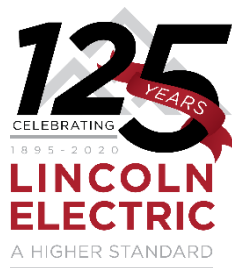


Lincoln Electric Holdings, Inc.

Second Quarter 2020 Earnings Call

July 27, 2020



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.

Operating Globally and Positioned to Respond to COVID-19 Challenges

- » **Remain focused on safety:** Implemented CDC and WHO best practice measures to protect employee health
 - Heightened hygiene and sanitation practices
 - Social distancing and safety protocols
 - Maximizing flexible and remote work arrangements

- » **Lincoln facilities are operating** as “essential businesses” focused on serving customers
 - Sufficient inventory levels have been built to maintain high service levels to support a recovery
 - Reopened our HQ Cleveland facility in Mid-May for customer visits
 - Launching and investing in new products



LINCOLN
ELECTRIC

Q2 2020 Highlights: Achieved solid profitability, cash generation and returns in a challenging environment due to aggressive cost savings actions and our variable cost model

- » **Reported sales decreased 24.0% to \$590.7 million; Organic sales declined 24.8%**
- » **Achieved \$27 million in cost saving benefits**
- » **Adjusted Operating Income declined 40.5% to \$63.0 million; Adjusted Operating Income Margin decreased 290 bps to 10.7% with a 23% decremental margin**
- » **Diluted EPS of \$0.45, Adjusted EPS of \$0.80**
- » **ROIC of 18.6%**
- » **Cash flow from operations of \$104 million with 189% cash conversion**
- » **Returned \$29 million to shareholders through our dividend program**
- » **Reduced outstanding debt by \$83 million and maintained a strong balance sheet**

Improvement in Q2 Order Rates Suggests an April 2020 Trough

- » **Q2 Organic Sales Performance: -24.8%**
 - All regions impacted
 - Consumable and equipment (non-automation) organic sales declined at approximately the consolidated rate; automation declined mid-teens percent

 - » **Q2 global end sector performance¹**
 - Most end market sector trends weakened in Q2 sequentially and versus prior year
 - General Fabrication, Energy and Infrastructure/Construction sector performance is favorable to consolidated average
 - Automotive/Transportation and Heavy Industries sector declines are higher than consolidated average
- » **Q2 order rates improved through the quarter from a low -40% April trough**

 - » **July month-to-date order rates trending down high-teens to low -20% percent (through July 24th)**

 - » **Shape of the recovery remains unknown with risk of new shutdowns**

Expanded Our 2020 Cost Reduction Initiatives and Estimated Benefits

- » Achieved \$27 million in cost saving benefits in Q2 and \$33 million in H1-2020, primarily from temporary cost reductions
- » Implemented cost reduction actions:
 - Reduced work hours, overtime, headcount and contractor use
 - Reduced discretionary spending and travel
 - Suspended new hiring
 - Initiated five facility rationalizations year to date
 - Deferring annual wage increases
 - Limited capital investments to cost savings projects and growth initiatives
- » Realized \$23.2 million in pre-tax rationalization and asset impairment charges in Q2-2020

Expect \$55 to \$65 million of realized cost savings in 2020

Approximately 35% of 2020 cost savings are permanent

Expect to exit 2020 at \$8 to \$9 million in permanent cost savings per quarter

Income Statement – Q2 2020

\$ in Millions	Q2 2020	% of Sales	Q2 2019	% of Sales	YoY % Change <i>Fav/(Unfav)</i>
Net Sales	\$ 590.7		\$ 777.0		(24.0%)
Gross Profit	189.4	32.1%	269.9	34.7%	(29.8%)
SG&A	126.4	21.4%	163.4	21.0%	22.7%
Special item charges ^{1,2}	23.2	3.9%	1.3	0.2%	(1,678.0%)
Operating Income	39.8	6.7%	105.2	13.5%	(62.2%)
Adjusted Operating Income¹	63.0	10.7%	105.9	13.6%	(40.5%)
Interest Expense, net³	5.9	1.0%	5.9	0.8%	0.3%
Income Taxes⁴	6.7	1.1%	18.0	2.3%	63.0%
Effective Tax Rate⁴	19.8%		17.4%		(24) bps
Net Income	\$ 27.0	4.6%	\$ 85.5	11.0%	(68.4%)
Special Items ⁵	21.0	3.6%	(4.6)	0.6%	(557.9%)
Adjusted Net Income¹	\$ 48.0	8.1%	\$ 80.9	10.4%	(40.7%)
Diluted EPS	\$ 0.45		\$ 1.36		(66.9%)
Adjusted Diluted EPS¹	\$ 0.80		\$ 1.28		(37.5%)

Sales Mix ⁶	
Volume	(24.5%)
Price	(0.3%)
Acquisitions	2.0%
FX	(1.1%)
TOTAL	(24.0%)

¹ Please review the appendix for reconciliation of non-GAAP measures.

