMINATION

Section 7.1. Administration. The Plan shall be administered by an Administrator consisting of one (1) or more persons who shall be appointed by and serve at the pleasure of the Board. The Administrator shall have such powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, to construe and interpret the Plan and determine the amount and time of payment of any benefits hereunder. The Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with legal counsel who may be counsel to the Corporation. The Administrator shall have no power to add to, subtract from or modify any of the terms of the Plan, or to change or add to any benefits provided under the Plan, or to waive or fail to apply any requirements of eligibility for a benefit under the Plan. No member of the Administrator

shall act in respect of his or her own Account. All decisions and determinations by the Administrator shall be final and binding on all parties. All decisions of the Administrator shall be made by the vote of the majority, including actions in writing taken without a meeting. All elections, notices and directions under the Plan by a Participant shall be made on such forms as the Administrator shall prescribe.

Section 7.2. Plan Administrator. Holdings shall be the “administrator” under the Plan for purposes of ERISA.

Section 7.3. Amendment and Termination.

(a) In General. The Plan may be amended from time to time or may be terminated at any time by the Board or a duly authorized committee of the Board. Except as provided in Section 7.3(b), no amendment or termination of the Plan, however, may adversely affect the amount or timing of payment of any person’s benefits accrued under the Plan to the date of amendment or termination without such person’s written consent.

(b) Compliance with Section 409A. (1) It is intended that the Plan comply with the provisions of Section 409A, so that the income inclusion provisions of Section 409A do not apply to the Participants. The Plan and each Participation Agreement and Deferral Commitment shall be administered in a manner consistent with this intent.

(1) Neither a Participant nor any of a Participant’s creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under the Plan to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to a Participant or for a Participant’s benefit under the Plan may not be reduced by, or offset against, any amount owing by a Participant to the Corporation or any of its affiliates.

(2) Notwithstanding any provision of the Plan and Participation Agreements and Deferral Commitments to the contrary, in light of the uncertainty with respect to the proper application of Section 409A, Holdings reserves the right to make amendments to the Plan and Participation Agreements and Deferral Commitments as Holdings deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A. In any case, a Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant’s Account in connection with the Plan (including any taxes and penalties under Section 409A), and neither Holdings, the Corporation nor any of their affiliates shall have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes or penalties.

Section 7.4. Successors. The Corporation shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business and/or assets of the Corporation expressly to assume and to agree to perform this Plan in the same manner and to the same extent the Corporation would be required to perform if no such succession had taken place. This Plan shall be binding upon and inure to the benefit of the Corporation and any successor of or to the Corporation, including without limitation any persons acquiring directly or indirectly all or substantially all of the business and/or assets of the Corporation whether by sale, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the “Corporation” for the purposes of this Plan), and the heirs, beneficiaries, executors and administrators of each Participant.

Section 7.5. Claims Procedure.

(a) Except as otherwise provided in the Plan, the Administrator will determine the rights of any Participant to any benefits hereunder. Any employee or former employee of the Corporation who believes that he has not received any benefit under the Plan to which he believes he is entitled, may file a claim in writing with the Administrator. The Administrator will, no later than ninety (90) days after the receipt of a claim, either allow or deny the claim by written notice to the claimant; provided, however, that if the Administrator determines that special circumstances require an extension of time for processing of an employee's claim, the Administrator will provide written notice of the extension to the employee within such ninety (90)-day period. In no event will the extension of time to process the claim exceed a period of ninety (90) days from the end of the initial ninety (90)-day review period. If a claimant does not receive written notice of the Administrator's decision on his or her claim within the first ninety (90)-day review period (or the one-hundred and eighty (180)-day review period, in the case of special circumstances as determined by the Administrator), the claim will be deemed to have been denied in full.

(b) A denial of a claim by the Administrator, wholly or partially, will be written in a manner calculated to be understood by the claimant and will include:

(i) the specific reason or reasons for the adverse determination;

(ii) specific reference to pertinent Plan provisions on which the denial is based;

(iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(iv) an explanation of the claim review procedure and the time limits applicable to such procedures, including a statement of a claimant's right to bring a civil action under ERISA following an adverse benefit determination on review.

(c) A claimant whose claim is denied (or his duly authorized representative) may, within sixty (60) days after receipt of denial of his or her claim, request a review of such denial by the Committee by filing with the Secretary of the Committee a written request for review of his or her claim. If the claimant does not file a request for review with the Committee within such sixty (60)-day period, the claimant will be deemed to have acquiesced in the original decision of the Committee on his or her claim. If a written request for review is so filed within such sixty (60)-day period, the Committee will conduct a full and fair review of such claim. During such full review, the claimant will be given the opportunity to, upon request and free of charge, obtain reasonable access to and copies of all documents, records and other information that are pertinent to his or her claim and to submit issues and comments in writing. The Committee will notify the claimant of its decision on review within sixty (60) days after receipt of a request for review; provided, however, that if the Committee determines that special circumstances require an extension of time for processing of an employee's claim, the Committee will provide written notice of the extension to the employee within such sixty (60) day review period. In no event will the extension of time to process the claim exceed a period of sixty (60) days from the end of the initial sixty (60)-day review period. If a claimant does not receive written notice of the Committee's decision on his or her claim within the first sixty (60) day review period (or the one hundred and eighty (180)-day review period, in the case of special circumstances as determined by the Committee), the claim will be deemed to have been denied on review. Notice of the decision on review will be in writing.

Section 7.6. Expenses. All expenses of the Plan shall be paid by the Corporation from funds other than those deemed Investment Funds as provided in Section 5.3, except that brokerage commissions

and other transaction fees and expenses relating to the investment of deemed assets and investment fees attributable to commingled investment of such assets shall be paid from or charged to such assets or earnings thereon.

ARTICLE VIII

MISCELLANEOUS

Section 8.1. No Guarantee of Employment. Nothing contained in the Plan shall be construed as a contract of employment between the Corporation and any Employee, or as a right of any Employee, to be continued in the employment of the Corporation, or as a limitation of the right of the Corporation to discharge any of its Employees, with or without cause.

Section 8.2. Applicable Law. All questions arising in respect of the Plan, including those pertaining to its validity, interpretation and administration, shall be governed, controlled and determined in accordance with the applicable provisions of federal law and, to the extent not preempted by federal law, the laws of the State of Ohio. All legal actions or proceedings relating to the Plan shall be brought exclusively in the U.S. District Court for the Northern District of Ohio, Eastern Division or the Cuyahoga County Court of Common Pleas, located in Cuyahoga County, Ohio.

Section 8.3. Interests Not Transferable. No person shall have any right to commute, encumber, pledge or dispose of any interest herein or right to receive payments hereunder, nor shall such interests or payments be subject to seizure, attachment or garnishment for the payments of any debts, judgments, alimony or separate maintenance obligations or be transferable by operation of law in the event of bankruptcy, insolvency or otherwise, all payments and rights hereunder being expressly declared to be nonassignable and nontransferable.

Section 8.4. Severability. Each section, subsection and lesser section of this Plan constitutes a separate and distinct undertaking, covenant and/or provision hereof. Whenever possible, each provision of this Plan shall be interpreted in such manner as to be effective and valid under applicable law. In the event that any provision of this Plan shall finally be determined to be unlawful, such provision shall be deemed severed from this Plan, but every other provision of this Plan shall remain in full force and effect, and in substitution for any such provision held unlawful, there shall be substituted a provision of similar import reflecting the original intention of the parties hereto to the extent permissible under law.

Section 8.5. Withholding of Taxes. Withholding Indemnification Agreement. The Corporation may withhold or cause to be withheld from any amounts payable under this Plan all federal, state, local and other taxes as shall be legally required; provided, however, that the Corporation, in its sole discretion may determine not to withhold or cause to be withheld such taxes from any amounts payable under this Plan to a Participant who is a non-resident of the State of Ohio, provided, that such Participant submits a tax withholding indemnification agreement (in the form set forth by the Corporation) to the Administrator no later than thirty (30) days prior to a Participant's Settlement Date.

Section 8.6. Top-Hat Plan. The Plan is intended to be a plan which is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of Sections 201, 301 and 401 of ERISA, and therefore to be exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA.

Section 8.7. Accounts Subject to the Corporation's Recovery of Funds Policy. Notwithstanding anything in this Plan to the contrary, the Participants' Accounts shall be subject to the Corporation's

Recovery of Funds Policy, as it may be in effect from time to time, including, without limitation, the provisions of such Policy required by Section 10D of the Securities and Exchange Act of 1934 and any applicable rules or regulations issued by the U.S. Securities and Exchange Commission or any national securities exchange or national securities association on which Common Shares may be traded.

IN WITNESS WHEREOF, Lincoln Electric Holdings, Inc. has caused this Lincoln Electric Holdings, Inc. 2005 Deferred Compensation Plan for Executives to be executed in its name effective as set forth herein.

LINCOLN ELECTRIC HOLDINGS, INC.:

By:

Its:

Date: _____

AMENDMENT NO. 1
TO
THE LINCOLN ELECTRIC COMPANY
EMPLOYEE SAVINGS PLAN
(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2017)

The Lincoln Electric Company, an Ohio corporation, hereby adopts this Amendment No. 1 to The Lincoln Electric Company Employee Savings Plan (As amended and restated effective January 1, 2017) (the “Plan”), effective as of August 1, 2017 unless otherwise provided herein.

I.

A new paragraph is hereby added to the introduction of the Plan at the end of the Plan History section to read as follows:

“Effective as of August 1, 2017, pursuant to an Instrument of Merger entered into by The Lincoln Electric Company and J.W. Harris Co., Inc., the J.W. Harris Co., Inc. Profit Sharing/ 401(k) Plan (the “Harris Plan”) was merged with and into the Plan and all accounts held under the Harris Plan were transferred to the Plan.”

II.

Section 1.1(6) of the Plan is hereby amended in its entirety to read as follows:

“(6) Before-Tax Contributions: The contributions made pursuant to Section 3.1 of the Plan, elective deferral contributions made to the Weartech Plan on behalf of

Former Weartech Plan Participants and elective deferral contributions made to the Harris Plan on behalf of Former Harris Plan Participants. Except as otherwise specifically provided in the Plan, the term ‘Before-Tax Contributions’ when used herein shall include all Catch-Up Before-Tax Contributions, as defined in Section 3.11.”

III.

Section 1.1(16) of the Plan is hereby amended in its entirety to read as follows:

“(16) Covered Employee: Effective as of August 1, 2017, An Employee of an Employer, excluding, however, (a) any ‘leased employee’ (as defined in Section 1.1(21)) of an Employer, and (b) any Disabled Employee.”

IV.

The last sentence of Section 1.1(24) of the Plan is hereby amended in its entirety to read as follows:

“Further notwithstanding the foregoing, (a) in the case of an Employee of Kaliburn, Inc. Employment shall include periods of employment with ITT Corporation prior to November 14, 2012, provided that such Employee was an “Employee” (as defined in the Plan) on November 14, 2012, (b) in the case of a Former Weartech Plan Participant who is an Employee on August 29, 2016, Employment shall include periods of regular, full-time employment with Weartech International, Inc. prior to August 29, 2016, and (c) in the case of a Former Harris Plan Participant who is an Employee on August 1, 2017,

Employment shall include periods of regular, full-time employment with J.W. Harris Co., Inc. prior to August 1, 2017.”

V.

Section 1.1 of the Plan is hereby amended by inserting a new subsection immediately following Subsection (29) to read as follows:

“(29A) Former Harris Plan Participant. Any person who immediately prior to the effective time of the merger of the Harris Plan into this Plan had amounts held on his behalf in one or more accounts maintained under the Harris Plan.”

VI.

Section 1.1 of the Plan is hereby amended by inserting two new subsections immediately following Subsection (37) to read as follows:

“(37A) Harris Plan: The J.W. Harris Co., Inc. Profit Sharing/401(k) Plan, as in effect immediately prior to its merger into the Plan effective as of August 1, 2017.

(37B) Harris Prior Employer Contributions: Matching employer contributions and nonelective employer contributions, if any, made to the Harris Plan on behalf of Former Harris Plan Participants who are not Employees on August 1, 2017.”

VII.

Section 1.1(46) of the Plan is hereby amended in its entirety to read as follows:

“(46) Matching Employer Contributions: The contributions made pursuant to Section 4.1 of the Plan (or pursuant to any Instrument of Adoption), employer matching contributions made to the Weartech Plan on behalf of Former Weartech Plan Participants who are Employees on August 29, 2016, and matching employer contributions made to the Harris Plan on behalf of Former Harris Plan Participants who are Employees on August 1, 2017.”

VIII.

Section 1.1(51) of the Plan is hereby amended in its entirety to read as follows:

“(51) Nonelective Employer Contributions: The contributions made pursuant to Section 4.6 of the Plan and nonelective employer contributions made to the Harris Plan on behalf of Former Harris Plan Participants who are Employees on August 1, 2017.”

IX.

Section 1.1(71) of the Plan is hereby amended in its entirety to read as follows:

“(71) Vested Interest: The portion of a Member’s Account that has not previously been withdrawn by him or distributed to or for him and that –

(a) is derived from his Before-Tax Contributions, Rollover Contributions, Prior ESOP Contributions, Qualified Nonelective Contributions, Nonelective Employer Contributions and Transitional Employer Contributions and 100% nonforfeitable at all times;

(b) is derived from Matching Employer Contributions and

(i) in the case of a Member employed by the Company, Welding, Cutting, Tools & Accessories, LLC, Lincoln Electric Cutting Systems, Inc., Kaliburn, Inc., J.W. Harris Co., Inc., Smart Force, LLC, Vizient Manufacturing Solutions, Inc. and Lincoln Global, Inc. (but in the case of Members employed by J.W. Harris Co., Inc., Smart Force, LLC, or the Seal Seat Division of Lincoln Global, Inc., only with respect to Members who are Employees on or after August 1, 2017 or who were Covered Employees prior to August 1, 2017 under the provisions of the Plan then in effect) is 100% nonforfeitable at all times, or

(ii) in the case of all other Members is (A) 0% nonforfeitable prior to the Member's completion of three Years of Vesting Service and (B) 100% nonforfeitable on and after the Member's completion of three Years of Vesting Service; and

(c) is derived from FSP Contributions and FSP Plus Contributions and is (i) 0% nonforfeitable prior to the Member's completion of three Years of Vesting Service and (ii) 100% nonforfeitable on and after the Member's completion of three Years of Vesting Service, provided, however, that in the case of a Member who is an Employee on January 1, 2017, the portion of such Member's Account that is derived from FSP Contributions and FSP Plus Contributions shall be 100% nonforfeitable on January 1, 2017.

Notwithstanding the foregoing, in the case of a Former Weartech Plan Participant who is an Employee on August 29, 2016, the portion of such Former Weartech Plan Participant's Account that is derived from Matching Employer Contributions shall be 20% nonforfeitable on and after completion of two Years of Vesting Service and 100% nonforfeitable on and after completion of three Years of Vesting Service. A Member whose Vested Interest is less than 100% nonforfeitable under the preceding provisions of this Subsection shall nonetheless have a 100% nonforfeitable interest in his entire Account upon his attainment of age 60 while an Employee, upon his death while an Employee, upon his death while performing 'qualified military service' (as defined in Section 11.8) and upon his incurrence of a Disability while an Employee. Further notwithstanding the foregoing, but subject to section 6.3(7), in the case of a Former Weartech Plan Participant who is not an Employee on August 29, 2016, the portion of such Former Weartech Plan Participant's Account that is derived from Weartech Prior Matching Contributions shall be nonforfeitable in accordance with the following table based on his Years of Vesting Service at any particular time:

<u>Years of Vesting Service</u>	<u>Percent of Weartech Prior Matching Contributions Nonforfeitable</u>
Less than 2	0%
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

Further notwithstanding the foregoing, but subject to section 6.3(8), in the case of a Former Harris Plan Participant who is not an Employee on August 1, 2017, the portion of

such Former Harris Plan Participant's Account that is derived from Harris Prior Employer Contributions shall be 0% nonforfeitable prior to the Member's completion of three Years of Vesting Service and 100% nonforfeitable on and after the Member's completion of three Years of Vesting Service."

X.

Section 1.1(72)(c) of the Plan is hereby amended by deleting the parenthetical phrase "(subject to the provisions of Sections 6.3(6) and 6.8)" where it appears therein and substituting therefor "(subject to the provisions of Sections 6.3 and 6.8)".

XI.

Section 1.1(72) of the Plan is hereby amended by inserting the following new paragraph at the end thereof:

"(g) Further notwithstanding any other provision of the Plan to the contrary, with respect to any Former Harris Plan Participant, Years of Vesting Service shall include service credited for vesting purposes under the Harris Plan immediately prior to August 1, 2017 (excluding any service that is disregarded under the terms of the Harris Plan)."

XII.

The last sentence of Section 1.1(75) of the Plan is hereby amended in its entirety to read as follows:

"Notwithstanding any other provision of the Plan to the contrary, (a) in the case of an Employee of Kaliburn, Inc., Years of Eligibility Service shall also include periods of

employment with ITT Corporation prior to November 14, 2012, provided that such Employee was an “Employee” (as defined in the Plan) on November 14, 2012, (b) in the case of a Former Weartech Plan Participant, Years of Eligibility Service shall include any service credited for eligibility purposes under the Weartech Plan immediately prior to August 29, 2016, and (c) in the case of a Former Harris Plan Participant, Years of Eligibility Service shall include any service credited for eligibility purposes under the Harris Plan immediately prior to August 1, 2017.”

