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Lincoln Electric Holdings, Inc.

Q1 2018 Earnings Conference Call

April 23, 2018

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Safe Harbor and Regulation G Disclosures

Forward-Looking Statements:

Statements made during this presentation which are not historical facts may be considered forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied. 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. For further information concerning issues that could materially affect financial performance related to forward-looking statements, please refer to Lincoln Electric’s quarterly earnings releases and periodic filings with the Securities and Exchange Commission, which can be found on www.sec.gov or on www.lincolnelectric.com.

Non-GAAP Measures:

Our management uses non-GAAP financial measures in assessing and evaluating the Company’s performance, which exclude items we consider unusual or special items. We believe the use of such financial measures and information may be useful to investors. Non-GAAP financial measures should be read in conjunction with the GAAP financial measures, as non-GAAP measures are a supplement to, and not a replacement for, GAAP financial measures. Please refer to the attached schedule for a reconciliation of non-GAAP financial measures to the related GAAP financial measures.

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Q1 2018 Highlights: Solid organic sales as demand improves and commercial and operational initiatives focus on mitigating inflation

- **Reported sales increased 30.4% to $757.7 million on 9.4% organic sales growth and 18.3% acquisition benefit**
- **Adjusted Operating Income increased 17.2% to $97.3 million on sales growth**
- **Adjusted Operating Income Margin of 12.8%; Excluding the ALW acquisition at 13.9%** (down 40 basis points vs. PY)
- **Diluted EPS of $0.92, Adjusted EPS increased 25% to $1.10**
- **Average Operating Working Capital Ratio of 18.1%; Excluding the ALW acquisition at 16.5%**
- **ROIC of 16.7%**

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Positive Momentum in Industrial Demand

- **Organic sales continued to improve in Q1: up 9.4% vs. prior year**
  - All reportable segments achieved organic sales growth
  - Strongest growth in North America, U.S. exports, Asia Pacific, and Harris Products Group
  - Double digit percent organic growth in consumables and automation; equipment up mid-single digit percent

- **Q1 2018 End Sector Performance[1]:**
  - **Higher demand vs. PY**: Most end markets grew in Q1, led by double digit percent growth in Heavy Industries and General Fabrication
  - **Lower demand vs. PY**: Portions of Energy: Process Industries, Offshore and Pipe mills

[1] End sector performance reflects only legacy Lincoln Electric direct channel sales trends.

Integration Activities are Pacing Ahead of Plan

Q1 2018 Key Actions

- Continued progress on facility consolidations in Europe
- Streamlining commercial and administrative functions to eliminate redundancy
- Starting to recognize procurement synergies
- IT system integration and processes underway
- Launched e-commerce platform in EU to achieve greater efficiencies for targeted transactions
- Centralizing and standardizing commercial initiatives

Q1 Financial Impact

- Q1 Rationalization Charges: $10.2M
- Adjusted EPS Contribution: $0.06

On Track to Meet $30 million
annual run rate of pre-tax operational synergies to be realized by 4th Year

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Income Statement – Q1 2018

$ in Millions		Q1 2018	% of Sales		Q1 2017	% of Sales	YoY % Change Fav/(Unfav)
Net Sales	$	**757.7**		$	**580.9**		30.4%
Gross Profit		**256.6**	33.9%		**202.7**	34.9%	26.6%
SG&A		**161.2**	21.3%		**123.3**	21.2%	(30.8%)
Special item charges[1,2]		12.1	1.6%		3.6	0.6%	(236.1%)
Operating Income		**85.2**	11.2%		**79.4**	13.7%	7.3%
Adjusted Operating Income[1]		**97.3**	12.8%		**83.0**	14.3%	17.2%
Interest Expense, net[3]		**4.4**	0.6%		**5.3**	0.9%	16.8%
Income Taxes[4]		**23.4**	3.1%		**22.1**	3.8%	(6.0%)
Effective Tax Rate[4]		**27.8%**			**28.3%**		(50 bps)
Net Income	$	**60.8**	8.0%	$	**55.8**	9.6%	8.9%
Special Items[5]		**12.5**	1.6%		**-**	-	(100%)
Adjusted Net Income[1]	$	**73.3**	9.7%	$	**58.6**	10.1%	25.1%
Diluted EPS	$	**0.92**		$	**0.84**		9.5%
Adjusted Diluted EPS[1]	$	**1.10**		$	**0.88**		25.0%

