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 **June 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)

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 ☐

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 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 June 30, 2019 was 61,779,153.

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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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net sales (Note 2)	$ 777,008	$ 790,052	$ 1,536,182	$ 1,547,748
Cost of goods sold	507,127	519,936	1,007,880	1,021,078
Gross profit	269,881	270,116	528,302	526,670
Selling, general & administrative expenses	163,388	163,940	323,796	325,131
Rationalization and asset impairment charges (Note 6)	1,307	11,542	4,842	21,717
Operating income	105,186	94,634	199,664	179,822
Interest expense, net	5,898	4,812	11,221	9,253
Other income (expense) (Note 14)	4,196	4,441	7,959	7,892
Income before income taxes	103,484	94,263	196,402	178,461
Income taxes (Note 15)	18,040	25,404	39,492	48,782
Net income including non-controlling interests	85,444	68,859	156,910	129,679
Non-controlling interests in subsidiaries' earnings (loss)	(8)	(5)	(22)	(9)
Net income	$ 85,452	$ 68,864	$ 156,932	$ 129,688
Basic earnings per share (Note 3)	$ 1.37	$ 1.05	$ 2.50	$ 1.98
Diluted earnings per share (Note 3)	$ 1.36	$ 1.04	$ 2.47	$ 1.96
Cash dividends declared per share	$ 0.47	$ 0.39	$ 0.94	$ 0.78

See notes to these consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income including non-controlling interests	$ 85,444	$ 68,859	$ 156,910	$ 129,679
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax of $(117) and $(60) in the three and six months ended June 30, 2019; $(309) and $25 in the three and six months ended June 30, 2018.	(301)	(1,232)	28	(377)
Defined benefit pension plan activity, net of tax of $(90) and $137 in the three and six months ended June 30, 2019; $218 and $649 in the three and six months ended June 30, 2018.	1,091	721	1,878	2,008
Currency translation adjustment	4,849	(50,342)	9,985	(30,955)
Other comprehensive income (loss):	5,639	(50,853)	11,891	(29,324)
Comprehensive income	91,083	18,006	168,801	100,355
Comprehensive income (loss) attributable to non-controlling interests	(43)	(95)	(20)	(40)
Comprehensive income attributable to shareholders	$ 91,126	$ 18,101	$ 168,821	$ 100,395

See notes to these consolidated financial statements.

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

	June 30, 2019	December 31, 2018
	(UNAUDITED)	(NOTE 1)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 189,861	$ 358,849
Accounts receivable (less allowance for doubtful accounts of $12,678 in 2019; $12,827 in 2018)	428,353	396,885
Inventories (Note 9)	397,752	361,829
Other current assets	111,897	120,236
Total Current Assets	1,127,863	1,237,799
Property, plant and equipment (less accumulated depreciation of $800,287 in 2019; $778,817 in 2018)	512,364	478,801
Goodwill	323,016	281,294
Other assets	431,090	351,931
TOTAL ASSETS	**$ 2,394,333**	**$ 2,349,825**
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Note 12)	$ 30,110	$ 111
Trade accounts payable	254,814	268,600
Accrued employee compensation and benefits	115,891	94,202
Other current liabilities	170,196	175,269
Total Current Liabilities	571,011	538,182
Long-term debt, less current portion (Note 12)	710,458	702,549
Other liabilities	266,806	221,502
Total Liabilities	1,548,275	1,462,233
Shareholders' Equity		
Common shares	9,858	9,858
Additional paid-in capital	368,919	360,308
Retained earnings	2,661,720	2,564,440
Accumulated other comprehensive loss	(281,850)	(293,739)
Treasury shares	(1,913,219)	(1,753,925)
Total Shareholders' Equity	845,428	886,942
Non-controlling interests	630	650
Total Equity	846,058	887,592
TOTAL LIABILITIES AND TOTAL EQUITY	**$ 2,394,333**	**$ 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

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

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

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 156,932	$ 129,688
Non-controlling interests in subsidiaries' loss	(22)	(9)
Net income including non-controlling interests	156,910	129,679
Adjustments to reconcile Net income including non-controlling interests to Net cash provided by operating activities:		
Rationalization and asset impairment net charges (Note 6)	1,069	626
Depreciation and amortization	39,252	36,323
Equity earnings in affiliates, net	(1,217)	(1,377)
Deferred income taxes	2,674	4,969
Stock-based compensation	8,745	9,821
Other, net	(5,700)	(8,142)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Increase in accounts receivable	(21,271)	(39,907)
Increase in inventories	(27,767)	(27,899)
Decrease (increase) in other current assets	11,135	(13,839)
(Decrease) increase in trade accounts payable	(15,469)	4,861
Increase in other current liabilities	2,812	26,223
Net change in other assets and liabilities	812	2,220
NET CASH PROVIDED BY OPERATING ACTIVITIES	151,985	123,558
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(36,513)	(31,383)
Acquisition of businesses, net of cash acquired	(107,843)	6,591
Proceeds from sale of property, plant and equipment	8,712	227
Purchase of marketable securities	—	(218,667)
Proceeds from marketable securities	—	258,733
Other investing activities	2,000	—
NET CASH (USED BY) PROVIDED BY INVESTING ACTIVITIES	(133,644)	15,501
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts due banks, net	29,982	216
Payments on long-term borrowings	(5)	(6)
Proceeds from exercise of stock options	960	2,599
Purchase of shares for treasury (Note 8)	(160,914)	(50,232)
Cash dividends paid to shareholders	(60,101)	(51,250)
NET CASH USED BY FINANCING ACTIVITIES	(190,078)	(98,673)
Effect of exchange rate changes on Cash and cash equivalents	2,749	(9,993)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(168,988)	30,393
Cash and cash equivalents at beginning of period	358,849	326,701
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 189,861	$ 357,094