² Q2-2020 Special items include Rationalization and asset impairment charges of \$23.2 million. Q2-2019 Special items include Rationalization and asset impairment charges of \$1.3 million, \$1.0 million Acquisition transaction and integration costs, \$1.4 million in Amortization of step up in value of acquired inventories, and a \$3.0 million gain on Asset disposals.

³ Interest Expense, net is defined as interest income earned from investments less interest expense from borrowings.

⁴ Q2 2020 reported and adjusted effective tax rate was 19.8% as compared with 17.4% in Q2-2019.

⁵ Special items include the charges noted in footnote 2 and a \$3.3 million pension settlement charge and a \$5.6 million tax effect of Special items in Q2 2020, as well as a \$4.8 million tax effect of Special items in Q2-2019. Please refer to the appendix for further details.

⁶ Figures may not sum due to rounding.

Americas Welding Segment

(\$ in Millions)	Q2		Q2		% YoY	Sales Mix ¹	
	2020		2019		Change		
Net Sales	\$	333.2	\$	476.6	(30.1%)	Volume	(29.2%)
						Price	(0.3%)
Adjusted EBIT	\$	46.7	\$	84.9	(45.0%)	Acq/Div	-
						FX	(0.6%)
Adjusted EBIT Margin²		12.9%		16.6%	(370) bps	Total	(30.1%)

Volumes reflect broad declines in industrial production and lower capital spending due to COVID-19. Price primarily reflects the removal of U.S. tariff surcharges. Margin declined as benefits from positive price/cost, cost reduction actions and lower incentive compensation were offset by lower volumes.

¹ Figures may not sum due to rounding

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

International Welding Segment

(\$ in Millions)	Q2 2020	Q2 2019	% YoY Change		Sales Mix ¹	
Net Sales	\$ 177.2	\$ 212.3	(16.6%)	↓	Volume	(20.9%)
Adjusted EBIT	\$ 9.7	\$ 15.2	(36.2%)	↓	Price	(0.6%)
Adjusted EBIT Margin²	5.3%	7.0%	(170) bps	↓	Acq/Div	7.2%
					FX	(2.2%)
					Total	(16.6%)

Volume declines reflect lower industrial production due to COVID-19 in Europe and portions of Asia Pacific, partially offset by growth in China.

Lower margin reflects benefits of cost reduction actions, lower discretionary spending and paid leave programs, offset by lower volumes.

¹ Figures may not sum due to rounding

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

The Harris Products Group

(\$ in Millions)	Q2 2020	Q2 2019	% YoY Change		Sales Mix ¹
Net Sales	\$ 80.3	\$ 88.1	(8.8%)	↓	Volume (7.8%)
Adjusted EBIT	\$ 11.7	\$ 13.5	(13.2%)	↓	Price 0.3%
Adjusted EBIT Margin²	14.3%	15.0%	(70 bps)	↓	Acq/Div -
					FX (1.3%)
					Total (8.8%)

Volumes reflect weaker industrial demand partially offset by ongoing strength in the retail channel. Strong margin performance due to cost reduction actions and operational efficiencies.

