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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **September 30, 2019**

or

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

For the transition period from _____________ to _____________

Commission File Number: 0-1402

LINCOLN ELECTRIC HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Ohio	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)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
☐

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

The number of shares outstanding of the registrant’s common shares as of September 30, 2019 was 61,148,658.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net sales (Note 2)	$ 730,783	$ 737,099	$ 2,266,965	$ 2,284,847
Cost of goods sold	492,432	485,547	1,500,312	1,506,625
Gross profit	238,351	251,552	766,653	778,222
Selling, general & administrative expenses	148,312	148,129	472,108	473,260
Rationalization and asset impairment charges (Note 6)	1,495	2,636	6,337	24,353
Operating income	88,544	100,787	288,208	280,609
Interest expense, net	6,400	3,969	17,621	13,222
Other income (expense) (Note 14)	9,653	(1,074)	17,612	6,818
Income before income taxes	91,797	95,744	288,199	274,205
Income taxes (Note 15)	19,340	25,209	58,832	73,991
Net income including non-controlling interests	72,457	70,535	229,367	200,214
Non-controlling interests in subsidiaries' earnings (loss)	(4)	(4)	(26)	(13)
Net income	$ 72,461	$ 70,539	$ 229,393	$ 200,227
Basic earnings per share (Note 3)	$ 1.18	$ 1.09	$ 3.68	$ 3.07
Diluted earnings per share (Note 3)	$ 1.17	$ 1.07	$ 3.64	$ 3.03
Cash dividends declared per share	$ 0.47	$ 0.39	$ 1.41	$ 1.17

See notes to these consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income including non-controlling interests	$ 72,457	$ 70,535	$ 229,367	$ 200,214
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax of ($66) and ($121) in the three and nine months ended September 30, 2019; $390 and $415 in the three and nine months ended September 30, 2018.	(348)	1,416	(320)	1,039
Defined benefit pension plan activity, net of tax of $536 and $673 in the three and nine months ended September 30, 2019; $1,278 and $1,927 in the three and nine months ended September 30, 2018.	613	3,855	2,491	5,863
Currency translation adjustment	(24,025)	(467)	(14,040)	(31,422)
Other comprehensive income (loss):	(23,760)	4,804	(11,869)	(24,520)
Comprehensive income	48,697	75,339	217,498	175,694
Comprehensive income (loss) attributable to non-controlling interests	254	(65)	234	(105)
Comprehensive income attributable to shareholders	$ 48,443	$ 75,404	$ 217,264	$ 175,799

See notes to these consolidated financial statements.

LINCOLN ELECTRIC HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2019	December 31, 2018
	(UNAUDITED)	(NOTE 1)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 156,612	$ 358,849
Accounts receivable (less allowance for doubtful accounts of $16,893 in 2019; $12,827 in 2018)	395,355	396,885
Inventories (Note 9)	411,120	361,829
Other current assets	119,347	120,236
Total Current Assets	1,082,434	1,237,799
Property, plant and equipment (less accumulated depreciation of $803,332 in 2019; $778,817 in 2018)	523,229	478,801
Goodwill	331,311	281,294
Other assets	424,186	351,931
TOTAL ASSETS	**$ 2,361,160**	**$ 2,349,825**
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Note 12)	$ 13,293	$ 111
Trade accounts payable	243,837	268,600
Accrued employee compensation and benefits	133,361	94,202
Other current liabilities	181,946	175,269
Total Current Liabilities	572,437	538,182
Long-term debt, less current portion (Note 12)	713,884	702,549
Other liabilities	261,031	221,502
Total Liabilities	1,547,352	1,462,233
Shareholders' Equity		
Common shares	9,858	9,858
Additional paid-in capital	377,584	360,308
Retained earnings	2,704,486	2,564,440
Accumulated other comprehensive loss	(305,868)	(293,739)
Treasury shares	(1,973,136)	(1,753,925)
Total Shareholders' Equity	812,924	886,942
Non-controlling interests	884	650
Total Equity	813,808	887,592
TOTAL LIABILITIES AND TOTAL EQUITY	**$ 2,361,160**	**$ 2,349,825**

See notes to these consolidated financial statements.

LINCOLN ELECTRIC HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)
(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, 2018	63,546	$ 9,858	$ 360,308	$ 2,564,440	$ (293,739)	$ (1,753,925)	$ 650	$ 887,592
Net income				71,480			(14)	71,466
Unrecognized amounts from defined benefit pension plans, net of tax					787			787
Unrealized gain on derivatives designated and qualifying as cash flow hedges, net of tax					329			329
Currency translation adjustment					5,099		37	5,136
Cash dividends declared – $0.47 per share				(29,847)				(29,847)
Stock-based compensation activity	148		3,302			1,484		4,786
Purchase of shares for treasury	(894)					(75,584)		(75,584)
Other			808	(808)				—
Balance at March 31, 2019	62,800	$ 9,858	$ 364,418	$ 2,605,265	$ (287,524)	$ (1,828,025)	$ 673	$ 864,665
Net income				85,452			(8)	85,444
Unrecognized amounts from defined benefit pension plans, net of tax					1,091			1,091
Unrealized loss on derivatives designated and qualifying as cash flow hedges, net of tax					(301)			(301)
Currency translation adjustment					4,884		(35)	4,849
Cash dividends declared – $0.47 per share				(29,279)				(29,279)
Stock-based compensation activity	13		4,783			136		4,919
Purchase of shares for treasury	(1,034)					(85,330)		(85,330)
Other			(282)	282				—
Balance at June 30, 2019	61,779	$ 9,858	$ 368,919	$ 2,661,720	$ (281,850)	$ (1,913,219)	$ 630	$ 846,058
Net income				72,461			(4)	72,457
Unrecognized amounts from defined benefit pension plans, net of tax					613			613
Unrealized gain on derivatives designated and qualifying as cash flow hedges, net of tax					(348)			(348)
Currency translation adjustment					(24,283)		258	(24,025)
Cash dividends declared – $0.47 per share				(28,931)				(28,931)
Stock-based compensation activity	107		7,996			1,111		9,107
Purchase of shares for treasury	(737)					(61,028)		(61,028)
Other			669	(764)				(95)
Balance at September 30, 2019	61,149	$ 9,858	$ 377,584	$ 2,704,486	$ (305,868)	$ (1,973,136)	$ 884	$ 813,808

LINCOLN ELECTRIC HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(UNAUDITED)
(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, 2017	65,663	$ 9,858	$ 334,309	$ 2,388,219	$ (247,186)	$ (1,553,563)	$ 816	$ 932,453
Net income				60,824			(4)	60,820
Unrecognized amounts from defined benefit pension plans, net of tax					1,287			1,287
Unrealized gain on derivatives designated and qualifying as cash flow hedges, net of tax					855			855
Currency translation adjustment					19,328		59	19,387
Cash dividends declared – $0.39 per share				(25,787)				(25,787)
Stock-based compensation activity	55		5,819			562		6,381
Purchase of shares for treasury	(159)					(14,724)		(14,724)
Other			5,483	(5,483)				—
Balance at March 31, 2018	65,559	$ 9,858	$ 345,611	$ 2,417,773	$ (225,716)	$ (1,567,725)	$ 871	$ 980,672
Net income				68,864			(5)	68,859
Unrecognized amounts from defined benefit pension plans, net of tax					721			721
Unrealized loss on derivatives designated and qualifying as cash flow hedges, net of tax					(1,232)			(1,232)
Currency translation adjustment					(50,252)		(90)	(50,342)
Cash dividends declared – $0.39 per share				(25,701)				(25,701)
Stock-based compensation activity	15		6,215			(176)		6,039
Purchase of shares for treasury	(402)					(35,508)		(35,508)
Other			(194)	194				—
Balance at June 30, 2018	65,172	$ 9,858	$ 351,632	$ 2,461,130	$ (276,479)	$ (1,603,409)	$ 776	$ 943,508
Net income				70,539			(4)	70,535
Unrecognized amounts from defined benefit pension plans, net of tax					3,855			3,855
Unrealized gain on derivatives designated and qualifying as cash flow hedges, net of tax					1,416			1,416
Currency translation adjustment					(406)		(61)	(467)
Cash dividends declared – $0.39 per share				(25,346)				(25,346)
Stock-based compensation activity	41		5,190			422		5,612
Purchase of shares for treasury	(767)					(71,245)		(71,245)
Other			927	(927)				—
Balance at September 30, 2018	64,446	$ 9,858	$ 357,749	$ 2,505,396	$ (271,614)	$ (1,674,232)	$ 711	$ 927,868

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 229,393	$ 200,227
Non-controlling interests in subsidiaries' loss	(26)	(13)
Net income including non-controlling interests	229,367	200,214
Adjustments to reconcile Net income including non-controlling interests to Net cash provided by operating activities:		
Rationalization and asset impairment net charges (gains) (Note 6)	1,069	(1,408)
Depreciation and amortization	60,400	53,946
Equity earnings in affiliates, net	(1,266)	(1,427)
Deferred income taxes	4,045	4,444
Stock-based compensation	12,602	13,583
Gain on change in control	(7,601)	—
Other, net	(7,362)	(5,945)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Decrease (increase) in accounts receivable	24,103	(25,492)
Increase in inventories	(36,476)	(41,533)
Decrease (increase) in other current assets	3,227	(12,081)
Decrease in trade accounts payable	(34,202)	(17,523)
Increase in other current liabilities	31,113	58,397
Net change in other assets and liabilities	1,647	4,602
NET CASH PROVIDED BY OPERATING ACTIVITIES	280,666	229,777
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(53,551)	(48,746)
Acquisition of businesses, net of cash acquired	(136,735)	6,591
Proceeds from sale of property, plant and equipment	9,491	10,585
Purchase of marketable securities	—	(268,335)
Proceeds from marketable securities	—	348,178
Other investing activities	2,000	—
NET CASH (USED BY) PROVIDED BY INVESTING ACTIVITIES	(178,795)	48,273
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts due banks, net	2,439	(639)
Payments on long-term borrowings	(6)	(7)
Proceeds from exercise of stock options	6,210	4,448
Purchase of shares for treasury (Note 8)	(221,942)	(121,477)
Cash dividends paid to shareholders	(89,162)	(76,674)
Other financing activities	—	(2,170)
NET CASH USED BY FINANCING ACTIVITIES	(302,461)	(196,519)
Effect of exchange rate changes on Cash and cash equivalents	(1,647)	(10,032)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(202,237)	71,499
Cash and cash equivalents at beginning of period	358,849	326,701
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 156,612	$ 398,200

See notes to these consolidated financial statements.