Sales Mix[6]	
Volume	**5.2%**
Price	**4.2%**
Acquisitions	**18.3%**
FX	**2.7%**
TOTAL	**30.4%**

[1] Please review the appendix for reconciliation of non-GAAP measures.
[2] Special items include Rationalization and asset impairment charges of $10.2 million and Acquisition transaction and integration costs of $1.9 million.
[3] Interest Expense, net is defined as interest income earned from investments less interest expense from borrowings.
[4] Q1-2018 Income Taxes reflect an unfavorable $2.5 million adjustment related to the TCJA legislation (U.S. Tax Act). Q1-2018 tax rate excluding special items was 24.5%.
[5] After-tax special items include charges noted in footnote 2, a $0.6 million pension settlement charge and the $2.5 million adjustment related to the U.S. Tax Act.
[6] Figures may not sum due to rounding.

Americas Welding Segment

($ in Millions)	Q1 2018	Q1 2017	% YoY Change
Net Sales	**$ 434.8**	**$ 383.3**	**13.4%** ↑
Adjusted EBIT	**$ 77.4**	**$ 68.7**	**12.7%** ↑
Adjusted EBIT Margin[2]	**16.8%**	**16.9%**	**(10 bps)** ↓

Sales Mix[1]	
Volume	7.5%
Price	4.6%
Acq/Div	0.9%
FX	0.4%
Total	**13.4%**

Volumes increased on improving demand trends. Margin reflects inflation and higher incentive compensation and wage costs.

[1] Figures may not sum due to rounding

[2] Adjusted EBIT Margin is calculated using Total Sales, which includes Inter-segment sales.

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International Welding Segment

($ in Millions)	Q1 2018	Q1 2017	% YoY Change
Net Sales	**$ 247.3**	**$ 128.9**	**91.9%**
Adjusted EBIT	**$ 15.0**	**$ 9.6**	**55.9%**
Adjusted EBIT Margin[2]	**5.9%**	**7.2%**	**(130 bps)**

Sales Mix[1]	
Volume	(3.7%)
Price	5.4%
Acq/Div	79.9%
FX	10.2%
Total	**91.9%**

Volumes reflect integration activities and ongoing weakness in Energy markets. Excluding the ALW acquisition, the Adjusted EBIT Margin decreased 10 basis points compared with the prior year.

[1] Figures may not sum due to rounding
[2] Adjusted EBIT Margin is calculated using Total Sales, which includes Inter-segment sales.

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The Harris Products Group

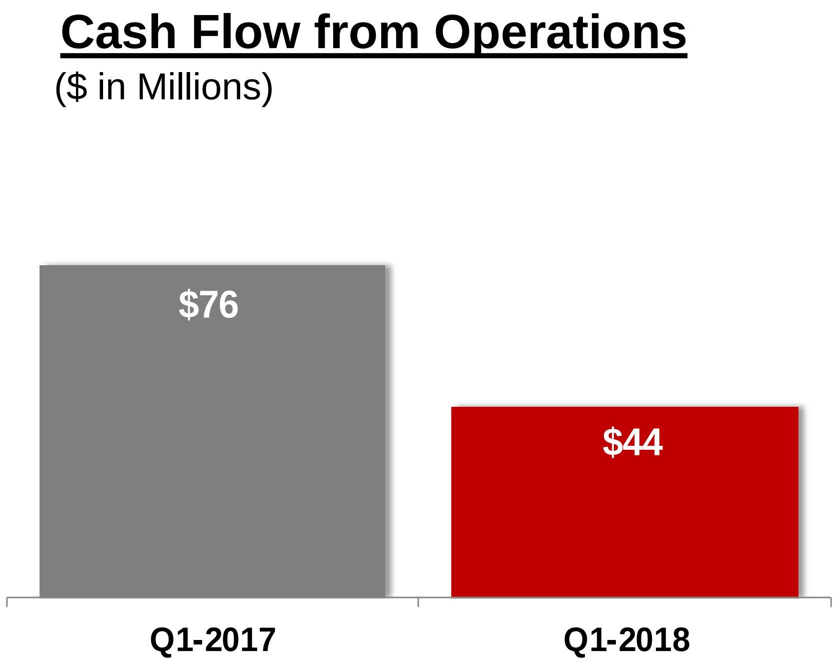
($ in Millions)	Q1 2018	Q1 2017	% YoY Change	
Net Sales	**$ 75.6**	**$ 68.7**	**10.1%**	↑
Adjusted EBIT	**$ 9.2**	**$ 8.5**	**9.0%**	↑
Adjusted EBIT Margin[2]	**11.9%**	**11.9%**	**-**	