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 six months ended June 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 requires that an entity measure impairment of certain financial instruments, including 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Consumables	$ 444,850	$ 461,040	$ 887,808	$ 902,931
Equipment	332,158	329,012	648,374	644,817
Net sales	$ 777,008	$ 790,052	$ 1,536,182	$ 1,547,748

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 June 30, 2019, the Company recorded $20,730 related to advance customer payments and $8,752 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 June 30, 2019 and December 31, 2018, $32,705 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator:				
Net income	$ 85,452	$ 68,864	$ 156,932	$ 129,688
Denominator (shares in 000's):				
Basic weighted average shares outstanding	62,305	65,337	62,733	65,458
Effect of dilutive securities - Stock options and awards	665	784	686	799
Diluted weighted average shares outstanding	62,970	66,121	63,419	66,257
Basic earnings per share	$ 1.37	$ 1.05	$ 2.50	$ 1.98
Diluted earnings per share	$ 1.36	$ 1.04	$ 2.47	$ 1.96

For the three months ended June 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 six months ended June 30, 2019 and 2018, common shares subject to equity-based awards of 346,168 and 303,207, 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 is a supplier and manufacturer of welding consumables, arc welding equipment, including plasma and oxy-fuel cutting equipment, and robotic welding systems located in Turkey. 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, broadens 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 accelerate 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 scales 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.

LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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 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
Adjusted EBIT	$ 84,851	$ 15,178	$ 13,488	$ (3,969)	$ 109,548
Special items charge (gain) (1)	1,779	(2,627)	—	1,014	166
EBIT	$ 83,072	$ 17,805	$ 13,488	$ (4,983)	$ 109,382
Interest income					592
Interest expense					(6,490)
Income before income taxes					$ 103,484
Three Months Ended June 30, 2018					
Net sales	$ 462,515	$ 243,373	$ 84,164	$ —	$ 790,052
Inter-segment sales	31,240	5,497	2,003	(38,740)	—
Total	$ 493,755	$ 248,870	$ 86,167	$ (38,740)	$ 790,052
Adjusted EBIT	$ 88,158	$ 16,276	$ 10,157	$ (3,186)	$ 111,405
Special items charge (gain) (2)	—	11,542	—	788	12,330
EBIT	$ 88,158	$ 4,734	$ 10,157	$ (3,974)	$ 99,075
Interest income					1,808
Interest expense					(6,620)
Income before income taxes					$ 94,263
Six Months Ended June 30, 2019					
Net sales	$ 934,326	$ 430,392	$ 171,464	$ —	$ 1,536,182
Inter-segment sales	64,199	8,397	3,980	(76,576)	—
Total	$ 998,525	$ 438,789	$ 175,444	$ (76,576)	$ 1,536,182
Adjusted EBIT	$ 166,603	$ 28,515	$ 24,007	$ (7,011)	$ 212,114
Special items charge (gain) (1)	3,115	(428)	—	1,804	4,491
EBIT	$ 163,488	$ 28,943	$ 24,007	$ (8,815)	$ 207,623
Interest income					1,556
Interest expense					(12,777)
Income before income taxes					$ 196,402
Six Months Ended June 30, 2018					
Net sales	$ 897,287	$ 490,693	$ 159,768	$ —	$ 1,547,748
Inter-segment sales	57,826	10,006	3,910	(71,742)	—
Total	$ 955,113	$ 500,699	$ 163,678	$ (71,742)	$ 1,547,748
Adjusted EBIT	$ 165,597	$ 31,249	$ 19,382	$ (3,344)	$ 212,884
Special items charge (gain) (2)	758	21,717	—	2,695	25,170
EBIT	$ 164,839	$ 9,532	$ 19,382	$ (6,039)	$ 187,714
Interest income					3,280
Interest expense					(12,533)
Income before income taxes					$ 178,461

(1) In the three months ended June 30, 2019, special items 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

Dollars in thousands, except per share amounts

in Americas Welding, gains on disposal of assets of $3,554 in International Welding and transaction and integration costs of $1,014 in Corporate / Eliminations related to the Air Liquide Welding acquisition. In the six months ended June 30, 2019, special items reflect Rationalization and asset impairment charges of $1,716 in Americas Welding and $3,126 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 transaction and integration costs of $1,804 in Corporate / Eliminations related to the Air Liquide Welding acquisition.

(2) In the three months ended June 30, 2018, special items reflect rationalization and asset impairment charges of $11,542 in International Welding and transaction and integration costs of $788 in Corporate / Eliminations related to the Air Liquide Welding acquisition. In the six months ended June 30, 2018, special items reflect pension settlement charges of $758 in Americas Welding, Rationalization and asset impairment charges of $21,717 in International Welding and transaction and integration costs of $2,695 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 $4,842 in the six months ended June 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 June 30, 2019, liabilities of $1,583 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 June 30, 2019, liabilities of $1,553 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:

	Six Months Ended June 30, 2019
Balance, December 31, 2018	$ 11,192
Payments and other adjustments	(10,769)
Charged to expense	3,773
Balance, June 30, 2019	$ 4,196

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 June 30, 2019 and 2018:

	Three Months Ended June 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 March 31, 2019	$ 2,023	$ (81,262)	$ (208,285)	$ (287,524)
Other comprehensive income (loss) before reclassification	107	—	4,884 [3]	4,991
Amounts reclassified from AOCI	(408) [1]	1,091 [2]	—	683
Net current-period other comprehensive income (loss)	(301)	1,091	4,884	5,674
Balance at June 30, 2019	$ 1,722	$ (80,171)	$ (203,401)	$ (281,850)

	Three Months Ended June 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 March 31, 2018	$ 1,730	$ (83,990)	$ (143,456)	$ (225,716)
Other comprehensive income (loss) before reclassification	(1,241)	—	(50,252) [3]	(51,493)
Amounts reclassified from AOCI	9 [1]	721 [2]	—	730
Net current-period other comprehensive income (loss)	(1,232)	721	(50,252)	(50,763)
Balance at June 30, 2018	$ 498	$ (83,269)	$ (193,708)	$ (276,479)

(1) During the 2019 period, this AOCI reclassification is a component of Net sales of $286 (net of tax of $101) and Cost of goods sold of $(122) (net of tax of $(30)); during the 2018 period, the reclassification is a component of Net sales of $(23) (net of tax of $(14)) and Cost of goods sold of $(14) (net of tax of $(6)). 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 $(90) and $218 during the three months ended June 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 $(35) and $(90) attributable to Non-controlling interests in the three months ended June 30, 2019 and 2018, respectively.