Dollars in thousands, except per share amounts

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

As used in this report, 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 consolidated financial statements include the accounts of all legal entities in which the Company holds a controlling interest. The Company is also considered to have a controlling interest in a variable interest entity (“VIE”) if the Company determines it is the primary beneficiary of the VIE. Investments in legal entities in which the Company does not own a majority interest but has the ability to exercise significant influence over operating and financial policies are accounted for using the equity method.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these unaudited consolidated financial statements do not include all of the information and notes required by GAAP for complete financial statements. However, in the opinion of management, these unaudited consolidated financial statements contain all the adjustments (consisting of normal recurring accruals) considered necessary to present fairly the financial position, results of operations and cash flows for the interim periods. Operating results for the nine months ended September 30, 2019 are not necessarily indicative of the results to be expected for the year ending December 31, 2019.

The accompanying Consolidated Balance Sheet at December 31, 2018 has been derived from the audited financial statements at that date, but does not include all of the information and notes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

New Accounting Pronouncements:

This 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.

The following ASUs were adopted as of January 1, 2019:

Standard	Description
ASU No. 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220)*, issued February 2018.	ASU 2018-02 allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act (the "U.S. Tax Act"). The ASU only applies to the income tax effects of the U.S. Tax Act; all other existing guidance remains the same. The Company has elected not to reclassify the income tax effects of the U.S. Tax Act from Accumulated other comprehensive loss to Retained earnings.
ASU No. 2016-02, *Leases (Topic 842)*, issued February 2016	ASU 2016-02 ("Topic 842") aims to increase transparency and comparability among organizations by recognizing a right-of-use asset and lease liability on the balance sheet for all leases with a lease term greater than twelve months. Topic 842 also requires the disclosure of key information about leasing agreements. The Company adopted Topic 842 using the modified retrospective transition option of applying the new standard at the adoption date. The Company also elected the package of practical expedients, which among other things, allows it to not reassess the identification, classification and initial direct costs of leases commencing before the effective date of Topic 842. Refer to Note 10 to the consolidated financial statements for further details.

Dollars in thousands, except per share amounts

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

Standard	Description
ASU No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20)*, issued August 2018.	ASU 2018-14 modifies disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU also requires an entity to disclose the weighted-average interest crediting rates for cash balance plans and to explain the reasons for significant gains and losses related to changes in the benefit obligation. The ASU is effective January 1, 2020 and early adoption is permitted.
ASU No. 2018-13, *Fair Value Measurement (Topic 944)*, issued August 2018.	ASU 2018-13 eliminates, amends and adds disclosure requirements related to fair value measurements. The ASU impacts various elements of fair value disclosure, including but not limited to, changes in unrealized gains or losses, significant unobservable inputs and measurement uncertainty. The ASU is effective January 1, 2020 and early adoption is permitted.
ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, issued June 2016.	ASU 2016-13 modifies disclosure and measurement requirements related to credit losses. The ASU impacts various financial instruments, including but not limited to, trade receivables. Topic 326 requires that an entity estimate impairment of trade receivables based on expected losses rather than incurred losses. The ASU is effective January 1, 2020 and early adoption is permitted.

NOTE 2 — REVENUE RECOGNITION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Consumables	$ 420,980	$ 426,837	$ 1,308,788	$ 1,329,768
Equipment	309,803	310,262	958,177	955,079
Net sales	$ 730,783	$ 737,099	$ 2,266,965	$ 2,284,847

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

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

Within the Equipment product line, there are certain customer contracts related to automation products that may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines the standalone selling price based on the prices charged to customers or using expected cost plus margin. In addition, certain customized automation performance obligations within the Equipment product line, are accounted for over time. Under this method, revenue recognition is primarily based upon the ratio of costs incurred to date compared with estimated total costs to complete. The cumulative impact of revisions to total estimated costs is reflected in the period of the change, including anticipated losses. Less than 10% of the Company's Net sales are recognized over time.

At September 30, 2019, the Company recorded $21,544 related to advance customer payments and $12,854 related to billings in excess of revenue recognized. These contract liabilities are included in Other current liabilities in the Condensed Consolidated Balance Sheets. At December 31, 2018, the balances related to advance customer payments and billings in excess of revenue recognized were $17,023 and $17,013, respectively. Substantially all of the Company's contract liabilities are recognized within twelve months based on contract duration. The Company records an asset for contracts where it has recognized revenue, but has not yet invoiced the customer for goods or services. At September 30, 2019 and December 31, 2018, $36,568 and $25,032, respectively, related to these future customer receivables was included in Other current assets in the Condensed Consolidated Balance Sheets. Contract asset amounts are expected to be billed within the next twelve months.

Dollars in thousands, except per share amounts

NOTE 3 — EARNINGS PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Numerator:				
Net income	$ 72,461	$ 70,539	$ 229,393	$ 200,227
Denominator (shares in 000's):				
Basic weighted average shares outstanding	61,380	64,821	62,282	65,245
Effect of dilutive securities - Stock options and awards	681	831	690	810
Diluted weighted average shares outstanding	62,061	65,652	62,972	66,055
Basic earnings per share	$ 1.18	$ 1.09	$ 3.68	$ 3.07
Diluted earnings per share	$ 1.17	$ 1.07	$ 3.64	$ 3.03

For the three months ended September 30, 2019 and 2018, common shares subject to equity-based awards of 548,049 and 346,168, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive. For the nine months ended September 30, 2019 and 2018, common shares subject to equity-based awards of 514,402 and 317,528, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

NOTE 4 — ACQUISITIONS

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

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

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

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

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

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

NOTE 5 — SEGMENT INFORMATION

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 its retail business in the United States.

Segment performance is measured and resources are allocated based on a number of factors, the primary measure being the adjusted earnings before interest and income taxes (“Adjusted EBIT”) profit measure. EBIT is defined as Operating income plus Other income (expense). 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.

Dollars in thousands, except per share amounts

The following table presents Adjusted EBIT by segment:

	Americas Welding	International Welding	The Harris Products Group	Corporate / Eliminations	Consolidated
Three Months Ended September 30, 2019					
Net sales	$ 443,521	$ 205,378	$ 81,884	$ —	$ 730,783
Inter-segment sales	31,101	4,441	1,857	(37,399)	—
Total	$ 474,622	$ 209,819	$ 83,741	$ (37,399)	$ 730,783
Adjusted EBIT	$ 74,110	$ 10,184	$ 11,038	$ (1,632)	$ 93,700
Special items charge (gain) (1)	—	(4,497)	—	—	(4,497)
EBIT	$ 74,110	$ 14,681	$ 11,038	$ (1,632)	$ 98,197
Interest income					491
Interest expense					(6,891)
Income before income taxes					$ 91,797
Three Months Ended September 30, 2018					
Net sales	$ 454,010	$ 209,622	$ 73,467	$ —	$ 737,099
Inter-segment sales	31,845	3,663	1,537	(37,045)	—
Total	$ 485,855	$ 213,285	$ 75,004	$ (37,045)	$ 737,099
Adjusted EBIT	$ 89,253	$ 10,721	$ 8,676	$ (1,099)	$ 107,551
Special items charge (gain) (2)	4,232	2,636	—	970	7,838
EBIT	$ 85,021	$ 8,085	$ 8,676	$ (2,069)	$ 99,713
Interest income					1,993
Interest expense					(5,962)
Income before income taxes					$ 95,744
Nine Months Ended September 30, 2019					
Net sales	$ 1,377,847	$ 635,770	$ 253,348	$ —	$ 2,266,965
Inter-segment sales	95,300	12,838	5,837	(113,975)	—
Total	$ 1,473,147	$ 648,608	$ 259,185	$ (113,975)	$ 2,266,965
Adjusted EBIT	$ 240,713	$ 38,699	$ 35,045	$ (8,643)	$ 305,814
Special items charge (gain) (1)	3,115	(4,925)	—	1,804	(6)
EBIT	$ 237,598	$ 43,624	$ 35,045	$ (10,447)	$ 305,820
Interest income					2,047
Interest expense					(19,668)
Income before income taxes					$ 288,199
Nine Months Ended September 30, 2018					
Net sales	$ 1,351,297	$ 700,315	$ 233,235	$ —	$ 2,284,847
Inter-segment sales	89,671	13,669	5,447	(108,787)	—
Total	$ 1,440,968	$ 713,984	$ 238,682	$ (108,787)	$ 2,284,847
Adjusted EBIT	$ 254,850	$ 41,970	$ 28,058	$ (4,443)	$ 320,435
Special items charge (gain) (2)	4,990	24,353	—	3,665	33,008
EBIT	$ 249,860	$ 17,617	$ 28,058	$ (8,108)	$ 287,427
Interest income					5,273
Interest expense					(18,495)
Income before income taxes					$ 274,205

(1) In the three months ended September 30, 2019, special items reflect Rationalization and asset impairment charges of $1,495, amortization of step up in value of acquired inventories of $1,609 related to the acquisition of Askaynak and

Dollars in thousands, except per share amounts

gain on change in control of $7,601 related to the acquisition of Askaynak in International Welding. In the nine months ended September 30, 2019, special items reflect Rationalization and asset impairment charges of $1,716 in Americas Welding and $4,621 in International Welding, amortization of step up in value of acquired inventories of $1,399 related to the acquisition of Baker Industries in Americas Welding and $1,609 related to the acquisition of Askaynak in International Welding, gains on disposals of assets of $3,554 in International Welding and acquisition transaction and integration costs of $1,804 in Corporate / Eliminations related to the Air Liquide Welding acquisition and a gain on change in control of $7,601 related to the acquisition of Askaynak.

(2) In the three months ended September 30, 2018, special items reflect pension settlement charges of $4,232 in Americas Welding, rationalization and asset impairment charges of $2,636 in International Welding and transaction and integration costs of $970 in Corporate / Eliminations related to the Air Liquide Welding acquisition. In the nine months ended September 30, 2018, special items reflect pension settlement charges of $4,990 in Americas Welding, Rationalization and asset impairment charges of $24,353 in International Welding and acquisition transaction and integration costs of $3,665 in Corporate / Eliminations related to the Air Liquide Welding acquisition.