XIII.

Section 1.2 of the Plan is hereby amended by inserting the following new Subsection at the end thereof:

“(8) The benefits payable to a Former Harris Plan Participant under the Harris Plan whose employment with the Controlled Group terminated, including by reason of death, before August 1, 2017 (and who is not rehired by a Controlled Group Member on or after August 1, 2017) shall be determined by and paid in accordance with the terms and provisions of the Harris Plan as in effect at the date of such termination, except to the extent otherwise specifically provided in this Plan.”

XIV.

Section 2.1(2) of the Plan is hereby amended by inserting the following new sentence at the end thereof:

“Further notwithstanding the preceding provisions of this Section, a Former Harris Plan Participant who on August 1, 2017 does not satisfy the requirement of Subsection (2) of this Section but who on July 31, 2017 had in effect an election (or deemed election) under the Harris Plan to have a percentage of his compensation contributed to the Harris Plan as before-tax contributions shall become an Eligible Employee on August 1, 2017.”

XV.

Section 2.2(1) of the Plan is hereby amended by inserting the following new sentence at the end thereof:

“Further notwithstanding the foregoing, a Former Harris Plan Participant who becomes an Eligible Employee on August 1, 2017 and who on July 31, 2017 had in effect an election (or deemed election) under the Harris Plan to have a percentage of his compensation contributed as before-tax contributions, shall become a Member on August 1, 2017 and his elected percentage (in effect on July 31, 2017) under the Harris Plan shall continue in effect under the Plan, until changed or suspended pursuant to Section 3.3 or Section 3.4, with respect to his Compensation to be contributed as Before-Tax Contributions under the Plan, provided, however, that if such elected percentage under the Harris Plan was greater than 80%, such percentage shall be reduced to 80% with respect to his Compensation to be contributed as Before-Tax Contributions under the Plan.”

XVI.

Section 2.2 of the Plan is hereby amended by inserting the following new Subsection at the end thereof:

“(5) A Former Harris Plan Participant who had an account under the Harris Plan immediately prior to the effective time of the merger of the Harris Plan into this Plan but does not become a Member pursuant to Subsection (1), shall become a Member on August 1, 2017 upon such merger but shall not be eligible to have Before-Tax Contributions made for him unless he is an Eligible Employee and enrolls in the Plan in accordance with Subsection (1).”

XVII.

The first sentence of Section 5.1(1) of the Plan is hereby amended by inserting the phrase “, Harris Prior Employer Contributions” immediately following the phrase “Weartech Prior Matching Contributions”.

XVIII.

The first sentence of Section 5.2 of the Plan is hereby amended in its entirety to read as follows:

“The Company shall establish and maintain, or cause to be established and maintained, an Account for each Member, which Account shall reflect, pursuant to Sub Accounts established and maintained thereunder, the amount, if any, of the Member’s (1) Before Tax Contributions, (2) Rollover Contributions, (3) Prior ESOP Contributions, (4) Matching Employer Contributions, (5) Qualified Nonelective Contributions (6)

Nonelective Employer Contributions, (7) Transitional Employer Contributions, (8) FSP Contributions, (9) FSP Plus Contributions, (10) Weartech Prior Matching Contributions, and (11) Harris Prior Employer Contributions.”

XIX.

The second sentence of Section 5.4(2) of the Plan is hereby amended by inserting the phrase “, Harris Prior Employer Contributions” immediately following the phrase “Weartech Prior Matching Contributions”.

XX.

The first sentence of Section 5.5 of the Plan is hereby amended by inserting the phrase “, Harris Prior Employer Contributions” immediately following the phrase “Weartech Prior Matching Contributions”.

XXI.

The next to last sentence of Section 5.5 of the Plan is hereby amended in its entirety to read as follows:

“In the absence of an effective investment direction and/or an effective investment change (but subject to Section 11.10(3)), Before-Tax Contributions, Rollover Contributions, Weartech Prior Matching Contributions, Harris Prior Employer Contributions and Employer Contributions shall be invested in such Investment Fund or Funds (each of which shall be a “qualified default investment alternative” within the meaning of Department of Labor regulations), and in such proportions, as is designated

by the Investment Committee from time to time for such purpose, and Prior ESOP Contributions shall be invested in the Holdings Stock Fund (or in such other Investment Fund as the Investment Committee shall designate for such purpose).”

XXII.

The last sentence of Section 5.7(1) of the Plan is hereby amended in its entirety to read as follows:

“Each loan shall be charged against the Member’s Vested Interest in his Sub-Accounts as follows: first, against the Member’s Rollover Contributions Sub-Account, if any; second, to the extent necessary, against the Member’s Before-Tax Contributions Sub-Account, if any; third, to the extent necessary against the Member’s Qualified Nonelective Contributions Sub-Account, if any; fourth, to the extent necessary, against the Member’s Matching Employer Contributions Sub-Account, if any; fifth, to the extent necessary against the Member’s Nonelective Employer Contributions Sub-Account, if any; sixth, to the extent necessary, against the Member’s Transitional Employer Contributions Sub-Account, if any; seventh, to the extent necessary, against the Member’s Prior ESOP Contributions Sub-Account, if any; eighth, to the extent necessary, against the Member’s Weartech Prior Matching Contributions Sub-Account, if any; ninth, to the extent necessary, against the Member’s FSP Contributions Sub-Account, if any; tenth to the extent necessary, against the Member’s FSP Plus Contributions Sub-Account, if any; and eleventh, to the extent necessary, against the Member’s Harris Prior Employer Contributions Sub-Account, if any.”

XXIII.

Section 5.7 of the Plan is hereby amended by inserting the following new Subsection at the end thereof:

“(8) Upon the effective time of the merger of the Harris Plan into the Plan, any loans outstanding under the Harris Plan on July 31, 2017 shall be transferred to the Plan and shall continue to be governed by the terms in effect for such loans under the Harris Plan on July 31, 2017. Further, the limitation set forth in Subsection (3) of this Section on the number of loans that a Member may have outstanding at any one time shall not apply to a Former Harris Plan Participant who on July 31, 2017 had more than three loans outstanding under the Harris Plan, provided, however, that such Former Harris Plan Participant shall not be eligible to obtain a loan under this Plan until he has less than three loans outstanding under the Plan, and thereafter shall be subject to the limitation set forth in Subsection (3).”

XXIV.

Section 6.3 of the Plan is hereby amended by inserting the following new Subsection at the end thereof:

“(8) If a Former Harris Plan Participant who forfeited all or a portion of his interest under the Harris Plan on account of a distribution to him from the Harris Plan prior to August 1, 2017 is reemployed as an Eligible Employee under this Plan on or after August 1, 2017 but prior to incurring five consecutive 1-Year Breaks in Service, such

Former Harris Plan Participant shall have the right to repay to the Trust Fund the full amount of the distribution on or before the earlier of (a) the date such Former Harris Plan Participant incurs five consecutive 1-Year Breaks in Service following the date of distribution or (b) the end of the five-year period beginning with the date on which such Former Harris Plan Participant is reemployed. If a Former Harris Plan Participant who received a deemed distribution from the Harris Plan prior to August 1, 2017 is reemployed as an Eligible Employee on or after August 1, 2017 but prior to incurring five consecutive 1-Year Breaks in Service, such Former Harris Plan Participant will be deemed to have immediately repaid such distribution to the Plan. In the event of a repayment as described in this Subsection, the Former Harris Plan Participant's Years of Vesting Service to which such payment related shall be reinstated and an Account shall be established for such Former Harris Plan Participant with a value that is not less than the sum of the amount of the distribution and the amount forfeited at the time the distribution was made, unadjusted for any subsequent gains or losses. Thereafter, the portion of such Former Harris Plan Participant's Account that is derived from Harris Prior Employer Contributions shall be 100% nonforfeitable. The sources for restoration of the Former Harris Plan Participant's forfeitures shall, in the discretion of the Employer, be income or gain to the Plan, forfeitures or Employer Contributions. Notwithstanding any provision of the Harris Plan, any forfeitures arising under the provisions of the Harris Plan that have not been allocated or applied as of August 1, 2017 shall be used to reduce subsequent Employer Contributions."

XXV.

Section 6.7 of the Plan is hereby amended in its entirety to read as follows:

“6.7 Withdrawals.

(1) Withdrawals on Account of Hardship. A Member who is an Employee and who has obtained all distributions and withdrawals (including distributions of ESOP dividends under section 404(k) of the Code but not Hardship distributions) and all nontaxable loans then available under all plans maintained by the Controlled Group (including, without limitation, any qualified and non-qualified deferred compensation plan and any cash or deferred arrangement that is part of a cafeteria plan (other than mandatory employee contributions under a welfare plan or pension plan)), may request, on a form provided by and filed with the Committee, a withdrawal on account of Hardship of all or a part of his Vested Interest in the following Sub Accounts: Rollover Contributions Sub-Account, Before-Tax Contributions Sub-Account (excluding any earnings allocated thereto), Matching Employer Contributions Sub-Account, Transitional Employer Contributions Sub-Account, Prior ESOP Contributions Sub-Account, Weartech Prior Matching Contributions Sub-Account and Harris Prior Employer Contributions Sub-Account. Upon making a determination that the Member is entitled to a withdrawal on account of Hardship, the Committee shall direct the Trustee to distribute to such Member the amount requested and charge the amount of the withdrawal to the Member’s Sub-Accounts in the order set forth in the preceding sentence, provided, however, that the amount of the withdrawal shall not be in excess of the amount necessary to alleviate such Hardship. If a withdrawal on account of Hardship is made by a Member pursuant to this

Subsection, notwithstanding any other provision of the Plan (or any other plan maintained by the Controlled Group) to the contrary, the Member's Before-Tax Contributions to the Plan (or any comparable contributions to any other plan maintained by the Controlled Group, including, without limitation, any non-qualified deferred compensation plan, any cash or deferred arrangement that is part of a cafeteria plan (other than mandatory employee contributions under a welfare plan or pension plan) and any stock option, stock purchase or similar plan) shall be suspended for a period of 6 months following receipt of the Hardship withdrawal. A Member who has made a withdrawal pursuant to this Section and who desires to resume having Before-Tax Contributions made for him may do so, as of any Valuation Date after the expiration of the suspension period specified in this Section, if he is then an Eligible Employee and he again enrolls as a contributing Member pursuant to Sections 2.2(1) and 3.1.

(2) Withdrawals upon Attainment of Age 59 ½. A Member who is an Employee and who is at least age 59 ½ may request, on a form provided by and filed with the Committee, a withdrawal of all or a part of his Vested Interest in his Account. Any such partial withdrawal shall be charged pro-rata to the Sub-Accounts maintained under the Member's Account.

(3) Withdrawals of Rollover Contributions. A Member who is an Employee may request, on a form provided by and filed with the Committee, a withdrawal of all or any part of his Rollover Contributions Sub-Account.

(4) Withdrawals upon incurrence of a Disability. A Member, who is an Employee and who incurs a Disability, may request, on a form provided by and filed with

the Committee, a withdrawal of all or a part of his Vested Interest in his Account. Any such partial withdrawal shall be charged pro-rata to the Sub-Accounts maintained under the Member's Account. For purposes of this Section 6.7(4), a Member is disabled on the date the Committee determines the Member satisfies the definition of Disability. The Committee may require a Member to submit to a physical examination in order to confirm the Member's Disability.

(5) Withdrawals by Certain Former Employees. A Member, who is a former Employee and a Former Harris Plan Participant, may request, on a form provided by and filed with the Committee, a withdrawal of a portion of his Vested Interest in his Account. Any such withdrawal shall be charged pro-rata to the Sub-Accounts maintained under the Member's Account.

(6) Withdrawals made pursuant to this Section may be made, effective as of any Valuation Date, upon such prior notice as may be required by the Administrative Committee. Withdrawals made pursuant to this Section shall be in an amount not less than any minimum amount established by the Committee. Withdrawals from a Member's Sub-Accounts made pursuant to this Section shall be allocated among the Investment Funds in the same proportion as the value (determined as of the Valuation Date that is the effective date of such withdrawal) of such Member's Sub-Accounts invested in each such Investment Fund bears to the total value (determined as of such Valuation Date) of such Sub Accounts."

XXVI.

Section 6.8 of the Plan is hereby amended by deleting the phrase “Employer Contributions or Weartech Prior Matching Contributions” and substituting therefor the phrase “Employer Contributions, Weartech Prior Matching Contributions or Harris Prior Employer Contributions”.

XXVII.

Exhibit A of the Plan is hereby amended in its entirety to read as follows:

“EXHIBIT A

Participating Employers
as of August 1, 2017

The Lincoln Electric Company
J.W. Harris Co., Inc.
Lincoln Global, Inc.
Welding, Cutting, Tools & Accessories, LLC
Smart Force, LLC
Lincoln Electric Cutting Systems, Inc.
Kaliburn, Inc.
Easom Automation Systems, Inc.
Weartech International, Inc.
Vizient Manufacturing Solutions, Inc.”

EXECUTED at Cleveland, Ohio this ____ day of July, 2017.

THE LINCOLN ELECTRIC COMPANY

By:

Title:

-18-

LINCOLN ELECTRIC HOLDINGS, INC.

2015 STOCK PLAN FOR NON-EMPLOYEE DIRECTORS

Restricted Shares Agreement

WHEREAS, Lincoln Electric Holdings, Inc. maintains the Company's 2015 Stock Plan for Non-Employee Directors, as amended by the First Amendment thereto, and as may be further amended from time to time (the "Plan"), pursuant to which the Company may award Restricted Shares to non-employee Directors of the Company;

WHEREAS, _____ (the "Grantee") is a non-employee Director of the Company;

WHEREAS, the Grantee was awarded Restricted Shares under the Plan by the Nominating and Corporate Governance Committee (the "Committee") of the Board of Directors (the "Board") of the Company on _____ (the "Date of Grant") and the execution of an award agreement substantially in the form hereof (the "Agreement") has been authorized by a resolution of the Committee duly adopted on such date.

NOW, THEREFORE, pursuant to the Plan and subject to the terms and conditions thereof and the terms and conditions hereinafter set forth, the Company hereby confirms to the Grantee the award of _____ Restricted Shares.

1. **Definitions.** Unless otherwise defined in this Agreement (including on Exhibit A hereto), terms used in this Agreement with initial capital letters will have the meanings assigned to them in the Plan. Certain terms used herein with initial capital letters shall have the meanings set forth on Exhibit A hereto.
2. **Issuance of Restricted Shares.** The Restricted Shares covered by this Agreement shall be issued to the Grantee effective upon the Date of Grant.
3. **Restrictions on Transfer of Shares.** Subject to Section 14 of the Plan, the Common Shares subject to this grant of Restricted Shares may not be sold, exchanged, assigned, transferred, pledged, encumbered or otherwise disposed of by the Grantee, except to the Company, until the Restricted Shares have vested as provided in Section 4, 5 or 6 hereof; provided, however, that the Grantee's rights with respect to such Common Shares may be transferred by will or pursuant to the laws of descent and distribution. Any purported transfer or encumbrance in violation of the provisions of this Section 3 shall be void, and the other party to any such purported transaction shall not obtain any rights to or interest in such Common Shares. The Company in its sole discretion, when and as permitted by the Plan, may waive the restrictions on transferability with respect to all or a portion of the Common Shares subject to this grant of Restricted Shares.
4. **Vesting of Restricted Shares.** Subject to the terms and conditions of Sections 5, 6 and 7 hereof, all of the Restricted Shares covered by this Agreement shall vest after one full year from the Date of Grant (on December 14, 2018); provided, however, that the Grantee shall have served continuously as a Director for that entire period.