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

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

	Six Months Ended June 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	789	—	9,983 [3]	10,772
Amounts reclassified from AOCI	(761) [1]	1,878 [2]	—	1,117
Net current-period other comprehensive income (loss)	28	1,878	9,983	11,889
Balance at June 30, 2019	$ 1,722	$ (80,171)	$ (203,401)	$ (281,850)

	Six Months Ended June 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	(231)	—	(30,924) [3]	(31,155)
Amounts reclassified from AOCI	(146) [1]	2,008 [2]	—	1,862
Net current-period other comprehensive income (loss)	(377)	2,008	(30,924)	(29,293)
Balance at June 30, 2018	$ 498	$ (83,269)	$ (193,708)	$ (276,479)

(1) During the 2019 period, this AOCI reclassification is a component of Net sales of $572 (net of tax of $203) and Cost of goods sold of $(189) (net of tax of $(60)); during the 2018 period, the reclassification is a component of Net sales of $112 (net of tax of $(6)) and Cost of goods sold of $(34) (net of tax of $(19)). 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 $137 and $649 during the six months ended June 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 $2 and $(31) attributable to Non-controlling interests in the six months ended June 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 June 30, 2019, the Company purchased a total of 1.0 million shares at an average cost per share of $82.51. During the six months ended June 30, 2019, the Company purchased a total of 1.9 million shares at an average cost per share of $83.33. As of June 30, 2019, there remained 4.3 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:

	June 30, 2019	December 31, 2018
Raw materials	$ 99,219	$ 103,820
Work-in-process	70,066	53,950
Finished goods	228,467	204,059
Total	$ 397,752	$ 361,829

At June 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 $78,760 and $79,626 at June 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	June 30, 2019
Right-of-use assets	Other assets	$ 58,363
Current liabilities	Other current liabilities	$ 14,362
Noncurrent liabilities	Other liabilities	44,326
Total lease liabilities		$ 58,688

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 a discount 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 $6,546 and $12,435 in the three and six months ended June 30, 2019, respectively. Cash paid for amounts included in the measurement of lease liabilities for the three and six months ended June 30, 2019 respectively was $4,549 and $9,233 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 six months ended June 30, 2019 were $9,717 and $14,673, respectively.

Dollars in thousands, except per share amounts

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

	June 30, 2019
2019	$ 8,330
2020	14,777
2021	11,441
2022	8,760
2023	7,128
After 2023	16,632
Total lease payments	$ 67,068
Less: Imputed interest	(8,380)
Operating lease liabilities	$ 58,688

As of June 30, 2019, the weighted average remaining lease term is 6.4 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:

	Six Months Ended June 30,	
	2019	2018
Balance at beginning of year	$ 19,778	$ 22,029
Accruals for warranties	5,121	4,818
Settlements	(5,720)	(5,127)
Foreign currency translation and other adjustments	33	(169)
Balance at June 30	$ 19,212	$ 21,551

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 June 30, 2019, the Company was in compliance with all of its covenants and had $30,000 of 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 June 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 June 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 June 30,				Six Months Ended June 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	$ 701	$ 35	$ 832	$ 70	$ 1,429	$ 70	$ 1,683
Interest cost	4,653	922	4,493	937	9,306	1,858	8,987	1,907
Expected return on plan assets	(6,245)	(1,106)	(6,915)	(1,266)	(12,490)	(2,230)	(13,831)	(2,540)
Amortization of prior service cost	—	15	—	—	—	31	—	1
Amortization of net loss	414	572	384	555	827	1,157	768	1,130
Settlement charges (1)	—	—	—	—	—	—	758	—
Defined benefit plans	(1,143)	1,104	(2,003)	1,058	(2,287)	2,245	(3,248)	2,181
Multi-employer plans	—	243	—	234	—	490	—	461
Defined contribution plans	5,791	424	5,610	1,036	11,699	923	11,504	1,865
Total pension cost	$ 4,648	$ 1,771	$ 3,607	$ 2,328	$ 9,412	$ 3,658	$ 8,256	$ 4,507

(1) Pension settlement charges resulting from lump sum pension payments in the six months ended June 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Equity earnings in affiliates	$ 1,790	$ 1,559	$ 2,796	$ 2,759
Other components of net periodic pension (cost) income (1)	775	1,812	1,541	2,820
Other income	1,631	1,070	3,622	2,313
Total Other income (expense)	$ 4,196	$ 4,441	$ 7,959	$ 7,892

(1) Includes pension settlement charges in the six months ended June 30, 2018 of $758. Refer to Note 13 to the consolidated financial statements for details.

NOTE 15 — INCOME TAXES

The Company recognized $39,492 of tax expense on pretax income of $196,402, resulting in an effective income tax rate of 20.1% for the six months ended June 30, 2019. The effective income tax rate was 27.3% for the six months ended June 30, 2018.