NOTE 6 — RATIONALIZATION AND ASSET IMPAIRMENTS

The Company recorded rationalization and asset impairment net charges of $6,337 in the nine months ended September 30, 2019. The 2019 charges are primarily related to employee severance, asset impairments and gains or losses on the disposal of assets.

During 2019, the Company initiated rationalization plans within International Welding. The plans include headcount restructuring and the consolidation of manufacturing operations to better align the cost structure with economic conditions and operating needs. At September 30, 2019, liabilities of $1,903 were recognized in Other current liabilities in the Company's Condensed Consolidated Balance Sheet.

During 2018, the Company initiated rationalization plans within International Welding. The plans include headcount restructuring and the consolidation of manufacturing operations to better align the cost structure with economic conditions and operating needs. At September 30, 2019, liabilities of $528 were recognized in Other current liabilities in the Company's Condensed Consolidated Balance Sheet.

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 rationalization liabilities:

	Nine Months Ended September 30, 2019
Balance, December 31, 2018	$ 11,192
Payments and other adjustments	(14,029)
Charged to expense	5,268
Balance, September 30, 2019	$ 2,431

Dollars in thousands, except per share amounts

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

The following tables set forth the total changes in accumulated other comprehensive income (loss) ("AOCI") by component, net of taxes, for the three months ended September 30, 2019 and 2018:

	Three Months Ended September 30, 2019			
	Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges	Defined benefit pension plan activity	Currency translation adjustment	Total
Balance at June 30, 2019	$ 1,722	$ (80,171)	$ (203,401)	$ (281,850)
Other comprehensive income (loss) before reclassification	(268)	—	(24,283) [3]	(24,551)
Amounts reclassified from AOCI	(80) [1]	613 [2]	—	533
Net current-period other comprehensive income (loss)	(348)	613	(24,283)	(24,018)
Balance at September 30, 2019	$ 1,374	$ (79,558)	$ (227,684)	$ (305,868)

	Three Months Ended September 30, 2018			
	Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges	Defined benefit pension plan activity	Currency translation adjustment	Total
Balance at June 30, 2018	$ 498	$ (83,269)	$ (193,708)	$ (276,479)
Other comprehensive income (loss) before reclassification	1,218	—	(406) [3]	812
Amounts reclassified from AOCI	198 [1]	3,855 [2]	—	4,053
Net current-period other comprehensive income (loss)	1,416	3,855	(406)	4,865
Balance at September 30, 2018	$ 1,914	$ (79,414)	$ (194,114)	$ (271,614)

(1) During the 2019 period, this AOCI reclassification is a component of Net sales of $(15) and Cost of goods sold of $(95) (net of tax of $(22)); during the 2018 period, the reclassification is a component of Net sales of $(124) (net of tax of $(19)) and Cost of goods sold of $74 (net of tax of $(5)). See Note 16 to the consolidated financial statements for additional details.

(2) This AOCI component is included in the computation of net periodic pension costs (net of tax of $536 and $1,278 during the three months ended September 30, 2019 and 2018, respectively). See Note 13 to the consolidated financial statements for additional details.

(3) The Other comprehensive income (loss) before reclassifications excludes $258 and $(61) attributable to Non-controlling interests in the three months ended September 30, 2019 and 2018, respectively.

Dollars in thousands, except per share amounts

The following tables set forth the total changes in AOCI by component, net of taxes, for the nine months ended September 30, 2019 and 2018:

	Nine Months Ended September 30, 2019			
	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, 2018	$ 1,694	$ (82,049)	$ (213,384)	$ (293,739)
Other comprehensive income (loss) before reclassification	521	—	(14,300) [3]	(13,779)
Amounts reclassified from AOCI	(841) [1]	2,491 [2]	—	1,650
Net current-period other comprehensive income (loss)	(320)	2,491	(14,300)	(12,129)
Balance at September 30, 2019	$ 1,374	$ (79,558)	$ (227,684)	$ (305,868)

	Nine Months Ended September 30, 2018			
	Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges	Defined benefit pension plan activity	Currency translation adjustment	Total
Balance at December 31, 2017	$ 875	$ (85,277)	$ (162,784)	$ (247,186)
Other comprehensive income (loss) before reclassification	987	—	(31,330) [3]	(30,343)
Amounts reclassified from AOCI	52 [1]	5,863 [2]	—	5,915
Net current-period other comprehensive income (loss)	1,039	5,863	(31,330)	(24,428)
Balance at September 30, 2018	$ 1,914	$ (79,414)	$ (194,114)	$ (271,614)

(1) During the 2019 period, this AOCI reclassification is a component of Net sales of $557 (net of tax of $203) and Cost of goods sold of $(284) (net of tax of $(82)); during the 2018 period, the reclassification is a component of Net sales of $(12) (net of tax of $(25)) and Cost of goods sold of $40 (net of tax of $(24)). See Note 16 to the consolidated financial statements for additional details.

(2) This AOCI component is included in the computation of net periodic pension costs (net of tax of $673 and $1,927 during the nine months ended September 30, 2019 and 2018, respectively). See Note 13 to the consolidated financial statements for additional details.

(3) The Other comprehensive income (loss) before reclassifications excludes $260 and $(92) attributable to Non-controlling interests in the nine months ended September 30, 2019 and 2018, respectively.

NOTE 8 — COMMON STOCK REPURCHASE PROGRAM

The Company has a share repurchase program for up 55 million shares of the Company's common shares. From time to time at management's discretion, the Company repurchases its common shares in the open market, depending on market conditions, stock price and other factors. During the three months ended September 30, 2019, the Company purchased a total of 0.7 million shares at an average cost per share of $82.80. During the nine months ended September 30, 2019, the Company purchased a total of 2.6 million shares at an average cost per share of $83.18. As of September 30, 2019, there remained 3.6 million common shares available for repurchase under this program. The repurchased common shares remain in treasury and have not been retired.

Dollars in thousands, except per share amounts

NOTE 9 — INVENTORIES

Inventories in the Condensed Consolidated Balance Sheets are comprised of the following components:

	September 30, 2019	December 31, 2018
Raw materials	$ 107,278	$ 103,820
Work-in-process	69,671	53,950
Finished goods	234,171	204,059
Total	$ 411,120	$ 361,829

At September 30, 2019 and December 31, 2018, approximately 36% and 37%, respectively, of total inventories were valued using the last-in, first-out ("LIFO") method. The excess of current cost over LIFO cost was $77,112 and $79,626 at September 30, 2019 and December 31, 2018, respectively.

NOTE 10 — LEASES

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

Operating Leases	Balance Sheet Classification	September 30, 2019
Right-of-use assets	Other assets	$ 53,732
Current liabilities	Other current liabilities	$ 13,958
Noncurrent liabilities	Other liabilities	40,285
Total lease liabilities		$ 54,243

Topic 842 did not materially impact our consolidated net earnings, cash flows or debt covenants.

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

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

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

Total lease expense, which is included in Cost of goods sold and Selling, general and administrative expenses in the Company's Consolidated Statements of Income, was $6,290 and $18,725 in the three and nine months ended September 30, 2019, respectively. Cash paid for amounts included in the measurement of lease liabilities for the three and nine months ended September 30, 2019 respectively was $4,528 and $13,761 and is included in Net cash provided by operating activities in the Company's Consolidated Statements of Cash Flows. Right-of-use assets obtained in exchange for operating lease liabilities during the three and nine months ended September 30, 2019 were $1,550 and $16,223, respectively.

Dollars in thousands, except per share amounts

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

	September 30, 2019
2019	$ 4,014
2020	14,680
2021	11,169
2022	8,473
2023	6,902
After 2023	16,016
Total lease payments	$ 61,254
Less: Imputed interest	(7,011)
Operating lease liabilities	$ 54,243

As of September 30, 2019, the weighted average remaining lease term is 6.3 years and the weighted average discount rate used to determine the operating lease liability is 3.6%.

NOTE 11 — PRODUCT WARRANTY COSTS

The changes in the carrying amount of product warranty accruals are as follows:

	Nine Months Ended September 30,	
	2019	2018
Balance at beginning of year	$ 19,778	$ 22,029
Accruals for warranties	12,494	6,855
Settlements	(11,787)	(8,064)
Foreign currency translation and other adjustments	(125)	349
Balance at September 30	$ 20,360	$ 21,169

NOTE 12 — DEBT

Revolving Credit Agreement

The Company has a line of credit totaling $400,000 through the Amended and Restated Credit Agreement (the “Credit Agreement”). The Credit Agreement has a term of 5 years and may be increased, subject to certain conditions, by an additional amount up to $100,000. The interest rate on borrowings is based on either the London Inter-Bank Offered Rate ("LIBOR") or the prime rate, plus a spread based on the Company’s leverage ratio, at the Company’s election. The Company amended and restated the Credit Agreement on June 30, 2017, extending the maturity of the line of credit to June 30, 2022. The Credit Agreement contains customary affirmative, negative and financial covenants for credit facilities of this type, including limitations on the Company and its subsidiaries with respect to liens, investments, distributions, mergers and acquisitions, dispositions of assets, transactions with affiliates and a fixed charges coverage ratio and total leverage ratio. As of September 30, 2019, the Company was in compliance with all of its covenants and had no outstanding borrowings under the Credit Agreement.

Senior Unsecured Notes

On April 1, 2015 and October 20, 2016, the Company entered into separate Note Purchase Agreements pursuant to which it issued senior unsecured notes (the "Notes") through a private placement. The 2015 Notes and 2016 Notes each have an aggregate principal amount of $350,000, comprised of four different series ranging from $50,000 to $100,000, with maturity dates ranging from August 20, 2025 through April 1, 2045, and interest rates ranging from 2.75% and 4.02%. Interest on the Notes is paid semi-annually. The Company's total weighted average effective interest rate and remaining weighted average tenure of the Notes is 3.3% and 15 years, respectively. The proceeds of the Notes were used for general corporate purposes. The Notes contain certain affirmative and negative covenants. As of September 30, 2019, the Company was in compliance with all of its debt covenants relating to the Notes.

Dollars in thousands, except per share amounts

Shelf Agreements

On November 27, 2018, the Company entered into seven uncommitted master note facilities (the "Shelf Agreements") that allow borrowings up to $700,000 in the aggregate. The Shelf Agreements have a term of 5 years and the average life of borrowings cannot exceed 15 years. The Company is required to comply with covenants similar to those contained in the Notes. As of September 30, 2019, the Company was in compliance with all of its covenants and had no outstanding borrowings under the Shelf Agreements.