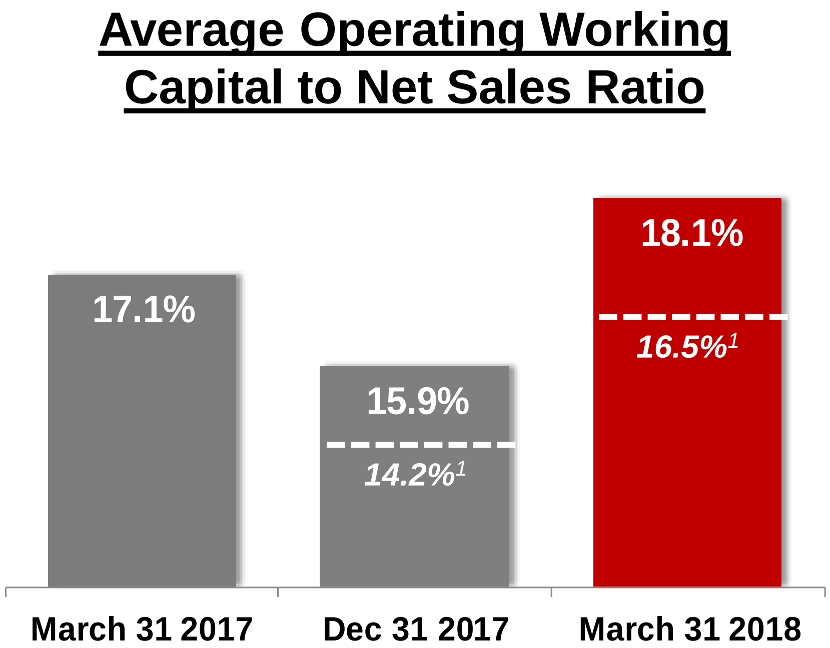
Sales Mix[1]	
Volume	9.3%
Price	(0.7%)
Acq/Div	-
FX	1.5%
Total	**10.1%**

Broad improvement in demand across Distribution, OEM and retail channels. Margin performance reflects unfavorable mix.

[1] Figures may not sum due to rounding
[2] Adjusted EBIT Margin is calculated using Total Sales, which includes Inter-segment sales.