The decrease in the effective tax rate for the six months ended June 30, 2019, as compared with the same period in 2018, was primarily due to income tax benefits for the settlement of a tax item 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 June 30, 2019, the Company had $26,157 of unrecognized tax benefits. If recognized, approximately $22,597 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 $5,379 in previously unrecognized tax benefits by the end of the second 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 six months ended June 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 June 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 $66,873 at June 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 June 30, 2019, the Company had interest rate swap agreements outstanding that effectively convert notional amounts of $125,000 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 1.8%. The variable rates reset every three months, at which time payment or receipt of interest will be settled.

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 June 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 $335,048 and $328,534 at June 30, 2019 and December 31, 2018, respectively.

LINCOLN ELECTRIC HOLDINGS, INC.
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:

	June 30, 2019				December 31, 2018			
Derivatives by hedge designation	**Other Current Assets**	**Other Current Liabilities**	**Other Assets**	**Other Liabilities**	**Other Current Assets**	**Other Current Liabilities**	**Other Assets**	**Other Liabilities**
Designated as hedging instruments:								
Foreign exchange contracts	$ 676	$ 514	$ —	$ —	$ 647	$ 404	$ —	$ —
Interest rate swap agreements	—	—	2,682	1,584	—	—	302	7,033
Not designated as hedging instruments:								
Foreign exchange contracts	5,471	558	—	—	6,375	829	—	—
Total derivatives	$ 6,147	$ 1,072	$ 2,682	$ 1,584	$ 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 June 30,		Six Months Ended June 30,	
Derivatives by hedge designation	**Classification of gain (loss)**	**2019**	**2018**	**2019**	**2018**
Not designated as hedges:					
Foreign exchange contracts	Selling, general & administrative expenses	$ 1,010	$ (4,406)	$ 6,417	$ 4,249

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	**June 30, 2019**	**December 31, 2018**
Foreign exchange contracts	$ 201	$ 173
Net investment contracts	1,521	1,521

The Company expects a gain of $201 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 June 30,		Six Months Ended June 30,	
Derivative type	**Gain (loss) recognized in the Consolidated Statements of Income:**	**2019**	**2018**	**2019**	**2018**
Foreign exchange contracts	Sales	$ 387	$ (37)	$ 775	$ 106
	Cost of goods sold	152	20	249	53

Dollars in thousands, except per share amounts

NOTE 17 - FAIR VALUE

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

Description	Balance as of June 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	$ 6,147	$ —	$ 6,147	$ —
Interest rate swap agreements	2,682	—	2,682	—
Total assets	$ 8,829	$ —	$ 8,829	$ —
Liabilities:				
Foreign exchange contracts	1,072	—	1,072	—
Interest rate swap agreements	1,584	—	1,584	—
Contingent consideration	850	—	—	850
Deferred compensation	28,272	—	28,272	—
Total liabilities	$ 31,778	$ —	$ 30,928	$ 850

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 six months ended June 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 June 30, 2019 and December 31, 2018. The fair value of long-term debt at June 30, 2019 and December 31, 2018, including the current portion, was approximately $704,319 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 $710,568 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 June 30,								
	2019			2018			Favorable (Unfavorable) 2019 vs. 2018		
	Amount		% of Sales	Amount		% of Sales	$		%
Net sales	$	777,008		$	790,052		$	(13,044)	(1.7%)
Cost of goods sold		507,127			519,936			12,809	2.5%
Gross profit		269,881	34.7%		270,116	34.2%		(235)	(0.1%)
Selling, general & administrative expenses		163,388	21.0%		163,940	20.8%		552	0.3%
Rationalization and asset impairment charges		1,307	0.2%		11,542	1.5%		10,235	88.7%
Operating income		105,186	13.5%		94,634	12.0%		10,552	11.2%
Interest expense, net		5,898			4,812			(1,086)	(22.6%)
Other income (expense)		4,196			4,441			(245)	(5.5%)
Income before income taxes		103,484	13.3%		94,263	11.9%		9,221	9.8%
Income taxes		18,040			25,404			7,364	29.0%
Effective tax rate		17.4%			27.0%			9.6%	
Net income including non-controlling interests		85,444			68,859			16,585	24.1%
Non-controlling interests in subsidiaries' loss		(8)			(5)			(3)	(60.0%)
Net income	$	85,452	11.0%	$	68,864	8.7%	$	16,588	24.1%
Diluted earnings per share	$	1.36		$	1.04		$	0.32	30.8%

	Six Months Ended June 30,								
	2019			2018			Favorable (Unfavorable) 2019 vs. 2018		
	Amount		% of Sales	Amount		% of Sales	$		%
Net sales	$	1,536,182		$	1,547,748		$	(11,566)	(0.7%)
Cost of goods sold		1,007,880			1,021,078			13,198	1.3%
Gross profit		528,302	34.4%		526,670	34.0%		1,632	0.3%
Selling, general & administrative expenses		323,796	21.1%		325,131	21.0%		1,335	0.4%
Rationalization and asset impairment charges		4,842	0.3%		21,717	1.4%		16,875	77.7%
Operating income		199,664	13.0%		179,822	11.6%		19,842	11.0%
Interest expense, net		11,221			9,253			(1,968)	(21.3%)
Other income (expense)		7,959			7,892			67	0.8%
Income before income taxes		196,402	12.8%		178,461	11.5%		17,941	10.1%
Income taxes		39,492			48,782			9,290	19.0%
Effective tax rate		20.1%			27.3%			7.2%	
Net income including non-controlling interests		156,910			129,679			27,231	21.0%
Non-controlling interests in subsidiaries' loss		(22)			(9)			(13)	(144.4%)
Net income	$	156,932	10.2%	$	129,688	8.4%	$	27,244	21.0%
Diluted earnings per share	$	2.47		$	1.96		$	0.51	26.0%

Net Sales:

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

Three Months Ended June 30,		**Change in Net Sales due to:**				
	Net Sales 2018	**Volume**	**Acquisitions**	**Price**	**Foreign Exchange**	**Net Sales 2019**
Lincoln Electric Holdings, Inc.	$ 790,052	$ (40,723)	$ 27,168	$ 13,801	$ (13,290)	$ 777,008
% Change						
Lincoln Electric Holdings, Inc.		(5.2%)	3.4%	1.7%	(1.7%)	(1.7%)

Six Months Ended June 30,		**Change in Net Sales due to:**				
	Net Sales 2018	**Volume**	**Acquisitions**	**Price**	**Foreign Exchange**	**Net Sales 2019**
Lincoln Electric Holdings, Inc.	$ 1,547,748	$ (68,074)	$ 45,662	$ 48,154	$ (37,308)	$ 1,536,182
% Change						
Lincoln Electric Holdings, Inc.		(4.4%)	3.0%	3.1%	(2.4%)	(0.7%)

Net sales were flat in the three and six months ended June 30, 2019 primarily as a result of acquisitions, offset by lower organic sales and unfavorable foreign exchange. The increase in Net sales from acquisitions was driven by the acquisitions of Coldwater, Pro Systems, Inovatech and Baker within Americas Welding and Worthington within The Harris Products Group.

Gross Profit:

Gross profit for the three and six months ended June 30, 2019 increased, as a percent of sales, compared to the prior year due to price management and segment mix. The three and six months ended June 30, 2019 includes a last-in, first-out ("LIFO") credit of $886 and $865, respectively, as compared to a LIFO charge of $5,261 and $6,173, respectively, in the three and six months ended June 30, 2018.

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

The decrease in SG&A expenses for the three and six months ended June 30, 2019 as compared to June 30, 2018 is due to favorable foreign exchange and lower compensation costs, partially offset by higher expense from acquisitions.

Rationalization and Asset Impairment Charges:

The Company recorded net charges of $1,307, $937 after-tax, and $4,842, $3,751 after-tax, in the three and six months ended June 30, 2019, respectively, primarily related to severance, asset impairments and gains or losses on the disposal of assets. The Company recorded net charges of $11,542, $10,362 after-tax, and $21,717, $18,232 after-tax, in the three and six months ended June 30, 2018, respectively, primarily related to employee severance and asset impairment charges.

Interest Expense, Net:

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

Income Taxes:

The effective tax rate was lower for the three and six months ended June 30, 2019 as compared to June 30, 2018 primarily due to income tax benefits for the settlement of a tax item 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 Cuts and Job Act (the "U.S. Tax Act").

Net Income:

The increase in Net income for the three and six months ended June 30, 2019 as compared to June 30, 2018 was primarily due to a lower effective tax rate and lower rationalization and asset impairment charges.

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 six months ended June 30, 2019:

Three Months Ended June 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	$ 462,515	$ (16,756)	$ 21,512	$ 11,599	$ (2,263)	$ 476,607
International Welding	243,373	(23,550)	—	2,837	(10,354)	212,306
The Harris Products Group	84,164	(417)	5,656	(635)	(673)	88,095
% Change						
Americas Welding		(3.6%)	4.7%	2.5%	(0.5%)	3.0%
International Welding		(9.7%)	—	1.2%	(4.3%)	(12.8%)
The Harris Products Group		(0.5%)	6.7%	(0.8%)	(0.8%)	4.7%

(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. Decrease for The Harris Products Group driven primarily by lower demand in the retail sector.

(2) Increase due to the acquisition of Coldwater, Pro Systems, Inovatech and Baker within Americas Welding and Worthington within The Harris Products Group. 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.

Six Months Ended June 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	$ 897,287	$ (29,151)	$ 34,232	$ 39,027	$ (7,069)	$ 934,326
International Welding	490,693	(41,467)	—	9,312	(28,146)	430,392
The Harris Products Group	159,768	2,544	11,430	(185)	(2,093)	171,464
% Change						
Americas Welding		(3.2%)	3.8%	4.3%	(0.8%)	4.1%
International Welding		(8.5%)	—	1.9%	(5.7%)	(12.3%)
The Harris Products Group		1.6%	7.2%	(0.1%)	(1.3%)	7.3%

(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 and Worthington within The Harris Products Group. 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.

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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 June 30,		Favorable (Unfavorable) 2019 vs. 2018	
	2019	2018	$	%
Americas Welding:				
Net sales	$ 476,607	$ 462,515	$ 14,092	3.0%
Inter-segment sales	34,811	31,240	3,571	11.4%
Total Sales	$ 511,418	$ 493,755	17,663	3.6%
Adjusted EBIT [4]	$ 84,851	$ 88,158	(3,307)	(3.8%)
As a percent of total sales [1]	16.6%	17.9%		(1.3%)
International Welding:				
Net sales	$ 212,306	$ 243,373	(31,067)	(12.8%)
Inter-segment sales	4,188	5,497	(1,309)	(23.8%)
Total Sales	$ 216,494	$ 248,870	(32,376)	(13.0%)
Adjusted EBIT [5]	$ 15,178	$ 16,276	(1,098)	(6.7%)
As a percent of total sales [2]	7.0%	6.5%		0.5%
The Harris Products Group:				
Net sales	$ 88,095	$ 84,164	3,931	4.7%
Inter-segment sales	2,113	2,003	110	5.5%
Total Sales	$ 90,208	$ 86,167	4,041	4.7%
Adjusted EBIT	$ 13,488	$ 10,157	3,331	32.8%
As a percent of total sales [3]	15.0%	11.8%		3.2%
Corporate / Eliminations:				
Inter-segment sales	$ (41,112)	$ (38,740)	2,372	6.1%
Adjusted EBIT [6]	(3,969)	(3,186)	783	24.6%
Consolidated:				
Net sales	$ 777,008	$ 790,052	(13,044)	(1.7%)
Net income	$ 85,452	$ 68,864	16,588	24.1%
As a percent of total sales	11.0%	8.7%		2.3%
Adjusted EBIT [7]	$ 109,548	$ 111,405	(1,857)	(1.7%)
As a percent of sales	14.1%	14.1%		—

(1) Decrease for the three months ended June 30, 2019 as compared to June 30, 2018 driven by acquisitions, lower Net sales volumes and higher compensation costs, partially offset by lower LIFO charges.