5. Effect of Change in Control. In the event a Change in Control occurs after the Date of Grant but before the Restricted Shares covered by the Agreement vest pursuant to Section 4 or 6 of this Agreement, the vesting provisions set forth in this Section 5 shall apply in addition to those set forth in Sections 4 and 6 of this Agreement:
- (a) If (i) a Replacement Award is not provided to the Grantee to replace, adjust or continue the award of Restricted Shares covered by this Agreement (the "Replaced Award") and (ii) the Grantee serves as an Eligible Director of the Company throughout the period beginning on the Date of Grant and ending on the date of the Change in Control, the Restricted Shares covered by this Agreement will vest in full immediately prior to the Change in Control. If a Replacement Award is provided, references to such Restricted Shares in this Agreement shall be deemed to refer to the Replacement Award after the Change in Control.
 - (b) If a Replacement Award is provided to the Grantee to replace, adjust or continue the award of Restricted Shares covered by this Agreement, and if, upon or after receiving the Replacement Award, the Grantee experiences a termination of service as an Eligible Director of the Company by reason of the Company terminating Grantee's service as a Director of the Company other than for Cause after the Change in Control and during the remaining vesting period for the Replacement Award, the Replacement Award shall immediately vest in full upon such termination.
6. Effect of Death, Disability or Retirement.
- (a) If the Grantee's service as a Director of the Company should terminate because of the Grantee's death or Disability prior to the vesting otherwise provided for in Section 4, 5 or 6 hereof, the Restricted Shares subject to this Agreement shall immediately vest in full.
 - (b) If the Grantee's service as a Director of the Company should terminate because of the Grantee's Retirement, prior to the vesting otherwise provided for in Section 4, 5 or 6 hereof, a *pro rata* portion of the Restricted Shares subject to this Agreement shall immediately vest. The *pro rata* portion that shall vest shall be determined by multiplying the total number of Restricted Shares covered by this Agreement by the number of days the Grantee has served as a Director of the Company from the Date of Grant through the date of Retirement, divided by 365 (rounded down to the nearest whole Common Share). Any Restricted Shares subject to this Agreement that do not so vest in connection with the Grantee's Retirement will be forfeited.
7. Retention of Stock Certificate(s) by the Corporation. Unless otherwise determined by the Committee, all Restricted Shares covered by this Agreement will be held at the Company's transfer agent in book entry form with appropriate restrictions relating to the transfer of such Restricted Shares as set forth herein, until those shares have vested or have been forfeited in accordance with Section 4, 5 or 6 hereof.
8. Dividends and Voting Rights. The Grantee shall have all of the rights of a shareholder with respect to the Restricted Shares covered by this Agreement, including the right to vote such

Restricted Shares and receive any dividends that may be paid thereon; provided, however, that any additional Common Shares or other securities that the Grantee may become entitled to receive pursuant to a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, separation or reorganization or any other change in the capital structure of the Company shall be subject to the same restrictions as the Restricted Shares covered by this Agreement.

9. No Right to Continued Service. The Plan and this Agreement will not confer upon the Grantee any right with respect to the continuance of service as a Director of the Company.
10. Agreement Subject to the Plan. The Restricted Shares granted under this Agreement and all of the terms and conditions hereof are subject to all of the terms and conditions of the Plan. In the event of any inconsistency between this Agreement and the Plan, the terms of the Plan will govern. In addition, the terms and conditions of Section 10 of the Plan shall apply to this award of Restricted Shares as if Restricted Shares were specifically included in the list of award vehicles included in the first sentence thereof.
11. Amendments. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that, subject to Section 10 of the Plan and Section 14 of this Agreement, no such amendment shall adversely affect the rights of the Grantee with respect to Restricted Shares without the Grantee's consent.
12. Severability. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated will be deemed to be separable from the other provisions hereof, and the remaining provisions hereof will continue to be valid and fully enforceable.
13. Governing Law. This Agreement is made under, and will be construed in accordance with, the internal substantive laws of the State of Ohio.
14. Restricted Shares Subject to the Company's Recovery of Funds Policy. Notwithstanding anything in this Agreement to the contrary, the Restricted Shares covered by this Agreement shall be subject to the Company's Recovery of Funds Policy (or similar clawback policy), as it may be in effect from time to time, including, without limitation, to implement Section 10D of the Exchange Act and any applicable rules or regulations issued by the U.S. Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Shares may be traded.

The undersigned Grantee hereby acknowledges receipt of an executed original of this Restricted Shares Agreement and accepts the right to receive the Restricted Shares evidenced hereunder subject to the terms and conditions of the Plan and the terms and conditions herein above set forth.

Date: _____

«Name»

THIS AGREEMENT is executed in the name and on behalf of the Company as of this __ day of _____, 201_.

LINCOLN ELECTRIC HOLDINGS, INC.

Christopher L. Mapes
Chairman, President and Chief Executive Officer

EXHIBIT A

For purposes of this Agreement, the following terms shall have the following meanings:

1. “Cause”: A termination for “Cause” shall mean that, prior to termination of service as a Director of the Company, the Grantee shall have:
 - (a) committed a criminal violation involving fraud, embezzlement or theft in connection with the Grantee’s duties or in the course of the Grantee’s service as a Director;
 - (b) committed an intentional violation of the Lincoln Electric Code of Corporate Conduct and Ethics, or any successor document;
 - (c) committed intentional wrongful damage to property of the Company;
 - (d) committed intentional wrongful disclosure of secret processes or confidential information of the Company or any Company subsidiary; or
 - (e) committed intentional wrongful engagement in any of the activities set forth in any confidentiality, non-competition or non-solicitation arrangement with the Company or any Company subsidiary to which the Grantee is a party;and, in each case, any such act shall have been demonstrably and materially harmful (including financially or reputationally harmful) to the Company. For purposes of this Agreement, no act or failure to act on the part of the Grantee will be deemed “intentional” if it was due primarily to an error in judgment or negligence, but will be deemed “intentional” only if done or omitted to be done by the Grantee not in good faith and without reasonable belief that the Grantee’s action or omission was in the best interest of the Company.
2. “Incumbent Directors”: For purposes of applying the definition of Change in Control in the Plan, “Incumbent Directors” means the individuals who, as of the Effective Date, are Directors and any individual becoming a Director subsequent to the Effective Date whose election, nomination for election by the Company’s shareholders, or appointment, was approved by a vote of at least two-thirds of the then Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination); provided, however, that an individual will not be an Incumbent Director if such individual’s election or appointment to the Board occurs as a result of (including the settlement of) an actual or threatened election contest (as described in Rule 14a-12(c) of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.
3. “Replacement Award” means an award: (a) of the same type (e.g., time-based restricted shares) as the Replaced Award; (b) that has a value at least equal to the value of the Replaced Award; (c) that relates to publicly traded equity securities of the Company or another entity that is affiliated with the Company following the Change in Control; (d) if the Grantee holding the

Replaced Award is subject to U.S. federal income tax under the Code, the tax consequences of which to such Grantee under the Code are not less favorable to such Grantee than the tax consequences of the Replaced Award; and (e) the other terms and conditions of which are not less favorable to the Grantee holding the Replaced Award than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control). A Replacement Award may be granted only to the extent it does not result in the Replaced Award or Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the two preceding sentences are satisfied. The determination of whether the conditions of this Section 3 are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

LINCOLN ELECTRIC HOLDINGS, INC.

2015 EQUITY AND INCENTIVE COMPENSATION PLAN

Stock Option Agreement

WHEREAS, Lincoln Electric Holdings, Inc. (the “Company”) maintains the Company’s 2015 Equity and Incentive Compensation Plan, as may be amended from time to time (the “Plan”), pursuant to which the Company may grant Option Rights to officers and certain key employees of the Company and its Subsidiaries (as defined in the Plan);

WHEREAS, the Optionee, whose name is set forth on the “Overview” tab on the Morgan Stanley StockPlan Connect portal, a secure third-party vendor website used by the Company (to be referred to herein as the “Grant Summary”), is an employee of the Company or one of its Subsidiaries; and

WHEREAS, the Optionee was granted an Option under the Plan by the Compensation and Executive Development Committee (the “Committee”) of the Board of Directors (the “Board”) of the Company on the Date of Grant in ____ as set forth on the Grant Summary (the “Date of Grant”) and the Evidence of Award in the form hereof (the “Agreement”) has been authorized by a resolution of the Committee duly adopted on such date.

NOW, THEREFORE, pursuant to the Plan and subject to the terms and conditions thereof and the terms and conditions hereinafter set forth, the Company hereby confirms to the Optionee the grant of Option Rights (“Option”) to purchase the number of Common Shares, without par value, of the Company, as set forth on the Grant Summary, at the exercise price per Common Share, as set forth on the Grant Summary, the closing price of a Common Share on the NASDAQ Global Market on the Date of Grant (as reported in The Wall Street Journal) (the “Option Price”).

1. **Definitions.** Unless otherwise defined in this Agreement, terms used in this Agreement with initial capital letters will have the meanings assigned to them in the Plan.

- (a) “Cause”: A termination for “Cause” shall mean that, prior to termination of employment, the Optionee shall have:
- (i) been convicted of, or pleaded nolo contendere to, a criminal violation, in each case, involving fraud, embezzlement or theft in connection with the Optionee’s duties or in the course of the Optionee’s employment with the Company or any Subsidiary (or the Successor, if applicable);
 - (ii) committed intentional wrongful damage to property of the Company or any Subsidiary (or the Successor, if applicable);
 - (iii) committed intentional wrongful disclosure of secret processes or confidential information of the Company or any Subsidiary (or the Successor, if applicable); or

- (iv) committed intentional wrongful engagement in any of the activities set forth in any confidentiality, non-competition or non-solicitation arrangement with the Company (or the Successor, if applicable) to which the Optionee is a party;

and, in each case, any such act shall have been demonstrably and materially harmful to the Company (or the Successor, if applicable). For purposes of this Agreement, no act or failure to act on the part of the Optionee will be deemed “intentional” if it was due primarily to an error in judgment or negligence, but will be deemed “intentional” only if done or omitted to be done by the Optionee not in good faith and without reasonable belief that the Optionee’s action or omission was in the best interest of the Company (or the Successor, if applicable).

- (b) “Disabled”: The Committee shall determine, in its sole discretion, that an Optionee is “Disabled” if the Optionee meets one of the following requirements: (i) the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, (ii) the Optionee is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under the Company’s accident and health or long-term disability plan or any similar plan maintained by a third party, but excluding governmental plans, or (iii) the Social Security Administration determines the Optionee to be totally disabled.
- (c) “Good Reason”: A termination “for Good Reason” shall mean the Optionee’s termination of employment with the Successor as a result of the initial occurrence, without the Optionee’s consent, of one or more of the following events:
 - (i) A material diminution in the Optionee’s base compensation;
 - (ii) A material diminution in the Optionee’s authority, duties, or responsibilities;
 - (iii) A material reduction in the Optionee’s opportunity regarding annual bonus, incentive or other payment of compensation, in addition to base compensation, made or to be made in regard to services rendered in any year or other period pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Successor;
 - (iv) A material change in the geographic location at which the Optionee must perform the services, which adds fifty (50) miles or more to the Optionee’s one-way daily commute; and
 - (v) Any other action or inaction that constitutes a material breach by the Company of the Optionee’s employment agreement, if any, under which the Optionee provides services.

Notwithstanding the foregoing, a termination of employment by the Optionee for one of the reasons set forth in clauses (i) through (v) above will not constitute “Good Reason” unless the Optionee provides, within 90 days of the initial occurrence of such condition or conditions, written notice to the Optionee’s employer of the existence of such condition or conditions and the Optionee’s employer has not remedied such condition or conditions within 30 days of the receipt of such notice.

- (d) “Replacement Award” means an award: (i) of the same type (e.g., time-based stock option) as the Replaced Award; (ii) that has a value at least equal to the value of the Replaced Award; (iii) that relates to publicly traded equity securities of the Company or its successor in the Change in Control or another entity that is affiliated with the Company or its successor following the Change in Control; (iv) if the Optionee holding the Replaced Award is subject to U.S. federal income tax under the Code, the tax consequences of which to such Optionee under the Code are not less favorable to such Optionee than the tax consequences of the Replaced Award; and (v) the other terms and conditions of which are not less favorable to the Optionee holding the Replaced Award than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control). A Replacement Award may be granted only to the extent it does not result in the Replaced Award or Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the two preceding sentences are satisfied. The determination of whether the conditions of this Section 1(d) are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.
- (e) “Vesting Date” shall mean each date an installment of this Option becomes vested and exercisable under Section 4 of this Agreement.

2. Grant of Option. The Company has granted to the Optionee the Option, which represents a right in the Optionee to purchase the number of Common Shares specified above, without par value, of the Company, at the Option Price and which shall become vested and exercisable in accordance with Section 4, Section 5, or Section 6 hereof.

3. Form of Option. The Option evidenced by this Agreement is intended to be a nonqualified stock option and shall not be treated as an “incentive stock option” within the meaning of that term under Section 422 of the Internal Revenue Code of 1986.

4. Vesting of Option. Subject to the terms and conditions of Sections 5, 6 and 8 hereof, the Option shall become vested and exercisable as follows:

(a) one-third (1/3) of the Common Shares subject to this Option shall become vested and exercisable one (1) full year from the Date of Grant; provided, however, that the Optionee shall have remained in the continuous employ of the Company or a Subsidiary for that entire period; and

(b) each additional one-third (1/3) of the Common Shares subject to this Option shall become vested and exercisable on the next two (2) successive anniversaries of that date,

respectively; provided, however, that the Optionee shall have been in the continuous employ of the Company or a Subsidiary during those applicable periods; and

(c) In calculating one-thirds, the total shall be rounded down to the nearest whole Common Share for the first two (2) years, and the remaining Common Share(s) shall be included with those Common Shares for which the Option is exercisable at the end of the third year.

5. Effect of Change in Control. In the event a Change in Control occurs during the term of the Option, the Option covered by this Agreement shall become immediately vested and exercisable to the extent provided in this Section 5.

(a) If the Optionee remains in the continuous employ of the Company or a Subsidiary throughout the period beginning on the Date of Grant and ending on the date of a Change in Control, the Option covered by this Agreement will become vested and exercisable in full immediately prior to the Change in Control, except to the extent that a Replacement Award is provided to the Optionee in accordance with Section 1(d) to replace, adjust or continue the award of the Option covered by this Agreement (the "Replaced Award"). If a Replacement Award is provided, references to the Option in this Agreement shall be deemed to refer to the Replacement Award after the Change in Control.

(b) If, upon or after receiving a Replacement Award, the Optionee experiences a termination of employment with the Company or a Subsidiary of the Company (or any of their successors) (as applicable, the "Successor") by reason of the Optionee terminating employment for Good Reason or the Successor terminating Optionee's employment other than for Cause, in each case within a period of two years after the Change in Control and during the remaining vesting or exercise period for the Replacement Award, the Replacement Award shall become immediately vested and exercisable in full upon such termination.

6. Effects of Death, Disability or Retirement.

(a) The entire Option subject to this Agreement shall become immediately vested in full and exercisable (i) upon the death of the Optionee while in the employment of the Company or any Subsidiary, or (ii) if the Optionee's employment with the Company or any Subsidiary should terminate as a result of the Optionee becoming Disabled.

(b) If the Optionee retires at a normal retirement date (as determined under The Lincoln Electric Company Retirement Annuity Program, whether or not the Optionee participates in that program) (the "Retirement Date"), a pro rata portion of the one-third installment of the Option subject to this Agreement scheduled to vest and become exercisable on the next future Vesting Date pursuant to Section 4 hereof (the "Applicable Installment") shall immediately become vested and exercisable. Such pro rata portion shall be determined by multiplying the number of Common Shares covered by the Applicable Installment by a fraction, the numerator of which shall be the number of days from the previous Vesting Date, or if no previous Vesting Date has occurred, the Date of Grant, through the Retirement Date, and the denominator of which shall be 365 (rounded down to the nearest whole Common Share). Any portion of the Option subject to this Agreement that does not so vest pursuant to this Section 6(b) in connection with the Optionee's retirement will be forfeited upon such retirement.

7. Exercise of Option.

(a) To the extent that the Option shall have become vested and exercisable in accordance with the terms of this Agreement, it may be exercised in whole or in part from time to time thereafter as described in this Agreement and will be settled in Common Shares.

(b) To exercise an Option, the Optionee shall give notice (in a manner prescribed by the Company), specifying the number of Common Shares to be exercised and the date of exercise, and shall provide payment of the Option Price and any applicable taxes, along with any other documentation that may be required by the Company.

(c) The Option Price shall be payable upon exercise:

- (i) by certified or bank check or other cash equivalent acceptable to the Company;
- (ii) by transfer to the Company of nonforfeitable, unrestricted Common Shares of the Company that have been owned by the Optionee for at least six (6) months prior to the date of exercise; or
- (iii) pursuant to a net exercise arrangement as described in the Plan; or
- (iv) by any combination of these methods.

Nonforfeitable, unrestricted Common Shares that are transferred by the Optionee or Common Shares that are withheld in payment of all or any part of the Option Price shall be valued on the basis of their Market Value per Share on the date of exercise.

8. Termination of Option. The Option shall terminate on the earliest of the following dates as provided below:

(a) automatically and without further notice three (3) months after the date upon which the Optionee ceases to be an employee of the Company or a Subsidiary, unless (i) the cessation of employment is a result of the death, or normal retirement of the Optionee (as determined under a retirement program sponsored by the Company or the Subsidiary, whether or not the Optionee participates in that program), (ii) the Committee determined that the Optionee is Disabled, (iii) the cessation of employment occurs as described in Section 5(b) of this Agreement, or (iv) occurs in a manner described in (d) or the last paragraph of this Section below;

(b) automatically and without further notice three (3) years after the date of the death of the Optionee or the date that the Committee determined the Optionee became Disabled, in each case while an employee of the Company or a Subsidiary or ten (10) years after the Date of Grant in the case of normal retirement of the Optionee (as determined under a retirement program sponsored by the Company or the Subsidiary, whether or not the Optionee participated in that program);

(c) automatically and without further notice one (1) year after death of the Optionee, if the Optionee dies after the termination of employment with the Company or a Subsidiary and prior to the termination of the Option;

- (d) automatically and without further notice upon the termination of the Optionee's employment for Cause; or
- (e) automatically and without further notice ten years after the Date of Grant.