Cash Flow from Operations Metrics

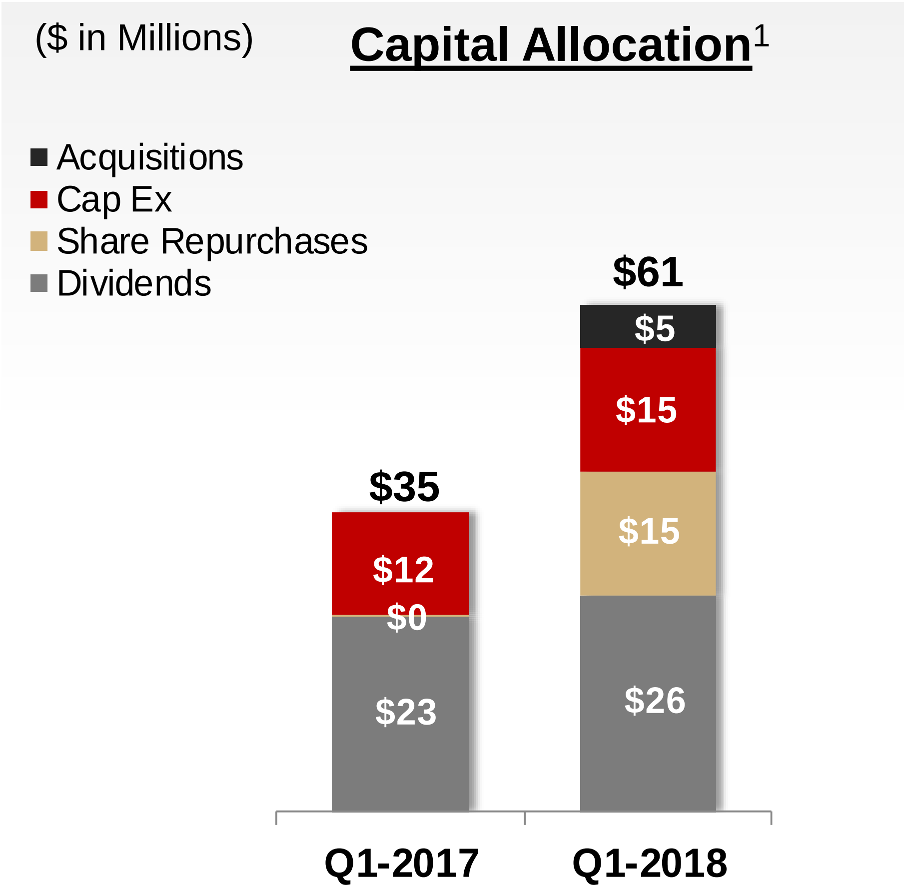




Working capital results reflect higher sales levels, seasonal uses of cash and the ALW acquisition.

[1] Average operating working capital to net sales excluding the ALW acquisition was 16.5%.

Capital Allocation



Q1 2018 Highlights

- **Capital Expenditures**: $15
- **Dividend Payout Rate Increase**: +11%
- **Net Debt[2] Position**: $197M
- **Return on Invested Capital**: 16.7%

[1] Figures may not sum due to rounding
[2] Net Debt is defined as Total debt *less* Cash and cash equivalents and Marketable securities

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Non-GAAP Financial Measures

Non-GAAP Financial Measures: Reconciliation of Operating Income, Net Income and EPS to Non-GAAP Adjusted Operating Income, Adjusted Net Income and Adjusted EPS

(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Operating income as reported	$ 85,188	$ 79,407
Special items (pre-tax):		
Rationalization and asset impairment charges [2]	10,175	—
Acquisition transaction and integration costs [3]	1,907	3,615
Adjusted operating income [1]	$ 97,270	$ 83,022
As a percent of total sales	12.8%	14.3%
Net income as reported	$ 60,824	$ 55,844
Special items (after-tax):		
Rationalization and asset impairment charges [2]	7,870	—
Acquisition transaction and integration costs [3]	1,520	2,734
Pension settlement charges [4]	569	—
Adjustment related to the U.S. Tax Act [5]	2,500	—
Adjusted net income [1]	$ 73,283	$ 58,578
Diluted earnings per share as reported	$ 0.92	$ 0.84
Special items	0.18	0.04
Adjusted diluted earnings per share [1]	$ 1.10	$ 0.88
Weighted average shares (diluted)	66,443	66,583

Please see the following slide for corresponding footnotes

Non-GAAP Financial Measures (continued)

Footnotes for Non-GAAP Financial Measures: Reconciliation of Operating Income, Net Income and EPS to Non-GAAP Adjusted Operating Income, Adjusted Net Income and Adjusted EPS

1) Adjusted operating income, Adjusted net income and Adjusted diluted earnings per share are non-GAAP financial measures. Management uses non-GAAP measures to assess the Company's operating performance by excluding certain disclosed special items that management believes are not representative of the Company's core business. Management believes that excluding these special items enables them to make better period-over-period comparisons and benchmark the Company's operational performance against other companies in its industry more meaningfully. Furthermore, management believes that non-GAAP financial measures provide investors with meaningful information that provides a more complete understanding of Company operating results and enables investors to analyze financial and business trends more thoroughly. Non-GAAP financial measures should not be viewed in isolation, are not a substitute for GAAP measures and have limitations including, but not limited to, their usefulness as comparative measures as other companies may define their non-GAAP measures differently.

2) Charges primarily related to severance and asset impairments, net of tax of $2,305.

3) Related to the acquisition of Air Liquide Welding, net of tax of $387 and $881 in 2018 and 2017, respectively.

4) Related to a lump sum pension payment, net of tax of $189.

5) Adjustment to taxes on unremitted foreign earnings related to the U.S. Tax Act.