NOTE 13 — RETIREMENT AND POSTRETIREMENT BENEFIT PLANS

The components of total pension cost were as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	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	U.S. pension plans	Non-U.S. pension plans
Service cost	$ 35	$ 697	$ 35	$ 796	$ 105	$ 2,126	$ 105	$ 2,479
Interest cost	4,652	903	4,574	867	13,958	2,761	13,561	2,774
Expected return on plan assets	(6,245)	(1,087)	(6,450)	(1,174)	(18,735)	(3,317)	(20,281)	(3,714)
Amortization of prior service cost	—	16	—	—	—	47	—	1
Amortization of net loss	413	720	355	546	1,240	1,877	1,123	1,676
Settlement charges (1)	—	—	4,232	—	—	—	4,990	—
Defined benefit plans	(1,145)	1,249	2,746	1,035	(3,432)	3,494	(502)	3,216
Multi-employer plans	—	227	—	226	—	717	—	687
Defined contribution plans	5,506	692	5,712	813	17,205	1,615	17,216	2,678
Total pension cost	$ 4,361	$ 2,168	$ 8,458	$ 2,074	$ 13,773	$ 5,826	$ 16,714	$ 6,581

(1) Pension settlement charges resulting from lump sum pension payments in the three and nine months ended September 30, 2018.

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

NOTE 14 — OTHER INCOME (EXPENSE)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Equity earnings in affiliates	$ 206	$ 542	$ 3,002	$ 3,301
Other components of net periodic pension (cost) income (1)	628	(2,950)	2,169	(130)
Other income (2)	8,819	1,334	12,441	3,647
Total Other income (expense)	$ 9,653	$ (1,074)	$ 17,612	$ 6,818

(1) Includes pension settlement charges in the three and nine months ended September 30, 2018 of $4,232 and $4,990. Refer to Note 13 to the consolidated financial statements for details.
(2) Includes a gain on change in control related to the acquisition of Askaynak in the three and nine months ended September 30, 2019 of $7,601. Refer to Note 4 to the consolidated financial statements for details.

NOTE 15 — INCOME TAXES

The Company recognized $58,832 of tax expense on pretax income of $288,199, resulting in an effective income tax rate of 20.4% for the nine months ended September 30, 2019. The effective income tax rate was 27.0% for the nine months ended September 30, 2018.

The decrease in the effective tax rate for the nine months ended September 30, 2019, as compared with the same period in 2018, was primarily due to income tax benefits for the settlement of tax items as well as tax deductions associated with an investment in a subsidiary in 2019, rationalization charges in regions with low or no tax benefit recorded in 2018 and adjustments and incremental tax expense recorded in 2018 related to the U.S. Tax Act.

As of September 30, 2019, the Company had $22,083 of unrecognized tax benefits. If recognized, approximately $18,590 would be reflected as a component of income tax expense.

The Company files income tax returns in the U.S. and various state, local and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2014. The Company is currently subject to U.S., various state and non-U.S. income tax audits.

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 reduction of $1,470 in previously unrecognized tax benefits by the end of the third quarter 2020.

NOTE 16 — 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 in the nine months ended September 30, 2019 and 2018.

The Company is subject to the credit risk of the counterparties to derivative instruments. Counterparties include a number of major banks and financial institutions. None of the concentrations of risk with any individual counterparty was considered significant at September 30, 2019. The Company does not expect any counterparties to fail to meet their obligations.

Cash Flow Hedges

Certain foreign currency forward contracts were qualified and designated as cash flow hedges. The dollar equivalent gross notional amount of these short-term contracts was $64,675 at September 30, 2019 and $45,909 at December 31, 2018.

Fair Value Hedges

Certain interest rate swap agreements were qualified and designated as fair value hedges. At September 30, 2019, the Company had interest rate swap agreements outstanding that effectively convert notional amounts of $50,000 of debt from a fixed interest rate to a variable interest rate based on three-month LIBOR plus a spread of between 0.5% and 0.6%. The variable rates reset every three months, at which time payment or receipt of interest will be settled. The Company terminated $75,000 of interest rate swaps in the three months ended September 30, 2019.

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 September 30, 2019 and December 31, 2018.

Derivatives Not Designated as Hedging Instruments

The Company has certain foreign exchange forward contracts that are not designated as hedges. These derivatives are held as economic hedges of certain balance sheet exposures. The dollar equivalent gross notional amount of these contracts was $378,147 and $328,534 at September 30, 2019 and December 31, 2018, respectively.

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

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

	September 30, 2019			December 31, 2018			
Derivatives by hedge designation	Other Current Assets	Other Current Liabilities	Other Assets	Other Current Assets	Other Current Liabilities	Other Assets	Other Liabilities
Designated as hedging instruments:							
Foreign exchange contracts	$ 641	$ 863	$ —	$ 647	$ 404	$ —	$ —
Interest rate swap agreements	—	—	4,493	—	—	302	7,033
Not designated as hedging instruments:							
Foreign exchange contracts	8,287	2,417	—	6,375	829	—	—
Total derivatives	$ 8,928	$ 3,280	$ 4,493	$ 7,022	$ 1,233	$ 302	$ 7,033

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
Derivatives by hedge designation	Classification of gain (loss)	2019	2018	2019	2018
Not designated as hedges:					
Foreign exchange contracts	Selling, general & administrative expenses	$ (710)	$ 4,894	$ 5,707	$ 9,143

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

Total gain (loss) recognized in AOCI, net of tax	September 30, 2019	December 31, 2018
Foreign exchange contracts	$ (147)	$ 173
Net investment contracts	1,521	1,521

The Company expects a loss of $147 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.

		Three Months Ended September 30,		Nine Months Ended September 30,	
Derivative type	Gain (loss) recognized in the Consolidated Statements of Income:	2019	2018	2019	2018
Foreign exchange contracts	Sales	$ (15)	$ (143)	$ 760	$ (37)
	Cost of goods sold	117	(69)	366	(16)

Dollars in thousands, except per share amounts

NOTE 17 - FAIR VALUE

The following table provides a summary of assets and liabilities as of September 30, 2019, measured at fair value on a recurring basis:

Description	Balance as of September 30, 2019	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Foreign exchange contracts	$ 8,928	$ —	$ 8,928	$ —
Interest rate swap agreements	4,493	—	4,493	—
Total assets	$ 13,421	$ —	$ 13,421	$ —
Liabilities:				
Foreign exchange contracts	3,280	—	3,280	—
Contingent consideration	470	—	—	470
Deferred compensation	28,616	—	28,616	—
Total liabilities	$ 32,366	$ —	$ 31,896	$ 470

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

Description	Balance as of December 31, 2018	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Foreign exchange contracts	$ 7,022	$ —	$ 7,022	$ —
Interest rate swap agreements	302	—	302	—
Total assets	$ 7,324	$ —	$ 7,324	$ —
Liabilities:				
Foreign exchange contracts	$ 1,233	$ —	$ 1,233	$ —
Interest rate swap agreements	7,033	—	7,033	—
Contingent considerations	2,100	—	—	2,100
Deferred compensation	26,524	—	26,524	—
Total liabilities	$ 36,890	$ —	$ 34,790	$ 2,100

The Company’s derivative contracts are valued at fair value using the market approach. The Company measures the fair value of foreign exchange contracts and interest rate swap agreements using Level 2 inputs based on observable spot and forward rates in active markets. During the nine months ended September 30, 2019, there were no transfers between Levels 1, 2 or 3.

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

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

The fair value of Cash and cash equivalents, Accounts receivable, Short-term debt excluding the current portion of long-term debt and Trade accounts payable approximated book value due to the short-term nature of these instruments at both September 30, 2019 and December 31, 2018. The fair value of long-term debt at September 30, 2019 and December 31, 2018, including the current portion, was approximately $732,531 and $649,714, respectively, which was determined using available market information and methodologies requiring judgment. The carrying value of this debt at such dates was $713,994 and $702,660, respectively. Since judgment is required in interpreting market information, the fair value of the debt is not necessarily the amount that could be realized in a current market exchange.

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.

ITEM 2. 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 the Company's unaudited consolidated financial statements and other financial information included elsewhere in this Quarterly Report on Form 10-Q.

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. Welding products include arc welding power sources, computer numerical control and plasma cutters, wire feeding systems, robotic welding packages, integrated automation systems, automation components, fume extraction equipment, consumable electrodes, fluxes, 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.

The Company's products are sold in both domestic and international markets. In the Americas, products are sold principally through industrial distributors, retailers and 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 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 its retail business in the United States.

Results of Operations

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

	Three Months Ended September 30,					
	2019		2018		Favorable (Unfavorable) 2019 vs. 2018	
	Amount	% of Sales	Amount	% of Sales	$	%
Net sales	$ 730,783		$ 737,099		$ (6,316)	(0.9%)
Cost of goods sold	492,432		485,547		(6,885)	(1.4%)
Gross profit	238,351	32.6%	251,552	34.1%	(13,201)	(5.2%)
Selling, general & administrative expenses	148,312	20.3%	148,129	20.1%	(183)	(0.1%)
Rationalization and asset impairment charges	1,495	0.2%	2,636	0.4%	1,141	43.3%
Operating income	88,544	12.1%	100,787	13.7%	(12,243)	(12.1%)
Interest expense, net	6,400		3,969		(2,431)	(61.2%)
Other income (expense)	9,653		(1,074)		10,727	998.8%
Income before income taxes	91,797	12.6%	95,744	13.0%	(3,947)	(4.1%)
Income taxes	19,340		25,209		5,869	23.3%
Effective tax rate	21.1%		26.3%		5.2%	
Net income including non-controlling interests	72,457		70,535		1,922	2.7%
Non-controlling interests in subsidiaries' loss	(4)		(4)		—	—
Net income	$ 72,461	9.9%	$ 70,539	9.6%	$ 1,922	2.7%
Diluted earnings per share	$ 1.17		$ 1.07		$ 0.10	9.3%