Notwithstanding anything in this Agreement to the contrary, unless otherwise determined by the Company, if the Optionee, either during employment by the Company or a Subsidiary or within six (6) months after termination of such employment, (i) shall become an employee of a competitor of the Company or a Subsidiary or (ii) shall engage in any other conduct that is competitive with the Company or a Subsidiary, in each case as reasonably determined by the Company ("Competition"), then the Option shall terminate automatically and without further notice at the time of such Company determination. In addition, if the Company shall so determine, the Optionee shall, promptly upon notice of such determination, (x) return to the Company, in exchange for payment by the Company of the Option Price paid therefor, all the Common Shares that the Optionee has not disposed of that were purchased pursuant to this Agreement within a period of one (1) year prior to the date of the commencement of such Competition, and (y) with respect to any Common Shares so purchased that the Optionee has disposed of, pay to the Company in cash the difference between (i) the Option Price and (ii) the Market Value per Share of the Common Shares on the date of exercise, in each case as reasonably determined by the Company. To the extent that such amounts are not promptly paid to the Company, the Company may set off the amounts so payable to it against any amounts (other than amounts of non-qualified deferred compensation as so defined under Section 409A of the Code) that may be owing from time to time by the Company or a Subsidiary to the Optionee, whether as wages or vacation pay or in the form of any other benefit or for any other reason.

9. Compliance with Law. Notwithstanding any other provision of this Agreement, the Option shall not be exercisable if the exercise or issuance thereof would result in a violation of any law. The Company will make reasonable efforts to comply with all applicable federal and state securities laws.

10. Transferability and Exercisability. Subject to Section 15 of the Plan, the Option, including any interest therein, shall not be transferable by the Optionee except by will or the laws of descent and distribution, and the Option shall be exercisable during the lifetime of the Optionee only by him or her or, in the event of his or her legal incapacity to do so, by his or her guardian or legal representative acting on behalf of the Optionee in a fiduciary capacity under state law and court supervision.

11. Adjustments. The Committee shall make such adjustments in the number of Common Shares covered by the Option, in the Option Price and in the kind of shares covered thereby, and in the other terms of the Option, as is equitably required to prevent any dilution or enlargement of the Optionee's rights under this Agreement that would result from (1) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company; or (1) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities; or (1) any other corporate transaction or event having an effect similar to any of the foregoing. However, such adjustments shall be made automatically, without the necessity of Committee action, on the customary arithmetical basis in the case of any stock split, including a stock split effected by means of a stock dividend, and in the case of any other dividend paid in shares of the Company. Moreover, in the event of any transaction or event, or in the event of a Change in Control, the Committee shall provide in substitution for any or all of the Optionee's

rights under this Agreement such alternative consideration (including cash), if any, as it, in good faith, shall determine to be equitable under the circumstances and may require in connection therewith the surrender of all grants so replaced in a manner that complied with Section 409A of the Code.

12. Withholding Taxes. No later than the date as of which an amount first becomes includible in the gross income of the Optionee for applicable income tax purposes with respect to the Option evidenced by this Agreement, the Optionee shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, the Optionee may elect to have the minimum required withholding obligations may be settled with vested Common Shares or by having Common Shares withheld from the Common Shares required to be delivered upon exercise of the Option. The obligations of the Company under this Agreement shall be conditional on such payment or arrangements and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Optionee.

13. No Right to Employment. This Option award is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. This Option award and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. The Plan and this Agreement will not confer upon the Optionee any right with respect to the continuance of employment or other service with the Company or any Subsidiary and will not interfere in any way with any right that the Company or any Subsidiary would otherwise have to terminate any employment or other service of the Optionee at any time. For purposes of this Agreement, the continuous employ of the Optionee with the Company or a Subsidiary shall not be deemed interrupted, and the Optionee shall not be deemed to have ceased to be an employee of the Company or any Subsidiary by reason of (A) the transfer of his or her employment among the Company and its Subsidiaries or (B) an approved leave of absence.

14. Relation to the Other Benefits. Any economic or other benefit to the Optionee under this Agreement or the Plan will not be taken into account in determining any benefits to which the Optionee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and will not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.

15. Agreement Subject to Plan. The Option evidenced by this Agreement and all of the terms and conditions hereof are subject to all of the terms and conditions of the Plan. In the event of any inconsistency between this Agreement and the Plan, the terms of the Plan will govern.

16. Data Privacy.

(a) The Optionee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Optionee's personal data as described in this document by and among, as applicable, the Optionee's employer (the "Employer"), and the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing the Optionee's participation in the Plan.

(b) The Optionee understands that the Company, its Subsidiaries and the Employer hold certain personal information about the Optionee, including, but not limited to, name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any Common Shares or directorships held in the Company, details of all Options or any other entitlement to Common Shares awarded, canceled, purchased, exercised, vested, unvested or outstanding in the Optionee's favor for the purpose of implementing, managing and administering the Plan ("Data").

(c) The Optionee understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Optionee's country or elsewhere (in particular the United States), including outside the European Economic Area (if applicable), and that the recipient country (e.g., the United States) may have different data privacy laws and protections than the Optionee's country. The Optionee understands that the Optionee may request a list with the names and addresses of any potential recipients of the Data by contacting the local human resources representative. The Optionee authorizes the Company, Morgan Stanley Smith Barney, LLC and any other possible recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Optionee's participation in the Plan, including any requisite transfer of such Data, as may be required to a broker or other third party with whom the Optionee may elect to deposit any Common Shares acquired under the Plan. The Optionee understands that Data will be held only as long as is necessary to implement, administer and manage participation in the Plan. The Optionee understands that he or she may, at any time, view Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting the local human resources representative in writing. The Optionee understands that refusing or withdrawing consent may affect the Optionee's ability to participate in the Plan. For more information on the consequences of refusing to consent or withdrawing consent, the Optionee understands that he or she may contact his or her local human resources representative.

17. Amendments. Any amendment to the Plan will be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that no amendment will adversely affect the rights of the Optionee with respect to the Option without the Optionee's consent.

18. Severability. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

19. Governing Law/Venue. This Agreement is made under, and will be construed in accordance with, the internal substantive laws of the State of Ohio. All legal actions or proceedings relating to this Agreement shall be brought exclusively in the U.S. District Court for the Northern District of Ohio, Eastern Division or the Cuyahoga County Court of Common Pleas, located in Cuyahoga County, Ohio.

20. Employment Agreement. The grant of the Option under this Agreement is contingent upon the Optionee having executed the most recent version of the Company's Employment Agreement and having returned it to the Company.

21. Option Subject to the Company's Recovery of Funds Policy. Notwithstanding anything in this Agreement to the contrary, this Option shall be subject to the Company's Recovery of Funds Policy (or similar clawback policy), as it may be in effect from time to time, including, without limitation, to implement Section 10D of the Exchange Act and any applicable rules or regulations issued by the U.S. Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Shares may be traded.

22. Electronic Delivery. The Company may, in its sole discretion, deliver any documents related to the Option and Optionee's participation in the Plan, or further awards that may be granted under the Plan, by electronic means or request Optionee's consent to participate in the Plan by electronic means. Optionee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

23. Appendix. Notwithstanding any provisions in this Agreement, the grant of Option is also subject to the special terms and conditions set forth in Appendix A to this Agreement for Optionee's country. Moreover, if Optionee relocates to one of the countries included in the Appendix A, the special terms and conditions for such country will apply to Optionee, to the extent the Company determines that the application of such terms and conditions are necessary or advisable in order to comply with local law or facilitate the administration of the Plan. Appendix A constitutes part of this Agreement.

The Optionee hereby acknowledges receipt of this Agreement and accepts the right to receive the Options evidenced hereby subject to the terms and conditions of the Plan and the terms and conditions herein above set forth and represents that he or she understands the acceptance of this Agreement through an on-line or electronic system, if applicable, carries the same legal significance as if he or she manually signed this Agreement.

THIS AGREEMENT is executed by the Company on the Date of Grant.

LINCOLN ELECTRIC HOLDINGS, INC.

Christopher L. Mapes
President and Chief Executive Officer

LINCOLN ELECTRIC HOLDINGS, INC.

2015 EQUITY AND INCENTIVE COMPENSATION PLAN

Stock Option Agreement

WHEREAS, Lincoln Electric Holdings, Inc. maintains the Company's 2015 Equity and Incentive Compensation Plan, as may be amended from time to time (the "Plan"), pursuant to which the Company may grant Option Rights to officers and certain key employees of the Company and its Subsidiaries (as defined in the Plan);

WHEREAS, the Optionee, whose name is set forth on the "Overview" tab on the Morgan Stanley StockPlan Connect portal, a secure third-party vendor website used by the Company (to be referred to herein as the "Grant Summary"), is an employee of the Company or one of its Subsidiaries; and

WHEREAS, the Optionee was granted an Option Right under the Plan by the Compensation and Executive Development Committee (the "Committee") of the Board of Directors (the "Board") of the Company on the Date of Grant in 2018 as set forth on the Grant Summary (the "Date of Grant"), and the Evidence of Award in the form hereof (the "Agreement") has been authorized by a resolution of the Committee duly adopted on such date.

NOW, THEREFORE, pursuant to the Plan and subject to the terms and conditions thereof and the terms and conditions hereinafter set forth, the Company hereby confirms to the Optionee the grant of an Option Right ("Option") to purchase the number of Common Shares of the Company set forth on the Grant Summary, at the exercise price per Common Share set forth on the Grant Summary, which exercise price is the closing price of a Common Share as reported on the NASDAQ Global Market on the Date of Grant (the "Option Price").

1. Definitions. Unless otherwise defined in this Agreement (including on Exhibit A hereto), terms used in this Agreement with initial capital letters will have the meanings assigned to them in the Plan. Certain terms used herein with initial capital letters will have the meaning set forth on Exhibit A hereto.

2. Grant of Option. The Company has granted to the Optionee the Option, which represents the right of the Optionee to purchase the number of Common Shares set forth on the Grant Summary at the Option Price set forth on the Grant Summary. The Option shall become exercisable in accordance with Section 4, Section 5, or Section 6 hereof.

3. Form of Option. The Option evidenced by this Agreement is intended to be a nonqualified stock option and shall not be treated as an "incentive stock option" within the meaning of that term under Section 422 of the Code.

4. Vesting of Option. Subject to the terms and conditions of Sections 5, 6 and 8 hereof, the Option shall become exercisable as follows:

(a) the Option shall become exercisable with respect to one-third (1/3) of the Common Shares underlying the Option on the first anniversary of the Date of Grant, if the Optionee

shall have remained in the continuous employ of the Company or a Subsidiary until such anniversary; and

(b) the Option shall become exercisable with respect to an additional one-third (1/3) of the Common Shares underlying the Option on the second and third anniversaries of the Date of Grant, if the Optionee shall have remained in the continuous employ of the Company or a Subsidiary on each such anniversary; and

(c) In calculating one-thirds, the total shall be rounded down to the nearest whole Common Share on each of the first two anniversaries of the Date of Grant, and the remaining Common Share(s) shall be included with those Common Shares for which the Option is exercisable on the third anniversary of the Date of Grant.

5. Effect of Change in Control. In the event a Change in Control occurs prior to the third anniversary of the Date of Grant, any portion of the Option that is not exercisable at the time of the Change in Control shall become exercisable to the extent provided in this Section 5.

(a) The Option covered by this Agreement will become exercisable in full immediately prior to the Change in Control (to the extent not already exercisable) if (i) (A) a Replacement Award is not provided to the Optionee in connection with the Change in Control to replace, adjust or continue the Option (the "Replaced Award") and (B) the Optionee remains in the continuous employ of the Company or a Subsidiary throughout the period beginning on the Date of Grant and ending on the date of the Change in Control, or (ii) (A) the Optionee was a party to a severance agreement with the Company providing benefits in connection with a Change in Control (a "Severance Agreement") at the time of the Optionee's termination of employment and (B) the Optionee's employment was terminated by the Company (x) other than for Cause or pursuant to an individually negotiated arrangement after the Date of Grant, (y) following the commencement of any discussion with a third person that results in a Change in Control and (z) within twelve months prior to the Change in Control. If a Replacement Award is provided, references to the Option in this Agreement shall be deemed to refer to the Replacement Award after the Change in Control.

(b) If a Replacement Award is provided to the Optionee to replace, adjust or continue the Replaced Award, and if, upon or after receiving the Replacement Award and within a period of two years after the Change in Control, the Optionee experiences a termination of employment with the Company or a Subsidiary of the Company by reason of the Optionee terminating employment for Good Reason or the Company terminating Optionee's employment other than for Cause, the Replacement Award shall become exercisable in full upon such termination (to the extent not already exercisable).

6. Effects of Death, Disability or Retirement.

(a) The entire Option subject to this Agreement shall become immediately exercisable in full (to the extent not already exercisable) (i) upon the death of the Optionee while in the employment of the Company or any Subsidiary, or (ii) if the Optionee's employment with the Company or any Subsidiary should terminate as a result of the Optionee becoming Disabled.

(b) If the Optionee terminates employment with the Company or any Subsidiary after the Optionee attains age 60 and completes five years of continuous employment ("Retirement") and the Option is not then fully exercisable, only a pro rata portion of the one-third installment of

the Option subject to this Agreement scheduled to become exercisable on the next anniversary of the Date of Grant pursuant to Section 4 hereof (the "Applicable Installment") shall become exercisable upon such Retirement. Such pro rata portion shall be determined by multiplying the number of Common Shares covered by the Applicable Installment by a fraction, the numerator of which is the number of days from the previous anniversary of the Date of Grant, or if no previous anniversary of the Date of Grant has occurred, the Date of Grant, through the date of Retirement, and the denominator of which is 365 (rounded down to the nearest whole Common Share).

7. Exercise of Option.

(a) To the extent that the Option shall have become exercisable in accordance with the terms of this Agreement, it may be exercised in whole or in part from time to time thereafter as described in this Agreement and will be settled in Common Shares.

(b) To exercise an Option, the Optionee shall give notice (in a manner prescribed by the Company), specifying the number of Common Shares as to which the Option is to be exercised and the date of exercise, and shall provide payment of the Option Price and any applicable taxes, along with any other documentation that may be required by the Company.

(c) The Option Price shall be payable upon exercise:

- (i) by certified or bank check or other cash equivalent acceptable to the Company;
- (ii) by transfer to the Company of nonforfeitable, unrestricted Common Shares of the Company that have been owned by the Optionee for at least six (6) months prior to the date of exercise;
- (iii) pursuant to a net exercise arrangement as described in the Plan; or
- (iv) by any combination of these methods.

Nonforfeitable, unrestricted Common Shares that are transferred by the Optionee or Common Shares that are withheld in payment of all or any part of the Option Price shall be valued on the basis of their Market Value per Share on the date of exercise.

8. Termination of Option. The Option shall terminate on the earliest of the following dates as provided below:

(a) automatically and without further notice three (3) months after the date upon which the Optionee ceases to be an employee of the Company or a Subsidiary, unless (i) the cessation of employment is a result of the death or Retirement of the Optionee, (ii) the Optionee is Disabled, (iii) the cessation of employment occurs as described in Section 5(a)(ii) or Section 5(b) of this Agreement, or (iv) the cessation of employment occurs in a manner described in Section 8(d) or the last paragraph of this Section 8 below;

(b) automatically and without further notice three (3) years after the date of the death of the Optionee or the date that the Optionee became Disabled, in each case while an employee

of the Company or a Subsidiary, or ten (10) years after the Date of Grant in the case of any portion of the Option that becomes exercisable by reason of the Retirement of the Optionee;

(c) automatically and without further notice one (1) year after death of the Optionee, if the Optionee dies after the termination of employment with the Company or a Subsidiary and prior to the termination of the Option;

(d) automatically and without further notice upon the termination of the Optionee's employment for Cause; or

(e) automatically and without further notice ten years after the Date of Grant.

Notwithstanding anything in this Agreement to the contrary, unless otherwise determined by the Company, if the Optionee, either during employment by the Company or a Subsidiary or within six (6) months after termination of such employment, (i) shall become an employee of a competitor of the Company or a Subsidiary or (ii) shall engage in any other conduct that is competitive with the Company or a Subsidiary, in each case as reasonably determined by the Company ("Competition"), then the Option shall terminate automatically and without further notice at the time of such Company determination. In addition, if the Company shall so determine, the Optionee shall, promptly upon notice of such determination, (x) return to the Company, in exchange for payment by the Company of the Option Price paid therefor, all the Common Shares that the Optionee has not disposed of that were purchased pursuant to this Agreement within a period of one (1) year prior to the date of the commencement of such Competition, and (y) with respect to any Common Shares so purchased that the Optionee has disposed of, pay to the Company in cash the difference between (i) the Option Price and (ii) the Market Value per Share of the Common Shares on the date of exercise, in each case as reasonably determined by the Company. To the extent that such amounts are not promptly paid to the Company, the Company may set off the amounts so payable to it against any amounts (other than amounts of non-qualified deferred compensation as so defined under Section 409A of the Code) that may be owing from time to time by the Company or a Subsidiary to the Optionee, whether as wages or vacation pay or in the form of any other benefit or for any other reason.

9. Compliance with Law. Notwithstanding any other provision of this Agreement, the Option shall not be exercisable if the exercise thereof or the issuance of Common Shares pursuant thereto would result in a violation of any law. The Company will make reasonable efforts to comply with all applicable federal and state securities laws.