Non-GAAP Financial Measures
Return on Invested Capital (ROIC)

(In thousands, except per share amounts)
(Unaudited)

Return on Invested Capital	Twelve Months Ended March 31, 2018	Twelve Months Ended March 31, 2017
Net income as reported	$ 252,483	$ 200,605
Rationalization and asset impairment charges, net of tax of $2,697	14,068	—
Pension settlement charges, net of tax of $3,309	5,599	—
Loss on deconsolidation of Venezuelan subsidiary, net of tax of $1,097	—	33,251
Income tax valuation reversals	—	(7,196)
Acquisition transaction and integration costs, net of tax of $2,949 and $880 in 2018 and 2017, respectively	10,345	2,734
Amortization of step up in value of acquired inventories, net of tax of $1,125	3,453	—
Bargain purchase gain	(49,650)	—
Net impact of U.S. Tax Act	31,116	—
Adjusted net income [1]	$ 267,414	$ 229,394
Plus: Interest expense, net of tax of $5,997 and $8,180 in 2018 and 2017, respectively	18,022	13,186
Less: Interest income, net of tax of $1,369 and $934 in 2018 and 2017, respectively	4,114	1,505
Adjusted net income before tax effected interest	$ 281,322	$ 241,075

Invested Capital	March 31, 2018	March 31, 2017
Short-term debt	$ 1,981	$ 2,136
Long-term debt, less current portion	700,869	703,378
Total debt	702,850	705,514
Total equity	980,672	784,124
Invested capital	$ 1,683,522	$ 1,489,638
Return on invested capital [1][2]	16.7%	16.2%

Please see the following slide for corresponding footnotes

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Non-GAAP Financial Measures (continued)

Footnotes for Non-GAAP Financial Measure: Return on Invested Capital (ROIC)

(1) Adjusted net income and Return on invested capital are non-GAAP financial measures. Management uses non-GAAP measures to assess the Company's operating performance by excluding certain disclosed special items that management believes are not representative of the Company's core business. Management believes that excluding these special items enables them to make better period-over-period comparisons and benchmark the Company's operational performance against other companies in its industry more meaningfully. Furthermore, management believes that non-GAAP financial measures provide investors with meaningful information that provides a more complete understanding of Company operating results and enables investors to analyze financial and business trends more thoroughly. Non-GAAP financial measures should not be viewed in isolation, are not a substitute for GAAP measures and have limitations including, but not limited to, their usefulness as comparative measures as other companies may define their non-GAAP measures differently.

2) Return on invested capital is defined as rolling 12 months of Adjusted net income excluding tax-effected interest income and expense divided by invested capital.

Segment EBIT

EBIT and Adjusted EBIT Reconciliation – Three Months Ended March 31, 2018
(In thousands)
(Unaudited)

	Americas Welding	International Welding	The Harris Products Group	Corporate / Eliminations	Consolidated
Three months ended March 31, 2018					
Net sales	$ 434,772	$ 247,320	$ 75,604	$ —	$ 757,696
Inter-segment sales	26,586	4,509	1,907	(33,002)	—
Total	$ 461,358	$ 251,829	$ 77,511	$ (33,002)	$ 757,696
EBIT (1)	$ 76,681	$ 4,798	$ 9,225	$ (2,065)	$ 88,639
As a percent of total sales	16.6%	1.9%	11.9%		11.7%
Special items charges (gains) (3)	758	10,175	—	1,907	12,840
Adjusted EBIT (2)	$ 77,439	$ 14,973	$ 9,225	$ (158)	$ 101,479
As a percent of total sales	16.8%	5.9%	11.9%		13.4%
Three months ended March 31, 2017					
Net sales	$ 383,324	$ 128,888	$ 68,685	$ —	$ 580,897
Inter-segment sales	22,460	4,285	2,300	(29,045)	—
Total	$ 405,784	$ 133,173	$ 70,985	$ (29,045)	$ 580,897
EBIT (1)	$ 68,723	$ 9,605	$ 8,460	$ (3,551)	$ 83,237
As a percent of total sales	16.9%	7.2%	11.9%		14.3%
Special items charges (gains) (3)	—	—	—	3,615	3,615
Adjusted EBIT (2)	$ 68,723	$ 9,605	$ 8,460	$ 64	$ 86,852
As a percent of total sales	16.9%	7.2%	11.9%		15.0%

1) EBIT is defined as Operating income plus Other income (expense).
2) The primary profit measure used by management to assess segment performance is Adjusted EBIT. EBIT for each operating segment is adjusted for special items to derive Adjusted EBIT.
3) Special items in 2018 reflect rationalization and asset impairment charges, pension settlement charges and acquisition transaction and integration costs related to the acquisition of Air Liquide Welding. Special items in 2017 reflect acquisition transaction and integration costs related to the acquisition of Air Liquide Welding.

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