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

(3) Increase for the three months ended June 30, 2019 as compared to June 30, 2018 driven by favorable sales mix associated with consumables volume increases.

(4) The three months ended June 30, 2019 exclude Rationalization and asset impairment charges of $380, 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.

(5) The three months ended June 30, 2019 and 2018 exclude Rationalization and asset impairment charges of $927 and $11,542, 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 June 30, 2019 also exclude gains on disposal of assets of $3,554.

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(6) The three months ended June 30, 2019 and 2018 exclude acquisition transaction and integration costs of $1,014 and $788, 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.

The following table presents Adjusted EBIT by segment:

	Six Months Ended June 30,		Favorable (Unfavorable) 2019 vs. 2018	
	2019	2018	$	%
Americas Welding:				
Net sales	$ 934,326	$ 897,287	$ 37,039	4.1%
Inter-segment sales	64,199	57,826	6,373	11.0%
Total Sales	$ 998,525	$ 955,113	43,412	4.5%
Adjusted EBIT (4)	$ 166,603	$ 165,597	1,006	0.6%
As a percent of total sales (1)	16.7%	17.3%		(0.6%)
International Welding:				
Net sales	$ 430,392	$ 490,693	(60,301)	(12.3%)
Inter-segment sales	8,397	10,006	(1,609)	(16.1%)
Total Sales	$ 438,789	$ 500,699	(61,910)	(12.4%)
Adjusted EBIT (5)	$ 28,515	$ 31,249	(2,734)	(8.7%)
As a percent of total sales (2)	6.5%	6.2%		0.3%
The Harris Products Group:				
Net sales	$ 171,464	$ 159,768	11,696	7.3%
Inter-segment sales	3,980	3,910	70	1.8%
Total Sales	$ 175,444	$ 163,678	11,766	7.2%
Adjusted EBIT	$ 24,007	$ 19,382	4,625	23.9%
As a percent of total sales (3)	13.7%	11.8%		1.9%
Corporate / Eliminations:				
Inter-segment sales	$ (76,576)	$ (71,742)	4,834	6.7%
Adjusted EBIT (6)	(7,011)	(3,344)	3,667	109.7%
Consolidated:				
Net sales	$ 1,536,182	$ 1,547,748	(11,566)	(0.7%)
Net income	$ 156,932	$ 129,688	27,244	21.0%
As a percent of total sales	10.2%	8.4%		1.8%
Adjusted EBIT (7)	$ 212,114	$ 212,884	(770)	(0.4%)
As a percent of sales	13.8%	13.8%		—

(1) Decrease for the six months ended June 30, 2019 as compared to June 30, 2018 driven by acquisitions, lower Net sales volumes and higher compensation costs, partially offset by lower LIFO charges.

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

(3) Increase for the six months ended June 30, 2019 as compared to June 30, 2018 driven by favorable sales mix associated with consumables volume increases.

(4) The six months ended June 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 six months ended June 30, 2018 exclude pension settlement charges of $758 related to lump sum pension payments as discussed in Note 13 to the consolidated financial statements.

(5) The six months ended June 30, 2019 and 2018 exclude Rationalization and asset impairment charges of $3,126 and $21,717, 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 June 30, 2019 also exclude gains on disposal of assets of $3,554.

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(6) The six months ended June 30, 2019 and 2018 exclude acquisition transaction and integration costs of $1,804 and $2,695, 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 June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Operating income as reported	$ 105,186	$ 94,634	$ 199,664	$ 179,822
Special items (pre-tax):				
Rationalization and asset impairment charges (1)	1,307	11,542	4,842	21,717
Acquisition transaction and integration costs (2)	1,014	788	1,804	2,695
Amortization of step up in value of acquired inventories (3)	1,399	—	1,399	—
Gains on asset disposals (4)	(3,045)	—	(3,045)	—
Adjusted operating income	$ 105,861	$ 106,964	$ 204,664	$ 204,234
Net income as reported	$ 85,452	$ 68,864	$ 156,932	$ 129,688
Special items:				
Rationalization and asset impairment charges (1)	1,307	11,542	4,842	21,717
Acquisition transaction and integration costs (2)	1,014	788	1,804	2,695
Pension settlement charges (5)	—	—	—	758
Amortization of step up in value of acquired inventories (3)	1,399	—	1,399	—
Gains on asset disposals (4)	(3,554)	—	(3,554)	—
Tax effect of Special items (6)	(4,751)	(784)	(5,564)	(1,165)
Adjusted net income	80,867	80,410	155,859	153,693
Non-controlling interests in subsidiaries' earnings (loss)	(8)	(5)	(22)	(9)
Interest expense, net	5,898	4,812	11,221	9,253
Income taxes as reported	18,040	25,404	39,492	48,782
Tax effect of Special items (6)	4,751	784	5,564	1,165
Adjusted EBIT	$ 109,548	$ 111,405	$ 212,114	$ 212,884
Effective tax rate as reported	17.4%	27.0 %	20.1%	27.3 %
Net special item tax impact	4.6%	(2.4%)	2.3%	(2.8%)
Adjusted effective tax rate	22.0%	24.6 %	22.4%	24.5 %
Diluted earnings per share as reported	$ 1.36	$ 1.04	$ 2.47	$ 1.96
Special items per share	(0.08)	0.18	(0.01)	0.36
Adjusted diluted earnings per share	$ 1.28	$ 1.22	$ 2.46	$ 2.32

(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 acquisition of Baker 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) 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.