	Nine Months Ended September 30,					
	2019		2018		Favorable (Unfavorable) 2019 vs. 2018	
	Amount	% of Sales	Amount	% of Sales	$	%
Net sales	$ 2,266,965		$ 2,284,847		$ (17,882)	(0.8%)
Cost of goods sold	1,500,312		1,506,625		6,313	0.4%
Gross profit	766,653	33.8%	778,222	34.1%	(11,569)	(1.5%)
Selling, general & administrative expenses	472,108	20.8%	473,260	20.7%	1,152	0.2%
Rationalization and asset impairment charges	6,337	0.3%	24,353	1.1%	18,016	74.0%
Operating income	288,208	12.7%	280,609	12.3%	7,599	2.7%
Interest expense, net	17,621		13,222		(4,399)	(33.3%)
Other income (expense)	17,612		6,818		10,794	158.3%
Income before income taxes	288,199	12.7%	274,205	12.0%	13,994	5.1%
Income taxes	58,832		73,991		15,159	20.5%
Effective tax rate	20.4%		27.0%		6.6%	
Net income including non-controlling interests	229,367		200,214		29,153	14.6%
Non-controlling interests in subsidiaries' loss	(26)		(13)		(13)	(100.0%)
Net income	$ 229,393	10.1%	$ 200,227	8.8%	$ 29,166	14.6%
Diluted earnings per share	$ 3.64		$ 3.03		$ 0.61	20.1%

Net Sales:

The following table summarizes the impact of volume, acquisitions, price and foreign currency exchange rates on Net sales for the three and nine months ended September 30, 2019 on a consolidated basis:

Three Months Ended September 30,	**Net Sales 2018**	**Change in Net Sales due to: Volume**	**Acquisitions**	**Price**	**Foreign Exchange**	**Net Sales 2019**
Lincoln Electric Holdings, Inc.	$ 737,099	$ (30,142)	$ 39,559	$ (4,235)	$ (11,498)	$ 730,783
% Change						
Lincoln Electric Holdings, Inc.		(4.1%)	5.4%	(0.6%)	(1.6%)	(0.9%)

Nine Months Ended September 30,	**Net Sales 2018**	**Change in Net Sales due to: Volume**	**Acquisitions**	**Price**	**Foreign Exchange**	**Net Sales 2019**
Lincoln Electric Holdings, Inc.	$ 2,284,847	$ (98,216)	$ 85,221	$ 43,919	$ (48,806)	$ 2,266,965
% Change						
Lincoln Electric Holdings, Inc.		(4.3%)	3.7%	1.9%	(2.1%)	(0.8%)

Net sales decreased in the three and nine months ended September 30, 2019 primarily as a result of lower organic sales and unfavorable foreign exchange, offset by acquisitions. The increase in Net sales from acquisitions was driven by the acquisitions of Coldwater, Pro Systems, Inovatech and Baker within Americas Welding, Worthington within The Harris Products Group and Askaynak within International Welding. Refer to Note 4 to the consolidated financial statements for details.

Gross Profit:

Gross profit for the three and nine months ended September 30, 2019 decreased, as a percent of sales, compared to the prior year due to product mix, lower volumes and acquisitions. The three and nine months ended September 30, 2019 includes a last-in, first-out ("LIFO") credit of $1,649 and $2,514, respectively, as compared to a LIFO charge of $3,498 and $9,671, respectively, in the three and nine months ended September 30, 2018.

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

SG&A expenses were flat for the three and nine months ended September 30, 2019 as compared to September 30, 2018 due to higher expense from acquisitions, offset by lower compensation costs and favorable foreign exchange.

Rationalization and Asset Impairment Charges:

The Company recorded net charges of $1,495, $1,240 after-tax, and $6,337, $4,991 after-tax, in the three and nine months ended September 30, 2019, respectively, primarily related to severance, asset impairments and gains or losses on the disposal of assets. The Company recorded net charges of $2,636, $2,575 after-tax, and $24,353, $20,807 after-tax, in the three and nine months ended September 30, 2018, respectively, primarily related to severance, asset impairments and gains or losses on the disposal of assets.

Interest Expense, Net:

The increase in Interest expense, net for the three and nine months ended September 30, 2019 as compared to September 30, 2018 was due to lower interest income on marketable securities.

Other Income (Expense):

The increase in Other income (expense) for the three and nine months ended September 30, 2019 as compared to September 30, 2018 was primarily due to the gain on change in control of $7,601 related to the acquisition of Askaynak and lower net periodic pension cost.

Income Taxes:

The effective tax rate was lower for the three months ended September 30, 2019 as compared to September 30, 2018 primarily due to higher favorable discrete tax adjustments in 2019, rationalization charges in regions with low or no tax benefit recorded in 2018 and adjustments and incremental tax expense recorded in 2018 related to the U.S. Tax Cuts and Job Act (the "U.S. Tax Act").

The effective tax rate was lower for the nine months ended September 30, 2019 as compared to September 30, 2018 primarily due to income tax benefits for the settlement of tax items as well as tax deductions associated with an investment in a subsidiary in 2019, rationalization charges in regions with low or no tax benefit recorded in 2018 and adjustments and incremental tax expense recorded in 2018 related to the U.S. Tax Act.

Net Income:

The increase in Net income for the three and nine months ended September 30, 2019 as compared to September 30, 2018 was primarily due to a lower effective tax rate, lower rationalization and asset impairment charges and a gain on change in control related to the acquisition of Askaynak.

Segment Results

Net Sales: The table below summarizes the impact of volume, acquisitions, price and foreign currency exchange rates on Net sales for the three and nine months ended September 30, 2019:

Three Months Ended September 30,		Change in Net Sales due to:				
	Net Sales 2018	Volume [1]	Acquisitions [2]	Price [3]	Foreign Exchange	Net Sales 2019
Operating Segments						
Americas Welding	$ 454,010	$ (20,605)	$ 17,380	$ (5,603)	$ (1,661)	$ 443,521
International Welding	209,622	(12,966)	17,413	607	(9,298)	205,378
The Harris Products Group	73,467	3,429	4,766	761	(539)	81,884
% Change						
Americas Welding		(4.5%)	3.8%	(1.2%)	(0.4%)	(2.3%)
International Welding		(6.2%)	8.3%	0.3%	(4.4%)	(2.0%)
The Harris Products Group		4.7%	6.5%	1.0%	(0.7%)	11.5%

(1) Decrease for Americas Welding due to softer demand associated with the current economic environment. Decrease for International Welding due to integration activities and softer demand in the European and Asian markets. Increase for The Harris Products Group driven primarily by higher consumables volumes.

(2) Increase due to the acquisition of Coldwater, Pro Systems, Inovatech and Baker within Americas Welding, Worthington within The Harris Products Group and Askaynak within International Welding. Refer to Note 4 to the consolidated financial statements for details.

(3) Decrease for Americas Welding due to decreased product pricing as a result of lower input costs.

Nine Months Ended September 30,		Change in Net Sales due to:				
	Net Sales 2018	Volume [1]	Acquisitions [2]	Price [3]	Foreign Exchange	Net Sales 2019
Operating Segments						
Americas Welding	$ 1,351,297	$ (49,756)	$ 51,612	$ 33,424	$ (8,730)	$ 1,377,847
International Welding	700,315	(54,433)	17,413	9,919	(37,444)	635,770
The Harris Products Group	233,235	5,973	16,196	576	(2,632)	253,348
% Change						
Americas Welding		(3.7%)	3.8%	2.5%	(0.6%)	2.0%
International Welding		(7.8%)	2.5%	1.4%	(5.3%)	(9.2%)
The Harris Products Group		2.6%	6.9%	0.2%	(1.1%)	8.6%

(1) Decrease for Americas Welding due to softer demand associated with the current economic environment. Decrease for International Welding due to integration activities and softer demand in the European and Asian markets. Increase for The Harris Products Group driven primarily by higher consumables volume.

(2) Increase due to the acquisition of Coldwater, Pro Systems, Inovatech and Baker within Americas Welding, Worthington within The Harris Products Group and Askaynak within International Welding. Refer to Note 4 to the consolidated financial statements for details.

(3) Increase for Americas Welding and International Welding segments due to increased product pricing as a result of higher input costs.

Adjusted Earnings Before Interest and Income Taxes:

Segment performance is measured and resources are allocated based on a number of factors, the primary measure being the Adjusted EBIT profit measure. EBIT is defined as Operating income plus Other income (expense). 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.

	Three Months Ended September 30,		Favorable (Unfavorable) 2019 vs. 2018	
	2019	2018	$	%
Americas Welding:				
Net sales	$ 443,521	$ 454,010	$ (10,489)	(2.3%)
Inter-segment sales	31,101	31,845	(744)	(2.3%)
Total Sales	$ 474,622	$ 485,855	(11,233)	(2.3%)
Adjusted EBIT (4)	$ 74,110	$ 89,253	(15,143)	(17.0%)
As a percent of total sales (1)	15.6%	18.4%		(2.8%)
International Welding:				
Net sales	$ 205,378	$ 209,622	(4,244)	(2.0%)
Inter-segment sales	4,441	3,663	778	21.2%
Total Sales	$ 209,819	$ 213,285	(3,466)	(1.6%)
Adjusted EBIT (5)	$ 10,184	$ 10,721	(537)	(5.0%)
As a percent of total sales (2)	4.9%	5.0%		(0.1%)
The Harris Products Group:				
Net sales	$ 81,884	$ 73,467	8,417	11.5%
Inter-segment sales	1,857	1,537	320	20.8%
Total Sales	$ 83,741	$ 75,004	8,737	11.6%
Adjusted EBIT	$ 11,038	$ 8,676	2,362	27.2%
As a percent of total sales (3)	13.2%	11.6%		1.6%
Corporate / Eliminations:				
Inter-segment sales	$ (37,399)	$ (37,045)	354	1.0%
Adjusted EBIT (6)	(1,632)	(1,099)	533	48.5%
Consolidated:				
Net sales	$ 730,783	$ 737,099	(6,316)	(0.9%)
Net income	$ 72,461	$ 70,539	1,922	2.7%
As a percent of total sales	9.9%	9.6%		0.3%
Adjusted EBIT (7)	$ 93,700	$ 107,551	(13,851)	(12.9%)
As a percent of sales	12.8%	14.6%		(1.8%)

(1) Decrease for the three months ended September 30, 2019 as compared to September 30, 2018 primarily driven by the dilutive impact of recent acquisitions and lower Net sales volumes.

(2) Decrease for the three months ended September 30, 2019 as compared to September 30, 2018 driven by lower Net sales volumes and product mix.