10. Transferability and Exercisability. Subject to Section 15 of the Plan, the Option, including any interest therein, shall not be transferable by the Optionee except by will or the laws of descent and distribution, and the Option shall be exercisable during the lifetime of the Optionee only by him or her or, in the event of his or her legal incapacity to do so, by his or her guardian or legal representative acting on behalf of the Optionee in a fiduciary capacity under state law and court supervision.

11. Withholding Taxes. No later than the date as of which an amount first becomes includible in the gross income of the Optionee for applicable income and employment tax and other required withholding purposes with respect to the Option evidenced by this Agreement, the Optionee shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. The Optionee agrees that any required minimum withholding

obligations shall be settled by the withholding of a number of Common Shares required to be delivered to the Optionee upon exercise of the Option with a value equal to the amount of such required minimum withholding. The obligations of the Company under this Agreement shall be conditional on such payment or arrangements.

12. No Right to Employment. This Option award is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. This Option award and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. The Plan and this Agreement will not confer upon the Optionee any right with respect to the continuance of employment or other service with the Company or any Subsidiary and will not interfere in any way with any right that the Company or any Subsidiary would otherwise have to terminate any employment or other service of the Optionee at any time. For purposes of this Agreement, the continuous employment of the Optionee with the Company or a Subsidiary shall not be deemed interrupted, and the Optionee shall not be deemed to have ceased to be an employee of the Company or any Subsidiary, by reason of (A) the transfer of his or her employment among the Company and its Subsidiaries or (B) an approved leave of absence.

13. Relation to the Other Benefits. Any economic or other benefit to the Optionee under this Agreement or the Plan will not be taken into account in determining any benefits to which the Optionee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and will not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.

14. Agreement Subject to Plan. The Option evidenced by this Agreement and all of the terms and conditions hereof are subject to all of the terms and conditions of the Plan. In the event of any inconsistency between this Agreement and the Plan, the terms of the Plan will govern.

15. Data Privacy.

(a) The Optionee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Optionee's personal data as described in this document by and among, as applicable, the Optionee's employer (the "Employer"), and the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing the Optionee's participation in the Plan.

(b) The Optionee understands that the Company, its Subsidiaries and the Employer hold certain personal information about the Optionee, including, but not limited to, name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any Common Shares or directorships held in the Company, details of all Options or any other entitlement to Common Shares awarded, canceled, purchased, exercised, vested, unvested or outstanding in the Optionee's favor for the purpose of implementing, managing and administering the Plan ("Data").

(c) The Optionee understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Optionee's country or elsewhere (in particular the United States), including outside the European Economic Area (if applicable), and that the recipient country (e.g., the United

States) may have different data privacy laws and protections than the Optionee's country. The Optionee understands that the Optionee may request a list with the names and addresses of any potential recipients of the Data by contacting the local human resources representative. The Optionee authorizes the Company, Morgan Stanley Smith Barney, LLC and any other possible recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Optionee's participation in the Plan, including any requisite transfer of such Data, as may be required to a broker or other third party with whom the Optionee may elect to deposit any Common Shares acquired under the Plan. The Optionee understands that Data will be held only as long as is necessary to implement, administer and manage participation in the Plan. The Optionee understands that he or she may, at any time, view Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting the local human resources representative in writing. The Optionee understands that refusing or withdrawing consent may affect the Optionee's ability to participate in the Plan. For more information on the consequences of refusing to consent or withdrawing consent, the Optionee understands that he or she may contact his or her local human resources representative.

16. Amendments. Any amendment to the Plan will be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that subject to Section 11 of the Plan and Section 20 of this Agreement, no such amendment will adversely affect the rights of the Optionee with respect to the Option without the Optionee's consent.

17. Severability. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

18. Governing Law/Venue. This Agreement is made under, and will be construed in accordance with, the internal substantive laws of the State of Ohio. All legal actions or proceedings relating to this Agreement shall be brought exclusively in the U.S. District Court for the Northern District of Ohio, Eastern Division or the Cuyahoga County Court of Common Pleas, located in Cuyahoga County, Ohio.

19. Restrictive Covenant Agreement. The grant of the Option under this Agreement is contingent upon the Optionee having executed the most recent version of the Company's Proprietary Information, Inventions and Restrictive Covenant Agreement and having returned it to the Company.

20. Option Subject to the Company's Recovery of Funds Policy. Notwithstanding anything in this Agreement to the contrary, (a) this Option shall be subject to the Company's Recovery of Funds Policy (or similar clawback policy), as it may be in effect from time to time, including, without limitation, to implement Section 10D of the Exchange Act and any applicable rules or regulations issued by the U.S. Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Shares may be traded (the "Compensation Recovery Policy"), and (b) the Optionee acknowledges and agrees that any and all applicable provisions of this Agreement shall be deemed superseded by and subject to the terms and conditions of the Compensation Recovery Policy from and after the effective date thereof.

21. Electronic Delivery. The Company may, in its sole discretion, deliver any documents related to the Option and Optionee's participation in the Plan, or future awards that may be granted

under the Plan, by electronic means or request Optionee's consent to participate in the Plan by electronic means. Optionee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

22. Appendix. Notwithstanding any provisions in this Agreement, the grant of Option is also subject to the special terms and conditions set forth in Appendix A to this Agreement for Optionee's country. Moreover, if Optionee relocates to one of the countries included in Appendix A, the special terms and conditions for such country will apply to Optionee, to the extent the Company determines that the application of such terms and conditions are necessary or advisable in order to comply with local law or facilitate the administration of the Plan. Appendix A constitutes part of this Agreement.

The Optionee hereby acknowledges receipt of this Agreement and accepts the right to receive the Options evidenced hereby subject to the terms and conditions of the Plan and the terms and conditions herein above set forth and represents that he or she understands the acceptance of this Agreement through an on-line or electronic system, if applicable, carries the same legal significance as if he or she manually signed this Agreement.

THIS AGREEMENT is executed by the Company on the Date of Grant.

LINCOLN ELECTRIC HOLDINGS, INC.

Christopher L. Mapes
President and Chief Executive Officer

EXHIBIT A

For purposes of this Agreement, the following terms shall have the following meanings:

1. “Cause”: For an Optionee who is a party to a Severance Agreement, a termination for “Cause” (or similar term) shall have the meaning set forth in such agreement. For all other Optionees, a termination for “Cause” shall mean that, prior to termination of employment, the Optionee shall have:
 - (a) committed a criminal violation involving fraud, embezzlement or theft in connection with the Optionee’s duties or in the course of the Optionee’s employment with the Company or any Subsidiary;
 - (b) committed an intentional violation of the Lincoln Electric Code of Corporate Conduct and Ethics, or any successor document, in effect at the relevant time;
 - (c) committed intentional wrongful damage to property of the Company or any Subsidiary;
 - (d) committed intentional wrongful disclosure of secret processes or confidential information of the Company or any Subsidiary; or
 - (e) committed intentional wrongful engagement in any of the activities set forth in any confidentiality, non-competition or non-solicitation arrangement with the Company to which the Optionee is a party;

and, in each case, any such act shall have been demonstrably and materially harmful (including financially or reputationally harmful) to the Company. For purposes of this Agreement, no act or failure to act on the part of the Optionee will be deemed “intentional” if it was due primarily to an error in judgment or negligence, but will be deemed “intentional” only if done or omitted to be done by the Optionee not in good faith and without reasonable belief that the Optionee’s action or omission was in the best interest of the Company.

2. “Disabled” means that the Optionee is disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Optionee at the relevant time. In the event that the Company does not maintain a long-term disability plan at any relevant time, the Committee shall determine, in its sole discretion, that an Optionee is “Disabled” if the Optionee meets one of the following requirements: (i) the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, (ii) the Optionee is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under the Company’s accident and health or long-term disability plan or any similar plan maintained by a third party, but excluding governmental plans, or (iii) the Social Security Administration determines the Optionee to be totally disabled.

3. “Good Reason”: For an Optionee who is a party to a Severance Agreement, a termination “for Good Reason” (or similar term) shall have the meaning set forth in such agreement. For all other Optionees, “for Good Reason” shall mean the Optionee’s termination of employment with the Company as a result of the initial occurrence, without the Optionee’s consent, of one or more of the following events:
- (a) A material diminution in the Optionee’s base compensation;
 - (b) A material diminution in the Optionee’s authority, duties, or responsibilities;
 - (c) A material reduction in the Optionee’s opportunity regarding annual bonus, incentive or other payment of compensation, in addition to base compensation, made or to be made in regard to services rendered in any year or other period pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company;
 - (d) A material change in the geographic location at which the Optionee must perform the services, which adds fifty (50) miles or more to the Optionee’s one-way daily commute; and
 - (e) Any other action or inaction that constitutes a material breach by the Company of the Optionee’s employment agreement, if any, under which the Optionee provides services, or Optionee’s Severance Agreement, if any.

Notwithstanding the foregoing, a termination of employment by the Optionee for one of the reasons set forth in clauses (a) through (e) above will not constitute “Good Reason” unless the Optionee provides, within 90 days of the initial occurrence of such condition or conditions, written notice to the Optionee’s employer of the existence of such condition or conditions and the Optionee’s employer has not remedied such condition or conditions within 30 days of the receipt of such notice.

4. “Incumbent Directors”: For purposes of applying the definition of Change in Control in the Plan, “Incumbent Directors” means the individuals who, as of the Effective Date, are Directors and any individual becoming a Director subsequent to the Effective Date whose election, nomination for election by the Company’s shareholders, or appointment, was approved by a vote of at least two-thirds of the then Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination); provided, however, that an individual will not be an Incumbent Director if such individual’s election or appointment to the Board occurs as a result of (including the settlement of) an actual or threatened election contest (as described in Rule 14a-12(c) of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.
5. “Replacement Award” means an award: (i) of the same type (time-based stock option) as the Replaced Award; (ii) that has a value at least equal to the value of the Replaced Award; (iii) that relates to publicly traded equity securities of the Company or another entity that is affiliated with the Company following a Change in Control; (iv) if the Optionee holding the Replaced Award is subject to U.S. federal income tax under the Code, the tax consequences of which to such Optionee under the Code are not less favorable to such Optionee than the

tax consequences of the Replaced Award; and (v) the other terms and conditions of which are not less favorable to the Optionee holding the Replaced Award than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control). A Replacement Award may be granted only to the extent it does not result in the Replaced Award or Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the two preceding sentences are satisfied. The determination of whether the conditions of this Exhibit A, Section 5 are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

LINCOLN ELECTRIC HOLDINGS, INC.

2015 EQUITY AND INCENTIVE COMPENSATION PLAN

Restricted Stock Unit Agreement

WHEREAS, Lincoln Electric Holdings, Inc. maintains the Company's 2015 Equity and Incentive Compensation Plan, as may be amended from time to time (the "Plan"), pursuant to which the Company may award Restricted Stock Units ("RSUs") to officers and certain key employees of the Company and its Subsidiaries;

WHEREAS, the Grantee, whose name is set forth on the "Overview" tab on the Morgan Stanley StockPlan Connect portal, a secure third-party vendor website used by the Company (to be referred to herein as the "Grant Summary"), is an employee of the Company or one of its Subsidiaries; and

WHEREAS, the Grantee was awarded RSUs under the Plan by the Compensation and Executive Development Committee (the "Committee") of the Board of Directors (the "Board") of the Company on the Date of Grant in 2018, as set forth on the Grant Summary (the "Date of Grant"), and the execution of an Evidence of Award in the form hereof (this "Agreement") has been authorized by a resolution of the Committee duly adopted on such date.

NOW, THEREFORE, pursuant to the Plan and subject to the terms and conditions thereof and the terms and conditions hereinafter set forth, the Company hereby confirms to the Grantee the award of the number of RSUs set forth on the Grant Summary.

1. Definitions. Unless otherwise defined in this Agreement (including on Exhibit A hereto), terms used in this Agreement with initial capital letters will have the meanings assigned to them in the Plan. Certain terms used herein with initial capital letters will have the meanings set forth on Exhibit A hereto.
2. Issuance of RSUs. The RSUs covered by this Agreement shall be issued to the Grantee effective upon the Date of Grant. Each RSU entitles the Grantee to receive one Common Share (or to have one Common Share credited to Grantee's account under the Deferred Compensation Plan, if elected) upon the Grantee's Distribution Date. The Grantee shall not have the rights of a shareholder with respect to such RSUs, except as provided in Section 10, provided that such RSUs, together with any additional RSUs that the Grantee may become entitled to receive by virtue of a share dividend, a merger or a reorganization in which Lincoln Electric Holdings, Inc. is the surviving corporation or any other change in the capital structure of Lincoln Electric Holdings, Inc., shall be subject to the restrictions hereinafter set forth.
3. Restrictions on Transfer of RSUs. Subject to Section 15 of the Plan, the RSUs subject to this grant may not be sold, exchanged, assigned, transferred, pledged, encumbered or otherwise disposed of by the Grantee, except to the Company, until the Distribution Date; provided, however, that the Grantee's rights with respect to such RSUs may be transferred by will or

pursuant to the laws of descent and distribution. Any purported transfer or encumbrance in violation of the provisions of this Section 3 shall be void, and the other party to any such purported transaction shall not obtain any rights to or interest in such RSUs or the underlying Common Shares. The Company in its sole discretion, when and as permitted by the Plan, may waive the restrictions on transferability with respect to all or a portion of the RSUs subject to this Agreement.

4. Vesting of RSUs. Subject to the terms and conditions of Sections 5, 6 and 7 hereof, all of the RSUs covered by this Agreement shall become nonforfeitable upon the Grantee remaining in the continuous employment of the Company or a Subsidiary until the third anniversary of the Date of Grant (the period of time from the Date of Grant to the third anniversary, the "Restriction Period").
5. Effect of Change in Control. In the event a Change in Control occurs during the Restriction Period, the RSUs covered by this Agreement shall become nonforfeitable to the extent provided in this Section 5.
 - (a) The RSUs covered by this Agreement will become nonforfeitable in full immediately prior to the Change in Control if (i) (A) a Replacement Award is not provided to the Grantee in connection with the Change in Control to replace, adjust or continue the award of RSUs covered by this Agreement (the "Replaced Award") and (B) the Grantee remains in the continuous employ of the Company or a Subsidiary throughout the period beginning on the Date of Grant and ending on the date of the Change in Control, or (ii) (A) the Grantee was a party to a severance agreement with the Company providing benefits in connection with a Change in Control (a "Severance Agreement") at the time of the Grantee's termination of employment and (B) the Grantee's employment was terminated by the Company (x) other than for Cause or pursuant to an individually negotiated arrangement after the Date of Grant, (y) following the commencement of any discussion with a third person that results in a Change in Control and (z) within twelve months prior to the Change in Control. If a Replacement Award is provided, references to the RSUs in this Agreement shall be deemed to refer to the Replacement Award after the Change in Control.
 - (b) If a Replacement Award is provided to the Grantee to replace, adjust or continue the Replaced Award, and if, upon or after receiving the Replacement Award and within a period of two years after the Change in Control but prior to the end of the Restriction Period, the Grantee experiences a termination of employment with the Company or a Subsidiary of the Company by reason of the Grantee terminating employment for Good Reason or the Company terminating Grantee's employment other than for Cause, the Replacement Award shall become immediately nonforfeitable in full upon such termination.
 - (c) If a Replacement Award is provided, notwithstanding anything in this Agreement to the contrary, any outstanding RSUs that at the time of the Change in Control are not subject to a "substantial risk of forfeiture" (within the meaning of Section 409A of the Code) will be deemed to be nonforfeitable at the time of such Change in Control

and will be paid within 15 days of the Change in Control; provided, however, that if such Change in Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A) of the Code and the regulations thereunder, and where Section 409A of the Code applies to such distribution, payment will be made on the date that would have otherwise applied pursuant to Section 8.

6. Effect of Death, Disability or Retirement.

- (a) The RSUs subject to this Agreement shall become immediately nonforfeitable in full (i) upon the death of the Grantee while in the employment of the Company or any Subsidiary, or (ii) if the Grantee's employment with the Company or any Subsidiary should terminate as a result of the Grantee becoming Disabled.
- (b) If the Grantee terminates employment with the Company or any Subsidiary after the Grantee attains age 60 and completes five years of continuous employment, but prior to the end of the Restriction Period, only a pro rata portion of the RSUs (rounded down to the nearest whole Common Share) subject to this Agreement, based on the Grantee's length of employment during the Restriction Period, shall become immediately nonforfeitable.

7. Effect of Termination of Employment and Effect of Competitive Conduct.

- (a) In the event that the Grantee's employment shall terminate, the Grantee shall forfeit any RSUs that have not become nonforfeitable prior to or at the time of such termination as follows:
 - (i) except as described in the following clause (ii), at the time of such termination, or
 - (ii) on the twelve-month anniversary of the Grantee's termination of employment if (A) at the time of such termination of employment the Grantee is a party to a Severance Agreement and the Grantee's employment is terminated by the Company other than for Cause or pursuant to an individually negotiated arrangement and (B) the RSUs do not become nonforfeitable on or prior to such twelve-month anniversary;

provided, however, that the Board upon recommendation of the Committee may order that part or all of such RSUs become nonforfeitable.