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:

	Six Months Ended June 30,		
	2019	**2018**	**$ Change**
Cash provided by operating activities (1)	$ 151,985	$ 123,558	$ 28,427
Cash (used by) provided by investing activities (2)	(133,644)	15,501	(149,145)
Capital expenditures	(36,513)	(31,383)	(5,130)
Acquisition of businesses, net of cash acquired	(107,843)	6,591	(114,434)
Proceeds from marketable securities, net of purchases	—	40,066	(40,066)
Cash used by financing activities (3)	(190,078)	(98,673)	(91,405)
Purchase of shares for treasury	(160,914)	(50,232)	(110,682)
Cash dividends paid to shareholders	(60,101)	(51,250)	(8,851)
(Decrease) increase in Cash and cash equivalents (4)	(168,988)	30,393	

(1) Cash provided by operating activities increased for the six months ended June 30, 2019, compared with the six months ended June 30, 2018 primarily due to improved Company performance and cash flows from tax payments and receipts.

(2) Cash used by investing activities increased for the six months ended June 30, 2019, compared with the six months ended June 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 six months ended June 30, 2019, compared with the six months ended June 30, 2018 due to higher purchases of common shares for treasury.

(4) Cash and cash equivalents decreased 47.1%, or $168,988, to $189,861 during the six months ended June 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 six months ended June 30, 2019 compares to an increase of 9.3% during the six months ended June 30, 2018. The increase in 2018 was primarily due to cash provided by operating activities and proceeds from marketable securities, partially offset by cash dividends paid to shareholders. At June 30, 2019, $173,350 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 46.7% at June 30, 2019 from 44.2% at December 31, 2018.

In July 2019, the Company paid a cash dividend of $0.47 per share, or $29,036, to shareholders of record as of June 28, 2019.

Working Capital Ratios

	June 30, 2019	December 31, 2018	June 30, 2018
Average operating working capital to net sales [1]	18.4%	16.5%	16.5%
Days sales in Inventories	98.4	95.1	91.0
Days sales in Accounts receivable	53.6	52.7	52.2
Average days in Trade accounts payable	50.6	55.5	53.4

(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 June 30, 2019 and 2018 were as follows:

	Twelve Months Ended June 30, 2019	2018
Net income	$ 314,310	$ 259,995
Rationalization and asset impairment charges	8,410	28,307
Pension settlement charges	5,928	8,908
Acquisition transaction and integration costs	3,607	9,584
Amortization of step up in value of acquired inventories	1,399	4,578
Gains on disposal of assets	(3,554)	—
Bargain purchase gain	—	(49,650)
Tax effect of Special items (1)	(11,295)	21,256
Adjusted net income	$ 318,805	$ 282,978
Plus: Interest expense, net of tax of $6,178 and $6,077 in 2019 and 2018, respectively	18,569	18,265
Less: Interest income, net of tax of $1,302 and $1,509 in 2019 and 2018, respectively	3,912	4,537
Adjusted net income before tax effected interest	$ 333,462	$ 296,706

Invested Capital	**June 30, 2019**	**June 30, 2018**
Short-term debt	$ 30,110	$ 1,889
Long-term debt, less current portion	710,458	700,194
Total debt	740,568	702,083
Total equity	846,058	943,508
Invested capital	$ 1,586,626	$ 1,645,591
Return on invested capital	21.0%	18.0%

(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 June 30, 2019 and net charges of $31,116 related to the U.S. Tax Act in the twelve months ended June 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 June 30, 2019, the Company was in compliance with all of its covenants and had $30,000 of 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 Notes contain certain affirmative and negative covenants. As of June 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 June 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 June 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 June 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 June 30, 2019, the Company was a co-defendant in cases alleging asbestos induced illness involving claims by approximately 3,279 plaintiffs, which is a net decrease of 9 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: 55,047 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 894 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 second 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)
April 1 - 30, 2019	254,018 (1)	$ 87.82	252,870	5,078,360
May 1 - 31, 2019	433,048 (1)	82.19	433,009	4,645,351
June 1 - 30, 2019	346,969 (1)	79.06	346,461	4,298,890
Total	1,034,035		1,032,340	

(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 50.7 million shares at a total cost of $2.0 billion for a weighted average cost of $40.18 per share through June 30, 2019.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 6. EXHIBITS

(a) Exhibits

10.1	Amendment No. 1 to The Lincoln Electric Company Employee Savings Plan As Amended and Restated Effective January 1, 2019, effective July 1, 2019 (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	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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)
July 26, 2019

Exhibit 10.1

AMENDMENT NO. 1
TO
THE LINCOLN ELECTRIC COMPANY
EMPLOYEE SAVINGS PLAN
(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 2019)

The Lincoln Electric Company, an Ohio corporation, hereby adopts this Amendment No. 1 to The Lincoln Electric Company Employee Savings Plan (As Amended and Restated Effective January 1, 2019) (the "Plan"), effective as of July 1, 2019.

I.

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

"(6) Before-Tax Contributions: The contributions made pursuant to Section 3.1 of the Plan (excluding Roth Contributions), elective deferral contributions made to the Weartech Plan on behalf of Former Weartech Plan Participants and elective deferral contributions made to the Harris Plan on behalf of Former Harris Plan Participants. Except as otherwise specifically provided in the Plan, the term "Before-Tax Contributions" when used herein shall include all Catch-Up Before-Tax Contributions, as defined in Section 3.11."

II.

Section 1.1(19) of the Plan is hereby amended in its entirety to read as follows:

"(19) Eligible Employee: An Employee who is eligible to have his Employer make Before-Tax Contributions and Roth Contributions for him to the Trust as provided in Article II of the Plan."