(3) Increase for the three months ended September 30, 2019 as compared to September 30, 2018 driven by consumables volume increases.

(4) The three months ended September 30, 2018 exclude pension settlement charges of $4,232 related to lump sum pension payments as discussed in Note 13 to the consolidated financial statements.

(5) The three months ended September 30, 2019 and 2018 exclude Rationalization and asset impairment charges of $1,495 and $2,636, respectively, related to severance, asset impairments and gains or losses on the disposal of assets as discussed in Note 6 to the consolidated financial statements. The three months ended September 30, 2019 also excludes the amortization of step up in value of acquired inventories of $1,609 and a gain on change in control of $7,601 related to the Askaynak acquisition.

(6) The three months ended September 30, 2018 exclude acquisition transaction and integration costs of $970 related to the Air Liquide Welding acquisition.

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

The following table presents Adjusted EBIT by segment:

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018	Favorable (Unfavorable) 2019 vs. 2018 $	Favorable (Unfavorable) 2019 vs. 2018 %
Americas Welding:				
Net sales	$ 1,377,847	$ 1,351,297	$ 26,550	2.0%
Inter-segment sales	95,300	89,671	5,629	6.3%
Total Sales	$ 1,473,147	$ 1,440,968	32,179	2.2%
Adjusted EBIT (4)	$ 240,713	$ 254,850	(14,137)	(5.5%)
As a percent of total sales (1)	16.3%	17.7%		(1.4%)
International Welding:				
Net sales	$ 635,770	$ 700,315	(64,545)	(9.2%)
Inter-segment sales	12,838	13,669	(831)	(6.1%)
Total Sales	$ 648,608	$ 713,984	(65,376)	(9.2%)
Adjusted EBIT (5)	$ 38,699	$ 41,970	(3,271)	(7.8%)
As a percent of total sales (2)	6.0%	5.9%		0.1%
The Harris Products Group:				
Net sales	$ 253,348	$ 233,235	20,113	8.6%
Inter-segment sales	5,837	5,447	390	7.2%
Total Sales	$ 259,185	$ 238,682	20,503	8.6%
Adjusted EBIT	$ 35,045	$ 28,058	6,987	24.9%
As a percent of total sales (3)	13.5%	11.8%		1.7%
Corporate / Eliminations:				
Inter-segment sales	$ (113,975)	$ (108,787)	5,188	4.8%
Adjusted EBIT (6)	(8,643)	(4,443)	4,200	94.5%
Consolidated:				
Net sales	$ 2,266,965	$ 2,284,847	(17,882)	(0.8%)
Net income	$ 229,393	$ 200,227	29,166	14.6%
As a percent of total sales	10.1%	8.8%		1.3%
Adjusted EBIT (7)	$ 305,814	$ 320,435	(14,621)	(4.6%)
As a percent of sales	13.5%	14.0%		(0.5%)

(1) Decrease for the nine months ended September 30, 2019 as compared to September 30, 2018 primarily driven by the dilutive impact of recent acquisitions and lower Net sales volumes.

(2) Increase for the nine months ended September 30, 2019 as compared to September 30, 2018 driven by lower compensation costs, partially offset by lower Net sales volumes.

(3) Increase for the nine months ended September 30, 2019 as compared to September 30, 2018 driven by consumables volume increases.

(4) The nine months ended September 30, 2019 exclude Rationalization and asset impairment charges of $1,716, as discussed in Note 6 to the consolidated financial statements, and the amortization of step up in value of acquired inventories of $1,399 related to the Baker acquisition. The nine months ended September 30, 2018 exclude pension settlement charges of $4,990 related to lump sum pension payments as discussed in Note 13 to the consolidated financial statements.

(5) The nine months ended September 30, 2019 and 2018 exclude Rationalization and asset impairment charges of $4,621 and $24,353, respectively, related to severance, asset impairments and gains or losses on the disposal of assets as discussed in Note 6 to the consolidated financial statements, the amortization of step up in value of acquired inventories of $1,609 and a gain on change in control of $7,601 related to the Askaynak acquisition. The nine months ended September 30, 2019 also exclude gains on disposal of assets of $3,554.

(6) The nine months ended September 30, 2019 and 2018 exclude acquisition transaction and integration costs of $1,804 and $3,665, respectively, related to the Air Liquide Welding acquisition.

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

Non-GAAP Financial Measures

The Company reviews Adjusted operating income, Adjusted net income, Adjusted EBIT, Adjusted effective tax rate, Adjusted diluted earnings per share and Return on invested capital, all non-GAAP financial measures, in assessing and evaluating the Company's underlying operating performance. These non-GAAP financial measures exclude the impact of special items on the Company's reported financial results. Non-GAAP financial measures should be read in conjunction with the generally accepted accounting principles in the United States ("GAAP") financial measures, as non-GAAP measures are a supplement to, and not a replacement for, GAAP financial measures.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Operating income as reported	$ 88,544	$ 100,787	$ 288,208	$ 280,609
Special items (pre-tax):				
Rationalization and asset impairment charges (1)	1,495	2,636	6,337	24,353
Acquisition transaction and integration costs (2)	—	970	1,804	3,665
Amortization of step up in value of acquired inventories (3)	1,609	—	3,008	—
Gains on asset disposals (4)	—	—	(3,045)	—
Adjusted operating income	$ 91,648	$ 104,393	$ 296,312	$ 308,627
Net income as reported	$ 72,461	$ 70,539	$ 229,393	$ 200,227
Special items:				
Rationalization and asset impairment charges (1)	1,495	2,636	6,337	24,353
Acquisition transaction and integration costs (2)	—	970	1,804	3,665
Pension settlement charges (5)	—	4,232	—	4,990
Amortization of step up in value of acquired inventories (3)	1,609	—	3,008	—
Gains on asset disposals (4)	—	—	(3,554)	—
Gain on change in control (6)	(7,601)	—	(7,601)	—
Tax effect of Special items (7)	(255)	1,033	(5,819)	(132)
Adjusted net income	67,709	79,410	223,568	233,103
Non-controlling interests in subsidiaries' earnings (loss)	(4)	(4)	(26)	(13)
Interest expense, net	6,400	3,969	17,621	13,222
Income taxes as reported	19,340	25,209	58,832	73,991
Tax effect of Special items (7)	255	(1,033)	5,819	132
Adjusted EBIT	$ 93,700	$ 107,551	$ 305,814	$ 320,435
Effective tax rate as reported	21.1%	26.3 %	20.4%	27.0 %
Net special item tax impact	1.3%	(3.0%)	2.0%	(2.9%)
Adjusted effective tax rate	22.4%	23.3 %	22.4%	24.1 %
Diluted earnings per share as reported	$ 1.17	$ 1.07	$ 3.64	$ 3.03
Special items per share	(0.08)	0.14	(0.09)	0.50
Adjusted diluted earnings per share	$ 1.09	$ 1.21	$ 3.55	$ 3.53

(1) Charges primarily related to severance, asset impairments and gains or losses on the disposal of assets as discussed in Note 6 to the consolidated financial statements.

(2) Costs related to the Air Liquide Welding acquisition and are included in Selling, general & administrative expenses.

(3) Charges related to the acquisitions of Baker and Askaynak and are included in Cost of goods sold.

(4) Gains primarily included in Cost of goods sold.

(5) Pension settlement charges related to lump sum pension payments as discussed in Note 13 to the consolidated financial statements and are included in Other income (expense).

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

(7) Includes the net tax impact of Special items recorded during the respective periods, including tax benefits of $4,852 for the settlement of a tax item as well as tax deductions associated with an investment in a subsidiary in the nine months

ended September 30, 2019. The prior year includes an adjustment to taxes on unremitted foreign earnings related to the U.S. Tax Act of $2,323 and $4,823 in the three and nine months ended September 30, 2018, respectively.

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

Liquidity and Capital Resources

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

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

The following table reflects changes in key cash flow measures:

	Nine Months Ended September 30,		
	2019	**2018**	**$ Change**
Cash provided by operating activities (1)	$ 280,666	$ 229,777	$ 50,889
Cash (used by) provided by investing activities (2)	(178,795)	48,273	(227,068)
Capital expenditures	(53,551)	(48,746)	(4,805)
Acquisition of businesses, net of cash acquired	(136,735)	6,591	(143,326)
Proceeds from marketable securities, net of purchases	—	79,843	(79,843)
Cash used by financing activities (3)	(302,461)	(196,519)	(105,942)
Purchase of shares for treasury	(221,942)	(121,477)	(100,465)
Cash dividends paid to shareholders	(89,162)	(76,674)	(12,488)
(Decrease) increase in Cash and cash equivalents (4)	(202,237)	71,499	

(1) Cash provided by operating activities increased for the nine months ended September 30, 2019, compared with the nine months ended September 30, 2018 primarily due to favorable changes in working capital and cash flows from tax payments and receipts.

(2) Cash used by investing activities increased for the nine months ended September 30, 2019, compared with the nine months ended September 30, 2018 predominantly due to cash used in the acquisition of businesses in 2019 and net proceeds from marketable securities in 2018. The Company currently anticipates capital expenditures of $65,000 to $75,000 in 2019. Anticipated capital expenditures include investments for capital maintenance to improve operational effectiveness. Management critically evaluates all proposed capital expenditures and expects each project to increase efficiency, reduce costs, promote business growth or improve the overall safety and environmental conditions of the Company's facilities.

(3) Cash used by financing activities increased in the nine months ended September 30, 2019, compared with the nine months ended September 30, 2018 due to higher purchases of common shares for treasury.

(4) Cash and cash equivalents decreased 56.4%, or $202,237, to $156,612 during the nine months ended September 30, 2019, from $358,849 as of December 31, 2018. This decrease was predominantly due to cash used in the acquisition of businesses, purchases of common shares for treasury and cash dividends paid to shareholders, partially offset by cash provided by operating activities. The decrease in Cash and cash equivalents during the nine months ended September 30, 2019 compares to an increase of 21.9% during the nine months ended September 30, 2018. The increase in 2018 was primarily due to cash provided by operating activities and proceeds from marketable securities, partially offset by purchases of common shares for treasury and cash dividends paid to shareholders. At September 30, 2019, $144,324 of Cash and cash equivalents was held by international subsidiaries.

The Company's total debt levels increased compared to December 31, 2018 predominately due to additional short-term borrowings. Total debt to total invested capital increased to 47.2% at September 30, 2019 from 44.2% at December 31, 2018.