- (b) Notwithstanding anything in this Agreement to the contrary, unless otherwise determined by the Company, if the Grantee, either during employment by the Company or a Subsidiary or within six (6) months after termination of such employment, (i) shall become an employee of a competitor of the Company or a Subsidiary or (ii) shall engage in any other conduct that is competitive with the Company or a Subsidiary, in each case as reasonably determined by the Company ("Competition"), then, at the time of such Company determination, the Grantee shall forfeit any RSUs that have not become nonforfeitable. In addition, if the Company shall so determine, the Grantee

shall, promptly upon notice of such determination, (x) return to the Company all the Common Shares that the Grantee has not disposed of that were issued in payment of RSUs that became nonforfeitable pursuant to this Agreement and an amount in cash equal to any related dividend equivalents awarded under Section 10(b) hereof, including amounts the Grantee elected to defer under Section 9 hereof, within a period of one (1) year prior to the date of the commencement of such Competition if the Grantee is an employee of the Company or a Subsidiary, or within a period of one (1) year prior to termination of employment with the Company or a Subsidiary if the Grantee is no longer an employee of the Company or a Subsidiary, and (y) with respect to any Common Shares so issued in payment of RSUs pursuant to this Agreement that the Grantee has disposed of, including amounts the Grantee elected to defer under Section 9 hereof, pay to the Company in cash the aggregate Market Value per Share of those Common Shares on the Distribution Date plus an amount in cash equal to any related dividend equivalents awarded under Section 10(b) hereof, in each case as reasonably determined by the Company. To the extent that such amounts are not promptly paid to the Company, the Company may set off the amounts so payable to it against any amounts (other than amounts of non-qualified deferred compensation as so defined under Section 409A of the Code) that may be owing from time to time by the Company or a Subsidiary to the Grantee, whether as wages or vacation pay or in the form of any other benefit or for any other reason.

8. Time of Payment of RSUs.

- (a) With respect to RSUs (or any portion of RSUs) that constitute deferred compensation within the meaning of Section 409A of the Code (after taking into account any applicable exemptions from Section 409A of the Code), payment for such RSUs, if any, that are vested as of such date as determined in accordance with Section 409A of the Code (less any RSUs which became vested and were paid on an earlier date) shall be made on (or within 15 days after) the earliest of the following dates that follows the date on which the RSUs become vested:
 - (i) the last day of the Restriction Period specified in Section 4;
 - (ii) the date of the Grantee's death;
 - (iii) the date the Grantee experiences a separation from service with the Company (determined in accordance with Section 409A of the Code); provided, however, that if the Grantee on the date of separation from service is a "specified employee" (within the meaning of Section 409A of the Code determined using the identification methodology selected by the Company from time to time), payment for the RSUs will be made on the tenth business day of the seventh month after the date of the Grantee's separation from service or, if earlier, the date of the Grantee's death; and

(iv) the date of a change in the ownership or effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company (each within the meaning of Section 409A of the Code).

(b) With respect to RSUs (or any portion of RSUs) that do not constitute deferred compensation within the meaning of Section 409A of the Code (after taking into account any applicable exemptions from Section 409A of the Code), payment for such RSUs shall be made within 60 days of the date on which such RSUs become nonforfeitable and in all events within the short-term deferral period specified in Treasury Regulation § 1.409A-1(b)(4).

9. Deferral of RSUs. The Grantee may elect to defer receipt of the Common Shares underlying the RSUs subject to this Agreement beyond the Distribution Date, pursuant to and in accordance with the terms of the Deferred Compensation Plan.

10. Dividend Equivalents and Other Rights.

(a) Except as provided in this Section, the Grantee shall not have any of the rights of a shareholder with respect to the RSUs covered by this Agreement; provided, however, that any additional Common Shares, share rights or other securities that the Grantee may become entitled to receive pursuant to a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, separation or reorganization or any other change in the capital structure of Lincoln Electric Holdings, Inc. shall be subject to the same restrictions as the RSUs covered by this Agreement.

(b) The Grantee shall have the right to receive dividend equivalents with respect to the Common Shares underlying the RSUs on a deferred basis and contingent on vesting of the RSUs. Dividend equivalents on the RSUs covered by this Agreement shall be sequestered by the Company from and after the Date of Grant until the Distribution Date, whereupon such dividend equivalents shall be paid to the Grantee in the form of cash (or credited to the Grantee's account under the Deferred Compensation Plan, if elected), to the extent such dividend equivalents are attributable to RSUs that have become nonforfeitable. To the extent that RSUs covered by this Agreement are forfeited pursuant to Section 7 hereof, all the dividend equivalents sequestered with respect to such RSUs shall also be forfeited. No interest shall be payable with respect to any such dividend equivalents.

(c) Under no circumstances will the Company distribute or credit dividend equivalents paid on RSUs as described in Section 10(b) until the Grantee's Distribution Date. The Grantee will not be entitled to vote the Common Shares underlying the RSUs until the Grantee receives such Common Shares on or after the Distribution Date.

(d) Notwithstanding anything to the contrary in this Section 10, to the extent that any of the RSUs become nonforfeitable pursuant to this Agreement and the Grantee elects pursuant to Section 9 to defer receipt of the Common Shares underlying the RSUs beyond the Distribution Date in accordance with the terms of the Deferred

Compensation Plan, then the right to receive dividend equivalents thereafter will be governed by the Deferred Compensation Plan from and after the Distribution Date.

11. Withholding Taxes. No later than the date as of which an amount first becomes includible in the gross income of the Grantee for applicable income and employment tax and other required withholding purposes with respect to the RSUs evidenced by this Agreement, the Grantee shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any federal, state local or foreign taxes of any kind required by law to be withheld with respect to such amount. The Grantee agrees that any required minimum withholding obligations shall be settled by the withholding of a number of Common Shares that are payable to Grantee upon vesting of RSUs under this Agreement with a value equal to the amount of such required minimum withholding. The obligations of the Company under this Agreement shall be conditional on such payment or arrangements.
12. No Right to Employment. This award of RSUs is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. This award and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. The Plan and this Agreement will not confer upon the Grantee any right with respect to the continuance of employment or other service with the Company or any Subsidiary and will not interfere in any way with any right that the Company or any Subsidiary would otherwise have to terminate any employment or other service of the Grantee at any time. For purposes of this Agreement, the continuous employment of the Grantee with the Company or a Subsidiary shall not be deemed interrupted, and the Grantee shall not be deemed to have ceased to be an employee of the Company or any Subsidiary, by reason of (A) the transfer of his or her employment among the Company and any Subsidiary or (B) an approved leave of absence.
13. Relation to Other Benefits. Any economic or other benefit to the Grantee under this Agreement or the Plan will not be taken into account in determining any benefits to which the Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and will not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.
14. Agreement Subject to the Plan. The RSUs evidenced by this Agreement and all of the terms and conditions hereof are subject to all of the terms and conditions of the Plan. In the event of any inconsistency between this Agreement and the Plan, the terms of the Plan will govern.
15. Data Privacy.
 - (a) The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in this document by and among, as applicable, the Grantee's employer (the "Employer"), and the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.

- (b) The Grantee understands that the Company, its Subsidiaries and the Employer hold certain personal information about the Grantee, including, but not limited to, name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any Common Shares or directorships held in the Company, details of all RSUs or any other entitlement to Common Shares awarded, canceled, purchased, exercised, vested, unvested or outstanding in the Grantee's favor for the purpose of implementing, managing and administering the Plan ("Data").
- (c) The Grantee understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Grantee's country or elsewhere (in particular the United States), including outside the European Economic Area (if applicable), and that the recipient country (e.g., the United States) may have different data privacy laws and protections than the Grantee's country. The Grantee understands that the Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting the local human resources representative. The Grantee authorizes the Company, Morgan Stanley Smith Barney, LLC and any other possible recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Grantee's participation in the Plan, including any requisite transfer of such Data, as may be required to a broker or other third party with whom the Grantee may elect to deposit any Common Shares acquired under the Plan. The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage participation in the Plan. The Grantee understands that he or she may, at any time, view Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting the local human resources representative in writing. The Grantee understands that refusing or withdrawing consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of refusing to consent or withdrawing consent, the Grantee understands that he or she may contact his or her local human resources representative.
16. Amendments. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that subject to Section 11 of the Plan and Section 20 of this Agreement, no such amendment shall adversely affect the rights of the Grantee with respect to the RSUs without the Grantee's consent.
17. Severability. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated will be deemed to be separable from the other provisions hereof, and the remaining provisions hereof will continue to be valid and fully enforceable.
18. Governing Law/Venue. This Agreement is made under, and will be construed in accordance with, the internal substantive laws of the State of Ohio. All legal actions or proceedings

relating to this Agreement shall be brought exclusively in the U.S. District Court for the Northern District of Ohio, Eastern Division or the Cuyahoga County Court of Common Pleas, located in Cuyahoga County, Ohio.

19. Restrictive Covenant Agreement. The grant of the RSUs under this Agreement is contingent upon the Grantee having executed the most recent version of the Company's Proprietary Information, Inventions and Restrictive Covenant Agreement and having returned it to the Company.
20. RSUs Subject to the Company's Recovery of Funds Policy. Notwithstanding anything in this Agreement to the contrary, (a) the RSUs covered by this Agreement shall be subject to the Company's Recovery of Funds Policy (or similar clawback policy), as it may be in effect from time to time, including, without limitation, to implement Section 10D of the Exchange Act and any applicable rules or regulations issued by the U.S. Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Shares may be traded (the "Compensation Recovery Policy"), and (b) the Grantee acknowledges and agrees that any and all applicable provisions of this Agreement shall be deemed superseded by and subject to the terms and conditions of the Compensation Recovery Policy from and after the effective date thereof.
21. Code Section 409A. To the extent applicable, it is intended that this Agreement be designed and operated within the requirements of Section 409A of the Code (including any applicable exemptions) and, in the event of any inconsistency between any provision of this Agreement or the Plan and Section 409A of the Code, the provisions of Section 409A of the Code shall control. Any provision in the Plan or this Agreement that is determined to violate the requirements of Section 409A of the Code shall be void and without effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of the Grantee). Any provision that is required by Section 409A of the Code to appear in the Agreement that is not expressly set forth herein shall be deemed to be set forth herein, and the Agreement shall be administered in all respects as if such provision was expressly set forth herein. Any reference in the Agreement to Section 409A of the Code or a Treasury Regulation section shall be deemed to include any similar or successor provisions thereto.
22. Electronic Delivery. The Company may, in its sole discretion, deliver any documents related to the RSUs and Grantee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
23. Appendix. Notwithstanding any provisions in this Agreement, the grant of RSUs is also subject to the special terms and conditions set forth in Appendix A to this Agreement for Grantee's country. Moreover, if Grantee relocates to one of the countries included in Appendix A, the special terms and conditions for such country will apply to Grantee, to the extent the Company determines that the application of such terms and conditions are necessary or

advisable in order to comply with local law or facilitate the administration of the Plan. Appendix A constitutes part of this Agreement.

The Grantee hereby acknowledges receipt of this Agreement and accepts the right to receive the RSUs evidenced hereby subject to the terms and conditions of the Plan and the terms and conditions herein above set forth and represents that he or she understands the acceptance of this Agreement through an on-line or electronic system, if applicable, carries the same legal significance as if he or she manually signed this Agreement.

THIS AGREEMENT is executed in the name and on behalf of the Company on the Date of Grant as set forth in the Grant Summary.

LINCOLN ELECTRIC HOLDINGS, INC.

Christopher L. Mapes
Chairman, President and Chief Executive Officer

EXHIBIT A

For purposes of this Agreement, the following terms shall have the following meanings:

1. “Cause”: For a Grantee who is a party to a Severance Agreement, a termination for “Cause” (or similar term) shall have the meaning set forth in such agreement. For all other Grantees, a termination for “Cause” shall mean that, prior to termination of employment, the Grantee shall have:
 - (a) committed a criminal violation involving fraud, embezzlement or theft in connection with the Grantee’s duties or in the course of the Grantee’s employment with the Company or any Subsidiary;
 - (b) committed an intentional violation of the Lincoln Electric Code of Corporate Conduct and Ethics, or any successor document, in effect at the relevant time;
 - (c) committed intentional wrongful damage to property of the Company or any Subsidiary;
 - (d) committed intentional wrongful disclosure of secret processes or confidential information of the Company or any Subsidiary; or
 - (e) committed intentional wrongful engagement in any of the activities set forth in any confidentiality, non-competition or non-solicitation arrangement with the Company to which the Grantee is a party;

and, in each case, any such act shall have been demonstrably and materially harmful (including financially or reputationally harmful) to the Company. For purposes of this Agreement, no act or failure to act on the part of the Grantee will be deemed “intentional” if it was due primarily to an error in judgment or negligence, but will be deemed “intentional” only if done or omitted to be done by the Grantee not in good faith and without reasonable belief that the Grantee’s action or omission was in the best interest of the Company.

2. “Deferred Compensation Plan” means the Lincoln Electric Holdings, Inc. 2005 Deferred Compensation Plan for Executives, in effect from time to time.
3. “Disabled” means that the Grantee is disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Grantee at the relevant time. In the event that the Company does not maintain a long-term disability plan at any relevant time, the Committee shall determine, in its sole discretion, that a Grantee is “Disabled” if the Grantee meets one of the following requirements: (i) the Grantee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, (ii) the Grantee is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under the Company’s accident and health or long-term disability plan or any similar plan maintained

by a third party, but excluding governmental plans, or (iii) the Social Security Administration determines the Grantee to be totally disabled.

4. “Distribution Date” means the date on which the Common Shares represented by nonforfeitable RSUs shall be distributed to the Grantee as specified in Section 8 (or would have been so distributed absent an election under the Deferred Compensation Plan);
5. “Good Reason”: For a Grantee who is a party to a Severance Agreement, a termination “for Good Reason” (or similar term) shall have the meaning set forth in such agreement. For all other Grantees, “for Good Reason” shall mean the Grantee’s termination of employment with the Company as a result of the initial occurrence, without the Grantee’s consent, of one or more of the following events:
 - (a) A material diminution in the Grantee’s base compensation;
 - (b) A material diminution in the Grantee’s authority, duties, or responsibilities;
 - (c) A material reduction in the Grantee’s opportunity regarding annual bonus, incentive or other payment of compensation, in addition to base compensation, made or to be made in regard to services rendered in any year or other period pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company;
 - (d) A material change in the geographic location at which the Grantee must perform the services, which adds fifty (50) miles or more to the Grantee’s one-way daily commute; and
 - (e) Any other action or inaction that constitutes a material breach by the Company of the Grantee’s employment agreement, if any, under which the Grantee provides services, or Grantee’s Severance Agreement, if any.

Notwithstanding the foregoing, a termination of employment by the Grantee for one of the reasons set forth in clauses (a) through (e) above will not constitute “Good Reason” unless the Grantee provides, within 90 days of the initial occurrence of such condition or conditions, written notice to the Grantee’s employer of the existence of such condition or conditions and the Grantee’s employer has not remedied such condition or conditions within 30 days of the receipt of such notice.

6. “Incumbent Directors”: For purposes of applying the definition of Change in Control in the Plan, “Incumbent Directors” means the individuals who, as of the Effective Date, are Directors and any individual becoming a Director subsequent to the Effective Date whose election, nomination for election by the Company’s shareholders, or appointment, was approved by a vote of at least two-thirds of the then Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination); provided, however, that an individual will not be an Incumbent Director if such individual’s election or appointment to the Board occurs as a result of (including the settlement of) an actual or threatened election contest (as described

in Rule 14a-12(c) of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

7. “Replacement Award” means an award: (i) of the same type (time-based restricted stock units) as the Replaced Award; (ii) that has a value at least equal to the value of the Replaced Award; (iii) that relates to publicly traded equity securities of the Company or another entity that is affiliated with the Company following a Change in Control; (iv) if the Grantee holding the Replaced Award is subject to U.S. federal income tax under the Code, the tax consequences of which to such Grantee under the Code are not less favorable to such Grantee than the tax consequences of the Replaced Award; and (v) the other terms and conditions of which are not less favorable to the Grantee holding the Replaced Award than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control). A Replacement Award may be granted only to the extent it does not result in the Replaced Award or Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the two preceding sentences are satisfied. The determination of whether the conditions of this Exhibit A, Section 7 are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.
8. “Separation from Service” shall have the meaning given in Code Section 409A, and references to employment termination or termination of employment in this Agreement shall be deemed to refer to a Separation from Service. In accordance with Treasury Regulation §1.409A-1(h)(1)(ii) (or any similar or successor provisions), a Separation from Service shall be deemed to occur, without limitation, if the Company and the Grantee reasonably anticipate that the level of bona fide services the Grantee will perform after a certain date (whether as an employee or as an independent contractor) will permanently decrease to less than fifty percent (50%) of the average level of bona fide services provided in the immediately preceding thirty-six (36) months.

LINCOLN ELECTRIC HOLDINGS, INC.