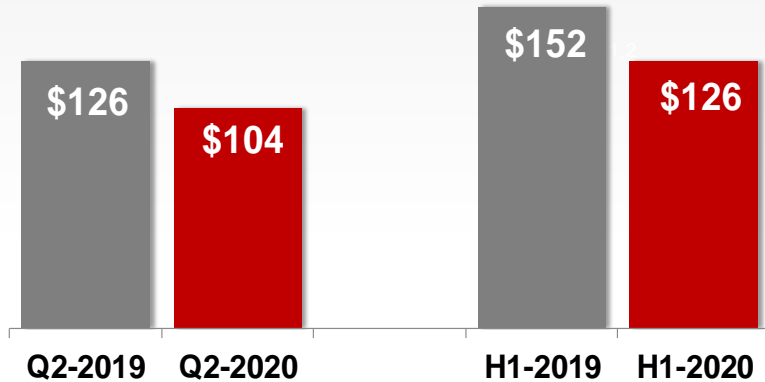
¹ Figures may not sum due to rounding

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

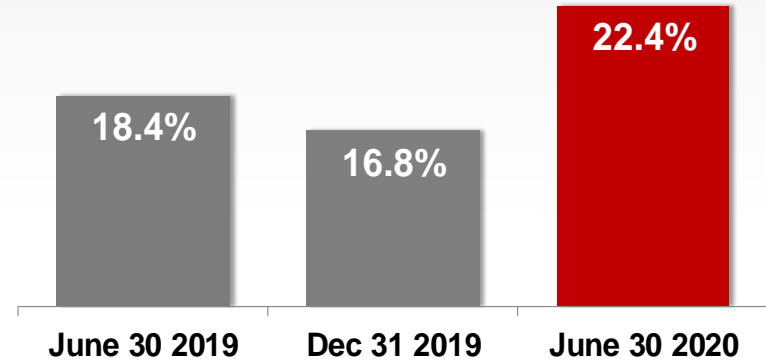
Cash Flow From Operations Metrics

Cash Flow from Operations

(\$ in Millions)



Average Operating Working Capital to Net Sales Ratio



**Solid Q2 cash flow from operations resulting in 189% cash conversion¹.
Working capital reflects strategic inventory build to service recovery demand.**

Solid Balance Sheet and Increased Liquidity in Q2

(Data as of June 30, 2020)

» Investment grade profile balance sheet

- Total debt/EBITDA: 1.97x
- Net debt¹/EBITDA: 1.46x

» Total debt: \$765M // Net debt: \$622M

» Debt Covenant: 3.5x Total Debt/EBITDA²

» \$700M in private Notes

- 3.3% interest rate with 14-year tenor
- First maturity August, 2025

» \$25M annual interest expense in 2020

» Ample Liquidity of \$545M as we reduced debt by \$83M in Q2

- Cash: \$143M
- Available lines of credit: \$402M

» Expect continued generation of cash flows from reductions in working capital in 2020

» >100% cash conversion expected in 2020

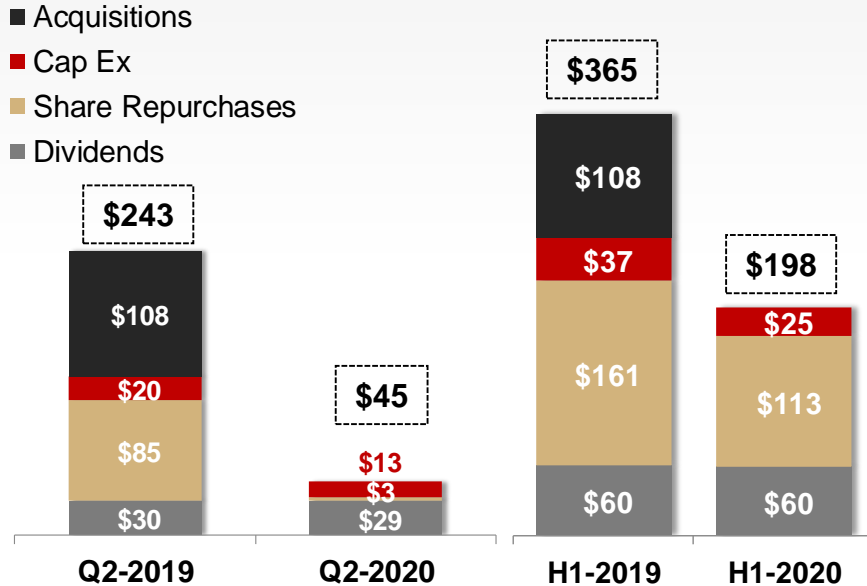
¹ Net Debt is defined as Total debt less Cash and cash equivalents

² Debt covenant ratios use a credit agreement adjusted EBITDA definition which differs slightly from standard EBITDA calculations

Capital Allocation

Capital Allocation¹

(\$ in Millions)



Q2 2020 Highlights

- » Capital Expenditures: \$13.2M
- » Dividend Payout Rate Increase: +4.3%
- » Return on Invested Capital: 18.6%

¹ Figures may not sum due to rounding

Contact:

Amanda Butler

Vice President, Investor Relations & Communications

✉ Amanda_Butler@lincolnelectric.com

📞 216.383.2534

Non-GAAP Information

Adjusted operating income, Adjusted net income, Adjusted EBIT, Adjusted effective tax rate, Adjusted diluted earnings per share, Organic sales, Cash conversion, Return on invested capital and Earnings before interest, taxes, depreciation and amortization ("EBITDA") 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.