In October 2019, the Company paid a cash dividend of $0.47 per share, or $28,740, to shareholders of record as of September 30, 2019.

Working Capital Ratios

	September 30, 2019	December 31, 2018	September 30, 2018
Average operating working capital to net sales [1]	19.2%	16.5%	18.3%
Days sales in Inventories	106.2	95.1	100.8
Days sales in Accounts receivable	53.9	52.7	54.5
Average days in Trade accounts payable	51.1	55.5	52.3

(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.

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 Short-term debt and Long-term debt, less current portions, plus Total equity.

ROIC for the twelve months ended September 30, 2019 and 2018 were as follows:

	Twelve Months Ended September 30,	
	2019	2018
Net income	$ 316,232	$ 224,408
Rationalization and asset impairment charges	7,269	30,943
Acquisition transaction and integration costs	2,637	7,281
Pension settlement charges	1,696	7,857
Amortization of step up in value of acquired inventories	3,008	2,264
Gains on disposal of assets	(3,554)	—
Bargain purchase adjustment	—	1,935
Gain on change in control	(7,601)	—
Tax effect of Special items [1]	(12,583)	25,925
Adjusted net income	$ 307,104	$ 300,613
Plus: Interest expense, net of tax of $6,410 and $6,087 in 2019 and 2018, respectively	19,265	18,295
Less: Interest income, net of tax of $926 and $1,676 in 2019 and 2018, respectively	2,785	5,036
Adjusted net income before tax effected interest	$ 323,584	$ 313,872
Invested Capital	**September 30, 2019**	**September 30, 2018**
Short-term debt	$ 13,293	$ 794
Long-term debt, less current portion	713,884	698,468
Total debt	727,177	699,262
Total equity	813,808	927,868
Invested capital	$ 1,540,985	$ 1,627,130
Return on invested capital	21.0%	19.3%

(1) Includes the net tax impact of Special items recorded during the respective periods, including tax benefits of $4,852 for the settlement of a tax item as well as tax deductions associated with an investment in a subsidiary in the twelve

months ended September 30, 2019 and net charges of $33,439 related to the U.S. Tax Act in the twelve months ended September 30, 2018.

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

New Accounting Pronouncements

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

Acquisitions

Refer to Note 4 to the consolidated financial statements for a discussion of the Company's recent acquisitions.

Debt

Revolving Credit Agreement

The Company has a line of credit totaling $400,000 through the Amended and Restated Credit Agreement (the “Credit Agreement”). The Credit Agreement has a term of 5 years and may be increased, subject to certain conditions, by an additional amount up to $100,000. The interest rate on borrowings is based on either the London Inter-Bank Offered Rate ("LIBOR") or the prime rate, plus a spread based on the Company’s leverage ratio, at the Company’s election. The Company amended and restated the Credit Agreement on June 30, 2017, extending the maturity of the line of credit to June 30, 2022. The Credit Agreement contains customary affirmative, negative and financial covenants for credit facilities of this type, including limitations on the Company and its subsidiaries with respect to liens, investments, distributions, mergers and acquisitions, dispositions of assets, transactions with affiliates and a fixed charges coverage ratio and total leverage ratio. As of September 30, 2019, the Company was in compliance with all of its covenants and had no outstanding borrowings under the Credit Agreement.

Senior Unsecured Notes

On April 1, 2015 and October 20, 2016, the Company entered into separate Note Purchase Agreements pursuant to which it issued senior unsecured notes (the "Notes") through a private placement. The 2015 Notes and 2016 Notes each have an aggregate principal amount of $350,000, comprised of four different series ranging from $50,000 to $100,000, with maturity dates ranging from August 20, 2025 through April 1, 2045, and interest rates ranging from 2.75% and 4.02%. Interest on the Notes is paid semi-annually. The Company's total weighted average effective interest rate and remaining weighted average tenure of the Notes is 3.3% and 15 years, respectively. The proceeds of the Notes were used for general corporate purposes. The Notes contain certain affirmative and negative covenants. As of September 30, 2019, the Company was in compliance with all of its debt covenants relating to the Notes.

Shelf Agreements

On November 27, 2018, the Company entered into seven uncommitted master note facilities (the "Shelf Agreements") that allow borrowings up to $700,000 in the aggregate. The Shelf Agreements have a term of 5 years and the average life of borrowings cannot exceed 15 years. The Company is required to comply with covenants similar to those contained in the Notes. As of September 30, 2019, the Company was in compliance with all of its covenants and had no outstanding borrowings under the Shelf Agreements.

Forward-looking Statements

The Company's expectations and beliefs concerning the future contained in this report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect management's current expectations and involve a number of risks and uncertainties. Forward-looking statements generally can be identified by the use of words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "forecast," "guidance" or words of similar meaning. Actual results may differ materially from such statements due to a variety of factors that could adversely affect the Company's operating results. The factors include, but are not limited to: general economic and market conditions; the effectiveness of operating initiatives; completion of planned divestitures; interest rates; disruptions, uncertainty or volatility in the credit markets that may limit our access to capital; currency exchange rates and devaluations; adverse outcome of pending or potential litigation; actual costs of the Company's rationalization plans; possible acquisitions, including the Company's ability to successfully integrate acquisitions; market risks and price fluctuations related to the purchase of commodities and energy; global regulatory complexity; the effects of changes in tax law; tariff rates in the countries where the Company conducts business; and the possible effects of events beyond our control, such as political unrest, acts of terror and natural disasters, on the Company or its customers, suppliers and the economy in general. For additional discussion, see "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's exposure to market risk since December 31, 2018. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of September 30, 2019.

Changes in Internal Control Over Financial Reporting

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

There have been no other changes in the Company's internal control over financial reporting during the quarter ended September 30, 2019 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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 September 30, 2019, the Company was a co-defendant in cases alleging asbestos induced illness involving claims by approximately 3,283 plaintiffs, which is a net increase of 4 claims from those previously reported. In each instance, the Company is one of a large number of defendants. The asbestos claimants seek compensatory and punitive damages, in most cases for unspecified sums. Since January 1, 1995, the Company has been a co-defendant in other similar cases that have been resolved as follows: 55,061 of those claims were dismissed, 23 were tried to defense verdicts, 7 were tried to plaintiff verdicts (which were reversed or resolved after appeal), 1 was resolved by agreement for an immaterial amount and 896 were decided in favor of the Company following summary judgment motions.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, the reader should carefully consider the factors discussed in “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, which could materially affect the Company’s business, financial condition or future results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer purchases of its common shares during the third quarter of 2019 were as follows:

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)
July 1 - 31, 2019	269,054	(1)	$ 83.17	267,872	4,031,018
August 1 - 31, 2019	355,236		82.47	355,236	3,675,782
September 1 - 30, 2019	112,756	(1)	82.95	112,147	3,563,635
Total	737,046			735,255	

(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 programs were 51.4 million shares at a total cost of $2.1 billion for a weighted average cost of $40.79 per share through September 30, 2019.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 6. EXHIBITS

(a) Exhibits

10.1	First Amendment, dated as of July 30, 2019, to the 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 herewith).
31.1	Certification of the Chairman, President and Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of the Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1	Certification of the Chairman, President and Chief Executive Officer (Principal Executive Officer) and Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover page Interactive Data File (formatted as Inline XBRL and contained in the Exhibit 101 attachments)

SIGNATURES

Pursuant to the requirements 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.

/s/ Gabriel Bruno

Gabriel Bruno
Executive Vice President, Finance
(principal accounting officer)
October 30, 2019

Exhibit 10.1

FIRST AMENDMENT TO NOTE PURCHASE AGREEMENT

FIRST AMENDMENT (this "Amendment"), dated as of July 30, 2019, to the Note Purchase Agreement dated as of April 1, 2015 (as amended, supplemented, amended and restated or otherwise modified from time to time, including by this Amendment, the "Note Purchase Agreement"), among Lincoln Electric Holdings, Inc., an Ohio corporation (the "Company"), The Lincoln Electric Company, an Ohio corporation ("Lincoln"), Lincoln Electric International Holding Company, a Delaware corporation ("International"), J.W. Harris Co., Inc., an Ohio corporation ("Harris"), Lincoln Global, Inc., a Delaware corporation ("Global"), Techalloy, Inc., a Delaware corporation ("Techalloy"), and Wayne Trail Technologies, Inc., an Ohio corporation ("Wayne" and with the Company, Lincoln, International, Harris, Global and Techalloy, each an "Obligor" and, collectively, the "Obligors"), and the Purchasers party hereto.

W I T N E S S E T H :

WHEREAS, the parties hereto are parties to the Note Purchase Agreement; and

WHEREAS, the Obligors and the Purchasers (constituting the Required Holders) wish to amend the Note Purchase Agreement as described herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, which include all Obligors as of the date hereof, agree as follows:

SECTION 1. DEFINITIONS. Unless otherwise defined herein, capitalized terms which are defined in the Note Purchase Agreement are used herein as therein defined.

SECTION 2. AMENDMENTS.

(a) Section 10.8 of the Note Purchase Agreement is hereby amended and restated as follows:

"**Section 10.8. Total Leverage Ratio**

(a) The Company shall not permit the Total Leverage Ratio as of the end of any fiscal quarter to be greater than 3.50 to 1.00; provided that, upon notice by the Company to the holders of Notes, as of the last day of each of the four consecutive fiscal quarters immediately following a Qualified Acquisition, such ratio may be greater than 3.50 to 1.00, but in no event greater than 4.00 to 1.00, but only so long as (i) the Total Leverage Ratio for the two full consecutive fiscal quarters immediately prior to such Qualified Acquisition was not greater than 3.50 to 1.00 and (ii) the Company pays the additional interest provided for in clause (b) of this Section 10.8.

(b) If the Total Leverage Ratio at any time exceeds 3.50 to 1.00, as evidenced by an Officer's Certificate delivered pursuant to Section 7.2(a), the interest rate payable on the Notes shall be increased by 0.75% (the **"Incremental Interest"**). Such Incremental Interest shall begin to accrue on the first day of the fiscal quarter following the fiscal quarter in respect of which such Officer's Certificate was delivered, and shall continue to accrue until the Company has provided an Officer's Certificate pursuant to Section 7.2(a) demonstrating that, as of the last day of the fiscal quarter in respect of which such Officer's Certificate is delivered, the Total Leverage Ratio is not more than 3.50 to 1.00. In the event such Officer's Certificate is delivered, the Incremental Interest shall cease to accrue on the last day of the fiscal quarter in respect of which such Officer's Certificate is delivered."