2015 EQUITY AND INCENTIVE COMPENSATION PLAN

Performance Share Agreement

WHEREAS, Lincoln Electric Holdings, Inc. maintains the Company's 2015 Equity and Incentive Compensation Plan, as may be amended from time to time (the "Plan"), pursuant to which the Company may award Performance Shares (the "Performance Shares") to officers and certain key employees of the Company and its Subsidiaries;

WHEREAS, the Grantee, whose name is set forth on the "Overview" tab on the Morgan Stanley StockPlan Connect portal, a secure third-party vendor website used by the Company (to be referred to herein as the "Grant Summary"), is an employee of the Company or one of its Subsidiaries; and

WHEREAS, the Grantee was granted Performance Shares under the Plan by the Compensation and Executive Development Committee (the "Committee") of the Board of Directors (the "Board") of the Company on the Date of Grant in 2018, as set forth on the Grant Summary (the "Date of Grant"), and the execution of an Evidence of Award in the form hereof (this "Agreement") has been authorized by a resolution of the Committee duly adopted on such date.

NOW, THEREFORE, pursuant to the Plan and subject to the terms and conditions thereof and the terms and conditions hereinafter set forth, the Company hereby confirms to the Grantee the award of the target number of Performance Shares set forth on the Grant Summary. Subject to the achievement of the Management Objectives described in Section 4 of this Agreement, the Grantee may earn from 0% to 200% of the Performance Shares.

1. **Definitions.** Unless otherwise defined in this Agreement (including on Exhibit A hereto), terms used in this Agreement with initial capital letters will have the meanings assigned to them in the Plan. Certain terms used herein with initial capital letters will have the meanings set forth on Exhibit A hereto.
2. **Earnings of Performance Shares.** If the Performance Shares covered by this Agreement become nonforfeitable and payable ("Vest," or similar terms), the Grantee will be entitled to settlement of the Vested Performance Shares as specified in Section 8 of this Agreement. The Grantee shall not have the rights of a shareholder with respect to such Performance Shares, except as provided in Section 10, provided that such Performance Shares, together with any additional Performance Shares that the Grantee may become entitled to receive by virtue of a share dividend, a merger or a reorganization in which Lincoln Electric Holdings, Inc. is the surviving corporation or any other change in the capital structure of Lincoln Electric Holdings, Inc., shall be subject to the restrictions hereinafter set forth.
3. **Restrictions on Transfer of Performance Shares.** Subject to Section 15 of the Plan, the Performance Shares subject to this grant may not be sold, exchanged, assigned, transferred, pledged, encumbered or otherwise disposed of by the Grantee, except to the Company, until the Distribution Date; provided, however, that the Grantee's rights with respect to such

Performance Shares may be transferred by will or pursuant to the laws of descent and distribution. Any purported transfer or encumbrance in violation of the provisions of this Section 3 shall be void, and the other party to any such purported transaction shall not obtain any rights to or interest in such Performance Shares or the underlying Common Shares. The Company in its sole discretion, when and as permitted by the Plan, may waive the restrictions on transferability with respect to all or a portion of the Performance Shares subject to this Agreement.

4. Vesting of Performance Shares. Subject to the terms and conditions of Sections 5, 6 and 7 hereof, the Performance Shares covered by this Agreement shall Vest based on the achievement of the Management Objectives for the Performance Period as follows:
- (a) The applicable percentage of the Performance Shares that shall be earned by the Grantee for the Performance Period shall be determined by reference to the Statement of Management Objectives if the Grantee remains continuously employed by either the Company or any Subsidiary until the end of the Performance Period;
 - (b) In the event that achievement with respect to one of the Management Objectives is between the performance levels specified in the Statement of Management Objectives, the applicable percentage of the Performance Shares that shall be earned by the Grantee for the Performance Period for that particular Management Objective shall be determined by the Committee using straight-line mathematical interpolation; and
 - (c) To the extent the Management Objectives are not achieved by the end of the Performance Period, then the Performance Shares evidenced by this Agreement (including Performance Shares subject to Section 6(b) following the Grantee's Retirement, as described therein) will be forfeited without compensation or other consideration. The Vesting of the Performance Shares pursuant to this Section 4 shall be contingent upon a determination of the Committee that the Management Objectives have been satisfied.
5. Effect of Change in Control. In the event a Change in Control occurs during the Performance Period, the Performance Shares covered by this Agreement shall become Vested to the extent provided in this Section 5.
- (a) If either:
 - (i) (A) a Replacement Award is not provided to the Grantee in connection with the Change in Control to replace, adjust or continue the award of Performance Shares covered by this Agreement (the "Replaced Award") and (B) the Grantee remains in the continuous employ of the Company or a Subsidiary throughout the period beginning on the Date of Grant and ending on the date of the Change in Control; or

- (ii) (A) the Grantee was a party to a severance agreement with the Company providing benefits in connection with a Change in Control (a “Severance Agreement”) at the time of the Grantee’s termination of employment and (B) the Grantee’s employment was terminated by the Company (x) other than for Cause or pursuant to an individually negotiated arrangement after the Date of Grant, (y) following the commencement of any discussion with a third person that results in a Change in Control and (z) within twelve months prior to a Change in Control,

a pro rata amount of Performance Shares (rounded down to the nearest whole Common Share), based on Grantee’s length of employment during the Performance Period, shall become Vested immediately prior to the Change in Control at the greater of (A) the target level or (B) actual performance level, as determined by the Committee as constituted immediately prior to the Change in Control based on actual performance through the most recent date prior to the Change in Control for which achievement can be reasonably determined. If a Replacement Award is provided, references to the Performance Shares in this Agreement shall be deemed to refer to the Replacement Award after the Change in Control.

- (b) If a Replacement Award is provided to the Grantee to replace, adjust or continue the Replaced Award, and if, upon or after receiving the Replacement Award and within a period of two years after the Change in Control but prior to the end of the Performance Period, the Grantee experiences a termination of employment with the Company or a Subsidiary of the Company by reason of the Grantee terminating employment for Good Reason or the Company terminating Grantee’s employment other than for Cause, a pro rata amount of the Replacement Award (rounded down to the nearest whole Common Share) shall become Vested based on Grantee’s length of employment during the Performance Period, at the greater of (i) the target level or (ii) the actual performance level, as determined by the Committee as constituted immediately prior to the Change in Control based on actual performance through the most recent date prior to the termination for which achievement can be reasonably determined. Performance Shares that Vest in accordance with this Section 5(b) will be paid in accordance with Section 8(a) of this Agreement.
- (c) If a Replacement Award is provided, notwithstanding anything in this Agreement to the contrary, any outstanding Performance Shares that at the time of the Change in Control are not subject to a “substantial risk of forfeiture” (within the meaning of Section 409A of the Code) will be deemed to be Vested at the time of such Change in Control and will be paid in accordance with Section 8(a) of this agreement.

6. Effect of Death, Disability or Retirement.

- (a) If, during the Performance Period, (i) the Grantee should die or (ii) the Grantee’s employment with the Company or any Subsidiary should terminate as a result of the Grantee becoming Disabled while in the employment of the Company or any Subsidiary, then, in either such case, the Performance Shares shall become Vested

upon such event at the target level. Performance Shares that Vest in accordance with this Section 6(a) will be paid as provided for in Section 8(b)(ii) of this Agreement.

- (b) If the Grantee terminates employment with the Company or any Subsidiary after the Grantee attains age 60 and completes five years of continuous employment (“Retirement”), but prior to the end of the Performance Period, then the Grantee shall Vest in only a pro rata portion of the Performance Shares, based on the Grantee’s length of employment during the three-year Performance Period, in which the Grantee would have Vested in accordance with the terms and conditions of Section 4 if the Grantee had remained in the continuous employ of the Company or a Subsidiary from the Date of Grant until the end of the Performance Period or the occurrence of a Change in Control to the extent a Replacement Award is not provided, whichever occurs first, reduced by the number of Performance Shares that were otherwise Vested on the date of such Retirement. Performance Shares that Vest in accordance with this Section 6(b) will be paid as provided for in Section 8(a) of this Agreement.

7. Effect of Termination of Employment and Effect of Competitive Conduct.

- (a) In the event that the Grantee’s employment shall terminate in a manner other than as specified in Section 6(b) hereof, the Grantee shall forfeit any Performance Shares that have not become Vested prior to or at the time of such termination; as follows:
 - (i) except as described in the following clause (ii), at the time of such termination, or
 - (ii) on the twelve-month anniversary of the Grantee’s termination of employment, if (A) at the time of such termination of employment the Grantee is a party to a Severance Agreement and the Grantee’s employment is terminated by the Company other than for Cause or pursuant to an individually negotiated arrangement and (B) the Performance Shares do not become Vested on or prior to such twelve-month anniversary.
- (b) Notwithstanding anything in this Agreement to the contrary, unless otherwise determined by the Company, if the Grantee, either during employment by the Company or a Subsidiary or within six (6) months after termination of such employment, (i) shall become an employee of a competitor of the Company or a Subsidiary or (ii) shall engage in any other conduct that is competitive with the Company or a Subsidiary, in each case as reasonably determined by the Company (“Competition”), then, at the time of such Company determination, the Grantee shall forfeit any Performance Shares that have not become Vested. In addition, if the Company shall so determine, the Grantee shall, promptly upon notice of such determination, (x) return to the Company all the Common Shares that the Grantee has not disposed of that were issued in payment of Performance Shares that became Vested pursuant to this Agreement and an amount in cash equal to any related dividend equivalents awarded under Section 10(b) hereof, including amounts the

Grantee elected to defer under Section 9 hereof, within a period of one (1) year prior to the date of the commencement of such Competition if the Grantee is an employee of the Company or a Subsidiary, or within a period of one (1) year prior to termination of employment with the Company or a Subsidiary if the Grantee is no longer an employee of the Company or a Subsidiary, and (y) with respect to any Common Shares so issued in payment of Performance Shares pursuant to this Agreement that the Grantee has disposed of, including amounts the Grantee elected to defer under Section 9 hereof, pay to the Company in cash the aggregate Market Value per Share of those Common Shares on the Distribution Date plus an amount in cash equal to any related dividend equivalents awarded under Section 10(b) hereof, in each case as reasonably determined by the Company. To the extent that such amounts are not promptly paid to the Company, the Company may set off the amounts so payable to it against any amounts (other than amounts of non-qualified deferred compensation as so defined under Section 409A of the Code) that may be owing from time to time by the Company or a Subsidiary to the Grantee, whether as wages or vacation pay or in the form of any other benefit or for any other reason.

8. Form and Time of Payment of Performance Shares.

- (a) General. Subject to Section 7(a) and Section 8(b), payment for Vested Performance Shares will be made in Common Shares (rounded down to the nearest whole Common Share) between January 1, 2021 and March 15, 2021.
- (b) Other Payment Events. Notwithstanding Section 8(a), to the extent that the Performance Shares are Vested on the dates set forth below, payment with respect to the Performance Shares will be made as follows:
 - (i) Change in Control. Upon a Change in Control, Grantee is entitled to receive payment for Vested Performance Shares in Common Shares (rounded down to the nearest whole Common Share) on the date of the Change in Control; provided, however, that if such Change in Control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A) of the Code and the regulations thereunder, and where Section 409A of the Code applies to such distribution, Grantee is entitled to receive the corresponding payment on the date that would have otherwise applied pursuant to Sections 8(a) or 8(b)(ii) as though such Change in Control had not occurred.
 - (ii) Death or Disability. On the date of Grantee's death or the date Grantee becomes Disabled, Grantee is entitled to receive payment for Vested Performance Shares in Common Shares on such date.

9. Deferral of Performance Shares. The Grantee may elect to defer receipt of the Common Shares underlying the Vested Performance Shares subject to this Agreement beyond the Distribution Date, pursuant to and in accordance with the terms of the Deferred Compensation Plan.

10. Dividend Equivalents and Other Rights.

- (a) Except as provided in this Section, the Grantee shall not have any of the rights of a shareholder with respect to the Performance Shares covered by this Agreement; provided, however, that any additional Common Shares, share rights or other securities that the Grantee may become entitled to receive pursuant to a stock dividend, stock split, combination of shares, recapitalization, merger, consolidation, separation or reorganization or any other change in the capital structure of Lincoln Electric Holdings, Inc. shall be subject to the same restrictions as the Performance Shares covered by this Agreement.
- (b) The Grantee shall have the right to receive dividend equivalents with respect to the Common Shares underlying the Performance Shares on a deferred basis and contingent on vesting of the Performance Shares. Dividend equivalents on the Performance Shares covered by this Agreement shall be sequestered by the Company from and after the Date of Grant until the Distribution Date, whereupon such dividend equivalents shall be paid to the Grantee in the form of cash (or credited to the Grantee's account under the Deferred Compensation Plan, if elected) to the extent such dividend equivalents are attributable to Performance Shares that have become Vested. To the extent that Performance Shares covered by this Agreement are forfeited pursuant to Section 7 hereof, all the dividend equivalents sequestered with respect to such Performance Shares shall also be forfeited. No interest shall be payable with respect to any such dividend equivalents.
- (c) Under no circumstances will the Company distribute or credit dividend equivalents paid on Performance Shares as described in Section 10(b) until the Grantee's Distribution Date. The Grantee will not be entitled to vote the Common Shares underlying the Performance Shares until the Grantee receives such Common Shares on or after the Distribution Date.
- (d) Notwithstanding anything to the contrary in this Section 10, to the extent that any of the Performance Shares Vest pursuant to this Agreement and the Grantee elects pursuant to Section 9 to defer receipt of the Common Shares underlying the Performance Shares beyond the Distribution Date in accordance with the terms of the Deferred Compensation Plan, then the right to receive dividend equivalents thereafter will be governed by the Deferred Compensation Plan from and after the Distribution Date.

11. Withholding Taxes. No later than the date as of which an amount first becomes includible in the gross income of the Grantee for applicable income and employment tax and other required withholding purposes with respect to the Performance Shares evidenced by this Agreement, the Grantee shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. The Grantee agrees that any required minimum withholding obligations shall be settled by the withholding of a number of Common Shares that are payable to Grantee upon vesting of Performance Shares under

this Agreement with a value equal to the amount of such required minimum withholding. The obligations of the Company under this Agreement shall be conditional on such payment or arrangements.

12. No Right to Employment. This award of Performance Shares is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. This award and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. The Plan and this Agreement will not confer upon the Grantee any right with respect to the continuance of employment or other service with the Company or any Subsidiary and will not interfere in any way with any right that the Company or any Subsidiary would otherwise have to terminate any employment or other service of the Grantee at any time. For purposes of this Agreement, the continuous employment of the Grantee with the Company or a Subsidiary shall not be deemed interrupted, and the Grantee shall not be deemed to have ceased to be an employee of the Company or any Subsidiary, by reason of (a) the transfer of his or her employment among the Company and any Subsidiary or (b) an approved leave of absence.
13. Relation to Other Benefits. Any economic or other benefit to the Grantee under this Agreement or the Plan will not be taken into account in determining any benefits to which the Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or a Subsidiary and will not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or a Subsidiary.
14. Agreement Subject to the Plan. The Performance Shares evidenced by this Agreement and all of the terms and conditions hereof are subject to all of the terms and conditions of the Plan. In the event of any inconsistency between this Agreement and the Plan, the terms of the Plan will govern.
15. Data Privacy.
 - (a) The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in this document by and among, as applicable, the Grantee's employer (the "Employer"), and the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.
 - (b) The Grantee understands that the Company, its Subsidiaries and the Employer hold certain personal information about the Grantee, including, but not limited to, name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any Common Shares or directorships held in the Company, details of all Performance Shares or any other entitlement to Common Shares awarded, canceled, purchased, exercised, vested, unvested or outstanding in the Grantee's favor for the purpose of implementing, managing and administering the Plan ("Data").