Non-GAAP Financial Measures

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating income as reported	\$ 39,764	\$ 105,186	\$ 120,838	\$ 199,664
Special items (pre-tax):				
Rationalization and asset impairment charges ⁽²⁾	23,238	1,307	29,759	4,842
Acquisition transaction and integration costs ⁽³⁾	—	1,014	—	1,804
Amortization of step up in value of acquired inventories ⁽⁴⁾	—	1,399	806	1,399
Gains on asset disposals ⁽⁵⁾	—	(3,045)	—	(3,045)
Adjusted operating income ⁽¹⁾	\$ 63,002	\$ 105,861	\$ 151,403	\$ 204,664
As a percent of total sales	10.7%	13.6%	11.7%	13.3%
Net income as reported	\$ 26,996	\$ 85,452	\$ 82,558	\$ 156,932
Special items:				
Rationalization and asset impairment charges ⁽²⁾	23,238	1,307	29,759	4,842
Acquisition transaction and integration costs ⁽³⁾	—	1,014	—	1,804
Pension settlement charges ⁽⁶⁾	3,334	—	3,334	—
Amortization of step up in value of acquired inventories ⁽⁴⁾	—	1,399	806	1,399
Gains on asset disposals ⁽⁵⁾	—	(3,554)	—	(3,554)
Tax effect of Special items ⁽⁷⁾	(5,576)	(4,751)	(7,552)	(5,564)
Adjusted net income ⁽¹⁾	47,992	80,867	108,905	155,859
Non-controlling interests in subsidiaries' loss	17	(8)	10	(22)
Interest expense, net	5,881	5,898	11,339	11,221
Income taxes as reported	6,667	18,040	27,037	39,492
Tax effect of Special items ⁽⁷⁾	5,576	4,751	7,552	5,564
Adjusted EBIT ⁽¹⁾	\$ 66,133	\$ 109,548	\$ 154,843	\$ 212,114
Effective tax rate as reported	19.8%	17.4%	24.7%	20.1%
Net special item tax impact	0.5%	4.6%	(0.6%)	2.3%
Adjusted effective tax rate ⁽¹⁾	20.3%	22.0%	24.1%	22.4%
Diluted earnings per share as reported	\$ 0.45	\$ 1.36	\$ 1.37	\$ 2.47
Special items per share	0.35	(0.08)	0.44	(0.01)
Adjusted diluted earnings per share ⁽¹⁾	\$ 0.80	\$ 1.28	\$ 1.81	\$ 2.46



Non-GAAP Financial Measures (continued)

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

- 1) Adjusted operating income, Adjusted net income, Adjusted EBIT, Adjusted effective tax rate and Adjusted diluted earnings per share are non-GAAP financial measures. Refer to Non-GAAP Information section.
- 2) Primarily related to severance, asset impairments of long-lived assets and gains or losses on the disposal of assets.
- 3) Related to the acquisition of Air Liquide Welding and are included in Selling, general & administrative expenses.
- 4) Related to an acquisition and are included in Cost of goods sold.
- 5) Primarily included in Cost of goods sold.
- 6) Related to lump sum pension payments and are 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 three and six months ended June 30, 2019. 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.