(b) Schedule A to the Note Purchase Agreement is hereby amended by inserting the following definition of "Qualified Acquisition" in the appropriate alphabetical order:

““**Qualified Acquisition**” means any acquisition of either or both the capital stock or assets of any Person or Persons (or any portion thereof), or the last to occur of a series of such acquisitions consummated within a period of six consecutive months, if the aggregate amount of Indebtedness incurred by one or more of the Company and its Subsidiaries to finance the purchase price of, or assumed by one or more of them in connection with the acquisition of, such stock and property is at least $100,000,000.”

SECTION 3. CONDITIONS PRECEDENT. This Amendment shall become effective as of the date of the satisfaction or waiver of each of the conditions precedent set forth in this Section 3.

(a) Execution and Delivery. This Amendment shall have been executed by each Obligor and the Purchasers party hereto (constituting the Required Holders).

(b) No Default. Both prior to and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing on the date hereof.

(c) Representations and Warranties. All representations and warranties of the Obligors contained herein, in the Note Purchase Agreement and the Notes shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date hereof, except to the extent that such representations and warranties expressly relate to an earlier specified date, in which case such representations and warranties shall have been true and correct in all material respects as of the date when made

For the purpose of determining compliance with the conditions specified in this Section 3, each Purchaser that has signed this Amendment shall be deemed to have accepted, and to be satisfied with, each matter required under this Section 3.

SECTION 4. REPRESENTATIONS AND WARRANTIES. Each Obligor, by signing below, hereby represents and warrants to the Purchasers that:

(a) such Obligor has the legal power and authority to execute and deliver this Amendment;

(b) the officer executing this Amendment on behalf of such Obligor has been duly authorized to execute and deliver the same and bind such Obligor with respect to the provisions hereof;

(c) the execution and delivery hereof by such Obligor and the performance and observance by such Obligor of the provisions hereof do not violate or conflict with the charter, bylaws or equivalent documents of such Obligor or any law applicable to such Obligor or result in a breach of any provision of or constitute a default under any other agreement, instrument or document binding upon or enforceable against such Obligor;

(d) after giving effect to this Amendment, no Default or Event of Default exists under the Note Purchase Agreement, nor will any occur immediately after the execution and delivery of this Amendment or by the performance or observance of any provision hereof;

(e) to its knowledge, as of the date hereof, such Obligor does not have any claim or offset against, or defense or counterclaim to, any obligations or liabilities of such Obligor under the Note Purchase Agreement or any Notes;

(f) this Amendment constitutes a valid and binding obligation of such Obligor in every respect, enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors’ rights or by general principles of equity limiting the availability of equitable remedies; and

(g) each of the representations and warranties set forth in Article 5 of the Note Purchase Agreement is true and correct in all material respects as of the date hereof, except to the extent that any thereof expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of the date when made.

SECTION 5. CONTINUING EFFECT. Except as expressly amended, waived or modified hereby, the Note Purchase Agreement shall continue to be and shall remain in full force and effect in accordance with their respective terms. This Amendment shall not constitute an amendment, waiver or modification of any provision of the Note Purchase Agreement not expressly referred to herein and shall not be construed as an amendment, waiver or modification of any action on the part of any Obligor that would require an amendment, waiver or consent of the Purchasers except as expressly stated herein, or be construed to indicate the willingness of the Purchasers to further amend, waive or modify any provision of the Note Purchase Agreement amended, waived or modified hereby for any other period, circumstance or event. Except as expressly modified by this Amendment, the Note Purchase Agreement and the Notes are ratified and confirmed and are, and shall continue to be, in full force and effect in accordance with their respective terms. Except as expressly set forth herein, each Purchaser reserves all of its rights, remedies, powers and privileges under the Note Purchase Agreement, the Notes, applicable law and/or equity. Any reference to the "Note Purchase Agreement" in any Note or any related documents shall be deemed to be a reference to the Note Purchase Agreement as amended by this Amendment.

SECTION 6. GOVERNING LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. SUCCESSORS AND ASSIGNS. This Amendment shall be binding upon and inure to the benefit of the Obligors and the Purchasers, and each of their respective successors and assigns, and shall not inure to the benefit of any third parties. The execution and delivery of this Amendment by any Purchaser shall be binding upon its successors and assigns and shall be effective as to any Notes assigned to it after such execution and delivery.

SECTION 8. ENTIRE AGREEMENT. This Amendment, the Note Purchase Agreement and the Notes represent the entire agreement of the Obligors and the Purchasers, as applicable, with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by any Purchaser relative to the subject matter hereof not expressly set forth or referred to herein or in the Note Purchase Agreement or the Notes.

SECTION 9. COUNTERPARTS. This Amendment may be executed by the parties hereto in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. An executed signature page of this Amendment may be delivered by facsimile transmission or electronic PDF of the relevant signature page hereof.

SECTION 10. HEADINGS. Section headings used in this Amendment are for convenience of reference only, are not part of this Amendment and are not to affect the construction of, or to be taken into consideration in interpreting, this Amendment.

[*remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers as of the date first written above.

Lincoln Electric Holdings, Inc.

By /s/ Christopher L. Mapes
Name: Christopher L. Mapes
Title: Chairman, President and Chief Executive Officer

The Lincoln Electric Company

By /s/ Jennifer I. Ansberry
Name: Jennifer I. Ansberry
Title: Executive Vice President, General Counsel and Secretary

Lincoln Electric International Holding Company

By /s/ Vincent K. Petrella
Name: Vincent K. Petrella
Title: Treasurer

J.W. Harris Co., Inc.

By /s/ Jennifer I. Ansberry
Name: Jennifer I. Ansberry
Title: Secretary

Lincoln Global, Inc.

By /s/ Daniel McMillin
Name: Daniel McMillin
Title: Treasurer

Techalloy, Inc.

By /s/ Jennifer I. Ansberry

Name: Jennifer I. Ansberry
Title: Secretary

Wayne Trail Technologies, Inc.

By /s/ Matthew Jay Shannon
Name: Matthew Jay Shannon
Title: Treasurer

ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA
By: Allianz Global Investors U.S. LLC

By /s/ Charles Dudley
Name: Charles Dudley
Title: Managing Director

AMERICAN GENERAL LIFE INSURANCE COMPANY, as a Purchaser
NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA, as a Purchaser

By: AIG Asset Management (U.S.), LLC, an investment adviser

By /s/ Jason Young
Name: Jason Young
Title: Vice President

JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.), as a Purchaser

By /s/ Michael J. Tiberii
Name: Michael Tiberii
Title: Managing Director

JOHN HANCOCK LIFE INSURANCE COMPANY OF NEW YORK, as a Purchaser

By /s/ Michael J. Tiberii
Name: Michael Tiberii
Title: Managing Director

JOHN HANCOCK LIFE & HEALTH INSURANCE COMPANY, as a Purchaser

By /s/ Michael J. Tiberii
Name: Michael Tiberii
Title: Managing Director

MANULIFE (INTERNATIONAL) LIMITED,
as a Purchaser

By /s/ Gerald Posthuma
Name: Gerald Posthuma
Title: Chief Investment Officer, Asia, General Account Investments

MANUFACTURERS LIFE REINSURANCE LIMITED, as a Purchaser

By /s/ Tatsuya Oshiro
Name: Tatsuya Oshiro
Title: Co-Head of Investments, Manulife General Account Investments (Singapore) Pte. Ltd. as investment manager of Manufacturers Life Reinsurance Limited

METROPOLITAN LIFE INSURANCE COMPANY
by MetLife Investment Management, LLC, Its Investment Manager

METROPOLITAN LIFE INSURANCE COMPANY, on behalf of its Separate Account 733
by MetLife Investment Management, LLC, Its Investment Manager

By /s/ Jennifer Potenta
Name: Jennifer Potenta
Title: Authorized Signatory

BRIGHTHOUSE LIFE INSURANCE COMPANY
by MetLife Investment Management, LLC, Its Investment Manager

By /s/ Jason Rothenberg
Name: Jason Rothenberg
Title: Authorized Signatory

ERIE FAMILY LIFE INSURANCE COMPANY
by MetLife Investment Management, LLC, Its Investment Manager

By /s/ Judith A. Gulotta
Name: Judith A. Gulotta
Title: Authorized Signatory

EMPLOYERS REASSURANCE CORPORATION
by MetLife Investment Management, LLC, Its Investment Adviser

By /s/ Frank O. Monfalcone
Name: Frank O. Monfalcone
Title: Authorized Signatory

PROTECTIVE LIFE INSURANCE COMPANY,
as a Purchaser

By /s/ Philip E. Passafiume
Name: Philip E. Passafiume
Title: Director, Fixed Income

STATE FARM LIFE INSURANCE COMPANY,
as a Purchaser

By /s/ Jeffrey Attwood
Name: Jeffrey Attwood
Title: Investment Professional

By /s/ Rebekah L. Holt
Name: Rebekah L. Holt
Title: Investment Professional

STATE FARM LIFE AND ACCIDENT ASSURANCE COMPANY,
as a Purchaser

By /s/ Jeffrey Attwood
Name: Jeffrey Attwood
Title: Investment Professional

By /s/ Rebekah L. Holt
Name: Rebekah L. Holt
Title: Investment Professional

STATE FARM INSURANCE COMPANIES EMPLOYEE RETIREMENT TRUST,
as a Purchaser

By /s/ Jeffrey Attwood
Name: Jeffrey Attwood
Title: Investment Professional

By /s/ Rebekah L. Holt
Name: Rebekah L. Holt
Title: Investment Professional

THRIVENT FINANCIAL FOR LUTHERANS,
as a Purchaser

By /s/ Martin Rosacker
Name: Martin Rosacker
Title: Managing Director

Exhibit 31.1

CERTIFICATION

I, Christopher L. Mapes, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: October 30, 2019

/s/ Christopher L. Mapes

Christopher L. Mapes
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Vincent K. Petrella, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: October 30, 2019

/s/ Vincent K. Petrella

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

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Lincoln Electric Holdings, Inc. (the "Company") for the three months ended September 30, 2019, 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: October 30, 2019

/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