- (c) The Grantee understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Grantee's country or elsewhere (in particular the United States), including outside the European Economic Area (if applicable), and that the recipient country (e.g., the United States) may have different data privacy laws and protections than the Grantee's country. The Grantee understands that the Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting the local human resources representative. The Grantee authorizes the Company, Morgan Stanley Smith Barney, LLC and any other possible recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Grantee's participation in the Plan, including any requisite transfer of such Data, as may be required to a broker or other third party with whom the Grantee may elect to deposit any Common Shares acquired under the Plan. The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage participation in the Plan. The Grantee understands that he or she may, at any time, view Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting the local human resources representative in writing. The Grantee understands that refusing or withdrawing consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of refusing to consent or withdrawing consent, the Grantee understands that he or she may contact his or her local human resources representative.
16. Amendments. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that subject to Section 11 of the Plan and Section 20 of this Agreement, no such amendment shall adversely affect the rights of the Grantee with respect to the Performance Shares without the Grantee's consent.
17. Severability. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated will be deemed to be separable from the other provisions hereof, and the remaining provisions hereof will continue to be valid and fully enforceable.
18. Governing Law/Venue. This Agreement is made under, and will be construed in accordance with, the internal substantive laws of the State of Ohio. All legal actions or proceedings relating to this Agreement shall be brought exclusively in the U.S. District Court for the Northern District of Ohio, Eastern Division or the Cuyahoga County Court of Common Pleas, located in Cuyahoga County, Ohio.
19. Restrictive Covenant Agreement. The grant of the Performance Shares under this Agreement is contingent upon the Grantee having executed the most recent version of the Company's

20. Performance Shares Subject to the Company's Recovery of Funds Policy. Notwithstanding anything in this Agreement to the contrary, (a) the Performance Shares covered by this Agreement shall be subject to the Company's Recovery of Funds Policy (or similar clawback policy), as it may be in effect from time to time, including, without limitation, to implement Section 10D of the Exchange Act and any applicable rules or regulations issued by the U.S. Securities and Exchange Commission or any national securities exchange or national securities association on which the Common Shares may be traded (the "Compensation Recovery Policy"), and (b) the Grantee acknowledges and agrees that any and all applicable provisions of this Agreement shall be deemed superseded by and subject to the terms and conditions of the Compensation Recovery Policy from and after the effective date thereof.
21. Code Section 409A. To the extent applicable, it is intended that this Agreement be designed and operated within the requirements of Section 409A of the Code (including any applicable exemptions) and, in the event of any inconsistency between any provision of this Agreement or the Plan and Section 409A of the Code, the provisions of Section 409A of the Code shall control. Any provision in the Plan or this Agreement that is determined to violate the requirements of Section 409A of the Code shall be void and without effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of the Grantee). Any provision that is required by Section 409A of the Code to appear in the Agreement that is not expressly set forth herein shall be deemed to be set forth herein, and the Agreement shall be administered in all respects as if such provision was expressly set forth herein. Any reference in the Agreement to Section 409A of the Code or a Treasury Regulation section shall be deemed to include any similar or successor provisions thereto.
22. Electronic Delivery. The Company may, in its sole discretion, deliver any documents related to the Performance Shares and Grantee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
23. Appendix. Notwithstanding any provisions in this Agreement, the grant of Performance Shares is also subject to the special terms and conditions set forth in Appendix A to this Agreement for Grantee's country. Moreover, if Grantee relocates to one of the countries included in Appendix A, the special terms and conditions for such country will apply to Grantee, to the extent the Company determines that the application of such terms and conditions are necessary or advisable in order to comply with local law or facilitate the administration of the Plan. Appendix A constitutes part of this Agreement.

The Grantee hereby acknowledges receipt of this Agreement and accepts the right to receive the Performance Shares evidenced hereby subject to the terms and conditions of the Plan and the terms and conditions herein above set forth and represents that he or she understands the acceptance of this Agreement through an on-line or electronic system, if applicable, carries the same legal significance as if he or she manually signed this Agreement.

THIS AGREEMENT is executed in the name and on behalf of the Company on the Date of Grant as set forth in the Grant Summary.

LINCOLN ELECTRIC HOLDINGS, INC.

Christopher L. Mapes
Chairman, President and Chief Executive Officer

EXHIBIT A

For purposes of this Agreement, the following terms shall have the following meanings:

1. “Cause”: For a Grantee who is a party to a Severance Agreement, a termination for “Cause” (or similar term) shall have the meaning set forth in such agreement. For all other Grantees, a termination for “Cause” shall mean that, prior to termination of employment, the Grantee shall have:
 - (a) committed a criminal violation involving fraud, embezzlement or theft in connection with the Grantee’s duties or in the course of the Grantee’s employment with the Company or any Subsidiary;
 - (b) committed an intentional violation of the Lincoln Electric Code of Corporate Conduct and Ethics, or any successor document, in effect at the relevant time;
 - (c) committed intentional wrongful damage to property of the Company or any Subsidiary;
 - (d) committed intentional wrongful disclosure of secret processes or confidential information of the Company or any Subsidiary; or
 - (e) committed intentional wrongful engagement in any of the activities set forth in any confidentiality, non-competition or non-solicitation arrangement with the Company to which the Grantee is a party;and, in each case, any such act shall have been demonstrably and materially harmful (including financially or reputationally harmful) to the Company. For purposes of this Agreement, no act or failure to act on the part of the Grantee will be deemed “intentional” if it was due primarily to an error in judgment or negligence, but will be deemed “intentional” only if done or omitted to be done by the Grantee not in good faith and without reasonable belief that the Grantee’s action or omission was in the best interest of the Company.
2. “Deferred Compensation Plan” means the Lincoln Electric Holdings, Inc. 2005 Deferred Compensation Plan for Executives, in effect from time to time.
3. “Disabled” means that the Grantee is disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Grantee at the relevant time. In the event that the Company does not maintain a long-term disability plan at any relevant time, the Committee shall determine, in its sole discretion, that a Grantee is “Disabled” if the Grantee meets one of the following requirements: (i) the Grantee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, (ii) the Grantee is, by reason of any medically determinable physical or mental impairment that

can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under the Company's accident and health or long-term disability plan or any similar plan maintained by a third party, but excluding governmental plans, or (iii) the Social Security Administration determines the Grantee to be totally disabled.

4. "Distribution Date" means the date on which the Common Shares represented by Vested Performance Shares shall be distributed to the Grantee as specified in Section 8 (or would have been so distributed absent an election under the Deferred Compensation Plan);
5. "Good Reason": For a Grantee who is a party to a Severance Agreement, a termination "for Good Reason" (or similar term) shall have the meaning set forth in such agreement. For all other Grantees, "for Good Reason" shall mean the Grantee's termination of employment with the Company as a result of the initial occurrence, without the Grantee's consent, of one or more of the following events:
 - (a) A material diminution in the Grantee's base compensation;
 - (b) A material diminution in the Grantee's authority, duties, or responsibilities;
 - (c) A material reduction in the Grantee's opportunity regarding annual bonus, incentive or other payment of compensation, in addition to base compensation, made or to be made in regard to services rendered in any year or other period pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company;
 - (d) A material change in the geographic location at which the Grantee must perform the services, which adds fifty (50) miles or more to the Grantee's one-way daily commute; and
 - (e) Any other action or inaction that constitutes a material breach by the Company of the Grantee's employment agreement, if any, under which the Grantee provides services, or Grantee's Severance Agreement, if any.Notwithstanding the foregoing, a termination of employment by the Grantee for one of the reasons set forth in clauses (a) through (e) above will not constitute "Good Reason" unless the Grantee provides, within 90 days of the initial occurrence of such condition or conditions, written notice to the Grantee's employer of the existence of such condition or conditions and the Grantee's employer has not remedied such condition or conditions within 30 days of the receipt of such notice.
6. "Incumbent Directors": For purposes of applying the definition of Change in Control in the Plan, "Incumbent Directors" means the individuals who, as of the Effective Date, are Directors and any individual becoming a Director subsequent to the Effective Date whose election, nomination for election by the Company's shareholders, or appointment, was approved by a vote of at least two-thirds of the then Incumbent Directors (either by a specific

vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination); provided, however, that an individual will not be an Incumbent Director if such individual's election or appointment to the Board occurs as a result of (including the settlement of) an actual or threatened election contest (as described in Rule 14a-12(c) of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

7. "Management Objectives" means the threshold, target and maximum goals (as set forth in the Statement of Management Objectives) established by the Committee on the Date of Grant for the Performance Period with respect to both Net Income Growth and ROIC.
8. "Net Income Growth" has the meaning set forth in the Statement of Management Objectives.
9. "Performance Period" means the three-year period commencing January 1, 2018 and ending on December 31, 2020.
10. "Replacement Award" means an award: (a) of the same type (performance shares) as the Replaced Award; (b) that has a value at least equal to the value of the Replaced Award; (c) that relates to publicly traded equity securities of the Company or another entity that is affiliated with the Company following a Change in Control; (d) if the Grantee holding the Replaced Award is subject to U.S. federal income tax under the Code, the tax consequences of which to such Grantee under the Code are not less favorable to such Grantee than the tax consequences of the Replaced Award; and (e) the other terms and conditions of which are not less favorable to the Grantee holding the Replaced Award than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control). A Replacement Award may be granted only to the extent it does not result in the Replaced Award or Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the Replaced Award if the requirements of the two preceding sentences are satisfied. The determination of whether the conditions of this Exhibit A, Section 10 are satisfied will be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.
11. "Return on Invested Capital" or "ROIC" has the meaning set forth in the Statement of Management Objectives.
12. "Separation from Service" shall have the meaning given in Code Section 409A, and references to employment termination or termination of employment in this Agreement shall be deemed to refer to a Separation from Service. In accordance with Treasury Regulation §1.409A-1(h)(1)(ii) (or any similar or successor provisions), a Separation from Service shall be deemed to occur, without limitation, if the Company and the Grantee reasonably anticipate that the level of bona fide services the Grantee will perform after a certain date (whether as an employee or as an independent contractor) will permanently decrease to less than fifty percent (50%) of the average level of bona fide services provided in the immediately preceding thirty-six (36) months.

13. “Statement of Management Objectives” means the Statement of Management Objectives for the Performance Period approved by the Committee on the Date of Grant and communicated to the Grantee in writing.

LINCOLN ELECTRIC HOLDINGS, INC.
SUBSIDIARIES OF THE REGISTRANT

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

<u>Name</u>	<u>Country of Incorporation</u>
A. B. Arriendos S.A.	Chile
Air Liquide Soldadura S.A.	Portugal
Air Liquide Welding (ALW) SA	France
Air Liquide Welding Belgium	Belgium
Air Liquide Welding Central Europe S.R.O.	Slovakia
Air Liquide Welding CZ SRO	Czech Republic
Air Liquide Welding France SA	France
Air Liquide Welding Limited	United Kingdom
Air Liquide Welding Luxembourg S.A.	Luxembourg
Air Liquide Welding Middle East FZE	Dubai
Air Liquide Welding Nederland	Netherlands
Air Liquide Welding Polska Spolka Z ograniczona Odpowiedzialnoscia	Poland
Air Liquide Welding (Thailand) LTD	Thailand
Arc Products, Inc.	United States
Burlington Automation Corporation	Canada
Comptoir Lyonnais de Soudage	France
Ductil SA	Romania
Easom Automation Systems, Inc.	United States
Electro-Arco S.A.	Portugal
Europäische Holding Intercito AG	Switzerland
Fluigetec	France
FRO - Air Liquide Welding Italia S.P.A..	Italy
Hangzhou SAF Oerlikon Welding & Cutting Co., LTD. (China)	China
Harris Calorific International Sp. z o.o.	Poland
Harris Calorific GmbH	Germany
Harris Calorific S.r.l.	Italy
Harris Euro S.L.	Spain
Inversiones LyL S.A.	Chile
ISAF Drahtwerk GMBH	Germany
ISAF S.P.A.	Italy
J.W. Harris Co., Inc.	United States
Jinzhou Zheng Tai Welding and Metal Co., Ltd.	China
Kaliburn, Inc.	United States
Kaynak Teknigi Sanayi ve Ticaret A.S.	Turkey
Lincoln Canada Finance ULC	Canada
Lincoln Canada Holdings ULC	Canada
Lincoln Electric Bester Sp. z o.o.	Poland
Lincoln Electric Company of Canada LP	Canada

<u>Name</u>	<u>Country of Incorporation</u>
Lincoln Electric Company (India) Private Limited	India
Lincoln Electric Cutting Systems, Inc.	United States
Lincoln Electric do Brasil Industria e Comercio Ltda.	Brazil
Lincoln Electric Europe B.V.	The Netherlands
Lincoln Electric Europe, S.L.	Spain
Lincoln Electric France S.A.S.	France
Lincoln Electric Heli (Zhengzhou) Welding Materials Company Ltd.	China
Lincoln Electric Holdings S.ar.l.	Luxembourg
Lincoln Electric Iberia, S.L.	Spain
Lincoln Electric International Holding Company	United States
Lincoln Electric Italia S.r.l.	Italy
Lincoln Electric Japan K.K.	Japan
Lincoln Electric (Jinzhou) Welding Materials Co., Ltd.	China
Lincoln Electric Luxembourg S.ar.l.	Luxembourg
Lincoln Electric Management (Shanghai) Co., Ltd.	China
Lincoln Electric Manufactura, S.A. de C.V.	Mexico
Lincoln Electric Maquinas, S. de R.L. de C.V.	Mexico
Lincoln Electric Mexicana, S.A. de C.V.	Mexico
Lincoln Electric Middle East FZE	United Arab Emirates
Lincoln Electric North America, Inc.	United States
Lincoln Electric S.A.	Argentina
Lincoln Electric (Tangshan) Welding Materials Co., Ltd.	China
Lincoln Electric (U.K.) Ltd.	United Kingdom
Lincoln Global Holdings LLC	United States
Lincoln Global, Inc.	United States
Lincoln Smitweld B.V.	The Netherlands
Lincoln Soldaduras de Colombia Ltda.	Colombia
Lincoln Soldaduras de Venezuela C.A.	Venezuela
Metrode Products Limited	United Kingdom
OA0 Mezghosmetiz – Mtsensk	Russia
Oerlikon - Schweisstechnik AG	Switzerland
Oerlikon Schweisstechnik GMBH	Germany
Oerlikon Skandinavien AB	Sweden
Oerlikon Soldadura, S.A.	Spain
OOO Severstal – metiz: Welding Consumables	Russia
OOO Torgovyi Dom Mezghosmetiz	Russia
PT Lincoln Electric Indonesia	Indonesia
Rimrock Corporation	United States
Rimrock Holdings Corporation	United States
Robolution GmbH	Germany
SAF-OERLIKON MALAYSIA SWDN BHD	Malaysia
Smart Force, LLC	United States
Specialised Welding Products Pty. Ltd.	Australia
SWP N.Z. Limited	New Zealand
Tennessee Rand, Inc.	United States
Tenwell Development Pte. Ltd.	Singapore

<u>Name</u>	<u>Country of Incorporation</u>
The Lincoln Electric Company	United States
The Lincoln Electric Company (Asia Pacific) Pte. Ltd.	Singapore
The Lincoln Electric Company (Australia) Proprietary Limited	Australia
The Lincoln Electric Company (New Zealand) Limited	New Zealand
The Lincoln Electric Company of South Africa (Pty) Ltd.	South Africa
The Nanjing Lincoln Electric Co., Ltd.	China
The Shanghai Lincoln Electric Co., Ltd.	China
Uhrhan & Schwill Schweisstechnik GmbH	Germany
Vizient Manufacturing Solutions, Inc.	United States
Wayne Trail Technologies, Inc.	United States
Weartech International Limited	United Kingdom
Weartech International, Inc.	United States
Welding, Cutting, Tools & Accessories, LLC	United States
Wolf Robotics, LLC	United States

Consent of Independent Registered Public Accounting Firm

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

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

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

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

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

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

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

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

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

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

of our reports dated February 27, 2018, with respect to the consolidated financial statements and schedule of Lincoln Electric Holdings, Inc. and subsidiaries, and the effectiveness of internal control over financial reporting of Lincoln Electric Holdings, Inc. and subsidiaries, included in this Annual Report (Form 10-K) of Lincoln Electric Holdings, Inc. for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Cleveland, Ohio

February 27, 2018

POWER OF ATTORNEY

Directors of Lincoln Electric Holdings, Inc.

Each of the undersigned Directors of Lincoln Electric Holdings, Inc. hereby appoints Christopher L. Mapes, Vincent K. Petrella, Jennifer I. Ansberry and Geoffrey P. Allman, and each of them, as attorneys for the undersigned, for and in the name, place and stead of the undersigned in the capacity specified, to prepare or cause to be prepared, to execute and to file with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Act"), an Annual Report on Form 10-K for the year ended December 31, 2017 relating to Lincoln Electric Holdings, Inc., such other periodic reports as may be required pursuant to the Act, amendments and exhibits to any of the foregoing and any and all other documents to be filed with the Securities and Exchange Commission or elsewhere pertaining to such reports, with full power and authority to take any other action deemed necessary or appropriate to effect the filing of the documents.

Executed the date set forth below.

/s/ Christopher L. Mapes

Christopher L. Mapes, Director

February 21, 2018

/s/ Curtis E. Espeland

Curtis E. Espeland, Director

February 21, 2018

/s/ David H. Gunning

David H. Gunning, Director

February 21, 2018

/s/ Stephen G. Hanks

Stephen G. Hanks, Director

February 21, 2018

/s/ Michael F. Hilton

Michael F. Hilton, Director

February 21, 2018

/s/ G. Russell Lincoln

G. Russell Lincoln, Director

February 21, 2018

/s/ Kathryn Jo Lincoln

Kathryn Jo Lincoln, Director

February 21, 2018

/s/ William E. MacDonald, III

William E. MacDonald, III, Director

February 21, 2018

/s/ Phillip J. Mason

Phillip J. Mason, Director

February 21, 2018

Ben Patel, Director

February 21, 2018

/s/ Hellene S. Runtagh

Hellene S. Runtagh, Director

February 21, 2018

/s/ George H. Walls, Jr.

George H. Walls, Jr., Director

February 21, 2018

CERTIFICATION

I, Christopher L. Mapes, certify that:

1. I have reviewed this annual report on Form 10-K of Lincoln Electric Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2018

/s/ Christopher L. Mapes

Christopher L. Mapes

Chairman, President and Chief Executive Officer

CERTIFICATION

I, Vincent K. Petrella, certify that:

1. I have reviewed this annual report on Form 10-K of Lincoln Electric Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2018

/s/ Vincent K. Petrella

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

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

In connection with the Annual Report on Form 10-K of Lincoln Electric Holdings, Inc. (the "Company") for the year ended December 31, 2017, as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

Date: February 27, 2018

/s/ Christopher L. Mapes

Christopher L. Mapes
Chairman, President and Chief Executive Officer

/s/ Vincent K. Petrella

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