Non-GAAP Financial Measures

Return on Invested Capital (ROIC) and Total Debt / EBITDA

(In thousands, except per share amounts)

(Unaudited)

	Twelve Months Ended June 30,	
	2020	2019
Return on Invested Capital		
Net income as reported	\$ 218,735	\$ 314,310
Rationalization and asset impairment charges	40,105	8,410
Acquisition transaction and integration costs	—	3,607
Pension settlement charges	3,334	5,928
Amortization of step up in value of acquired inventories	2,415	1,399
Gains on asset disposals	—	(3,554)
Gain on change in control	(7,601)	—
Tax effect of Special items ⁽²⁾	(9,374)	(11,295)
Adjusted net income ⁽¹⁾	\$ 247,614	\$ 318,805
Plus: Interest expense, net of tax of \$6,439 and \$6,178 in 2020 and 2019, respectively	19,348	18,569
Less: Interest income, net of tax of \$563 and \$1,302 in 2020 and 2019, respectively	1,691	3,912
Adjusted net income before tax-effected interest	\$ 265,271	\$ 333,462
Invested Capital	June 30, 2020	June 30, 2019
Short-term debt	\$ 49,597	\$ 30,110
Long-term debt, less current portion	715,817	710,458
Total debt	765,414	740,568
Total equity	660,111	846,058
Invested capital	\$ 1,425,525	\$ 1,586,626
Return on invested capital ⁽¹⁾	18.6%	21.0%

	Twelve Months Ended June 30,	
	2020	2019
Total Debt / EBITDA		
Net income as reported	\$ 218,735	\$ 314,310
Income taxes	62,955	72,377
Interest expense, net	23,533	19,533
Depreciation and amortization	83,313	75,275
EBITDA ⁽¹⁾	\$ 388,536	\$ 481,495
	June 30, 2020	June 30, 2019
Total debt	\$ 765,414	\$ 740,568
Total debt / EBITDA	1.97	1.54

- Adjusted net income, Return on invested capital and EBITDA are non-GAAP financial measures. Refer to Non-GAAP Information section.
- 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 June 30, 2019. 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.

Segment EBIT

EBIT and Adjusted EBIT Reconciliation – Three Months June 30, 2020

(In thousands)

(Unaudited)

	Americas Welding	International Welding	The Harris Products Group	Corporate / Eliminations	Consolidated
Three months ended June 30, 2020					
Net sales	\$ 333,229	\$ 177,167	\$ 80,331	\$ —	\$ 590,727
Inter-segment sales	27,493	4,286	1,753	(33,532)	—
Total	\$ 360,722	\$ 181,453	\$ 82,084	\$ (33,532)	\$ 590,727
Net income					\$ 26,996
As a percent of total sales					4.6%
EBIT ⁽¹⁾	\$ 20,695	\$ 9,117	\$ 11,713	\$ (1,964)	\$ 39,561
As a percent of total sales	5.7%	5.0%	14.3%		6.7%
Special items charges (gains) ⁽³⁾	26,007	565	—	—	26,572
Adjusted EBIT ⁽²⁾	\$ 46,702	\$ 9,682	\$ 11,713	\$ (1,964)	\$ 66,133
As a percent of total sales	12.9%	5.3%	14.3%		11.2%
Three months ended June 30, 2019					
Net sales	\$ 476,607	\$ 212,306	\$ 88,095	\$ —	\$ 777,008
Inter-segment sales	34,811	4,188	2,113	(41,112)	—
Total	\$ 511,418	\$ 216,494	\$ 90,208	\$ (41,112)	\$ 777,008
Net income					\$ 85,452
As a percent of total sales					11.0%
EBIT ⁽¹⁾	\$ 83,072	\$ 17,805	\$ 13,488	\$ (4,983)	\$ 109,382
As a percent of total sales	16.2%	8.2%	15.0%		14.1%
Special items charges (gains) ⁽⁴⁾	1,779	(2,627)	—	1,014	166
Adjusted EBIT ⁽²⁾	\$ 84,851	\$ 15,178	\$ 13,488	\$ (3,969)	\$ 109,548
As a percent of total sales	16.6%	7.0%	15.0%		14.1%

Non-GAAP Financial Measures (continued)

Footnotes for EBIT and Adjusted EBIT Reconciliation – Three Months Ended June 30, 2020

- 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 2020 reflect Rationalization and asset impairment charges of \$22,673 and \$565 in Americas Welding and International Welding, respectively, and pension settlement charges of \$3,334 in Americas Welding,
- 4) Special items in 2019 reflect Rationalization and asset impairment charges of \$380 in Americas Welding and \$927 in International Welding, amortization of step up in value of acquired inventories of \$1,399 in Americas Welding, gains on disposals of assets of \$3,554 in International Welding and acquisition transaction and integration costs of \$1,014 in Corporate/Eliminations related to the acquisition of Air Liquide Welding.