III.

Section 1.1(20) of the Plan is hereby amended in its entirety to read as follows:

"(20) Eligible Rollover Distribution: Any distribution of all or any portion of the balance to the credit of the distributee, except (a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more, (b) any distribution to the extent the distribution is required under section 401(a)(9) of the Code, (c) the portion of any distribution that consists of after-tax employee contributions (other than a distribution from a designated Roth account (as defined in section 402A of the Code)), (d) any distribution that is made upon hardship of the Employee and (e) such other amounts specified in Treasury regulations or Internal Revenue Service rulings, notices or announcements issued under section 402(c) of the Code."

IV.

The second sentence of Section 1.1(47) of the Plan is hereby amended in its entirety to read as follows:

"The applicable Matching Employer Contribution Percentage shall be applied as provided in Section 4.1 (or the Employer's Instrument of Adoption) against Before-Tax Contributions and Roth Contributions made for a Plan Year that are not in excess of the percentage of Compensation specified in Section 4.1 or in the Employer's Instrument of Adoption."

V.

Section 1.1(52) of the Plan is hereby amended in its entirety to read as follows:

"(52) Non-ESOP Account: The Non-ESOP Account shall consist of the following amounts, plus allocated earnings thereto: (a) Before-Tax Contributions, Roth Contributions, Matching Employer Contributions, Qualified Nonelective Contributions, Nonelective Employer Contributions and Transitional Employer Contributions, in each case that are made for the current Plan Year and invested in the Holdings Stock Fund; (b) all contributions invested in any Investment Fund other than the Holdings Stock Fund and (c) solely to the extent designated in any applicable Instrument of Merger or similar document, amounts transferred to the Plan on behalf of a Member from another qualified plan pursuant to Section 3.10 hereof; provided that the Non-ESOP Account shall not include any portion of such contributions that are transferred to the Member's ESOP Account pursuant to Section 5.6 of the Plan. In furtherance of, but without limiting the foregoing, the Non-ESOP Holdings Stock Sub-Fund, which is intended to be a stock bonus plan as defined in Treasury Regulation Section 1.401-1(b)(1)(iii), is also part of the Non-ESOP Account."

VI.

Section 1.1 of the Plan is hereby amended by inserting the following new Section 1.1(61A) immediately following Section 1.1(61) thereof:

"(61A) Roth Contributions: The contributions made pursuant to Section 3.1 of the Plan which the Member has irrevocably designated as being contributed in lieu of all or a portion of the Before-Tax Contributions that the Member is otherwise eligible to make under the Plan, and which are treated by the Company as includible in the Member's gross income pursuant to Section 402A of the Code at the time the Member would have received that amount in cash if the Member had not elected to make the contribution. Except as otherwise specifically provided in the Plan, the term "Roth Contributions" when used herein shall include all Catch-Up Roth Contributions, as defined in Section 3.11."

VII.

Section 1.1 of the Plan is hereby amended by inserting the following new Section 1.1(61B) immediately following Section 1.1(61A) thereof:

"(61B) Roth Rollover Contributions Sub-Account: The portion of a Member's Rollover Contributions Sub-Account that holds any amount received as a Rollover Contribution on the Member's behalf from a designated Roth account, as defined in Section 402A of the Code, plus allocated earnings thereto."

VIII.

Section 1.1(62) of the Plan is hereby amended in its entirety to read as follows:

"(62) Salary Reduction Agreement: An arrangement made under the Plan pursuant to which an Employee agrees to reduce, or to forego an increase in, his Compensation and his Employer agrees to contribute to the Trust the amount so reduced or foregone as a Before Tax Contribution and/or Roth Contribution."

IX.

Section 1.1(72)(a) of the Plan is hereby amended in its entirety to read as follows:

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

X.

Section 1.1(72)(b) of the Plan is hereby amended in its entirety to read as follows:

"(b) is derived from Matching Employer Contributions and (i) in the case of a Member employed by the Company, Welding, Cutting, Tools & Accessories, LLC, Lincoln Electric Cutting Systems, Inc., Kaliburn, Inc., J.W. Harris Co., Inc., Smart Force, LLC, Vizient Manufacturing Solutions, Inc., Lincoln Global, Inc. and Baker Industries, Inc. (but in the case of Members employed by J.W. Harris Co., Inc., Smart Force, LLC or the Seal Seat Division of Lincoln Global, Inc., only with respect to Members who are Employees on or after August 1, 2017 or who were Covered Employees prior to August 1, 2017 under the provisions of the Plan then in effect) is 100% nonforfeitable at all times, or (ii) in the case of all other Members is (A) 0% nonforfeitable prior to the Member's completion of three Years of Vesting Service and (B) 100% nonforfeitable on and after the Member's completion of three Years of Vesting Service; and"

XI.

Section 2.1 of the Plan is hereby amended by inserting a new sentence at the end thereof to read as follows:

"Further, notwithstanding the preceding provisions of this Section, for purposes of becoming an Eligible Employee on July 1, 2019, the requirement of Subsection (2) of this Section shall be waived in the case of a Covered Employee who is employed by Baker Industries, Inc. on July 1, 2019."

XII.

Section 2.2(1) of the Plan is hereby amended in its entirety to read as follows:

"(1) Any Eligible Employee may enroll in the Plan for purposes of having his Employer make Before-Tax Contributions and/or Roth Contributions for him to the Trust on the Enrollment Date on which he is initially eligible or on any subsequent Enrollment Date by filing with the Administrative Committee at least 30 days (or such shorter period as the Committee shall determine) before such Date an enrollment form prescribed by the Committee, which form shall include (a) the desired effective date of the Eligible Employee's enrollment in the Plan, (b) his agreement commencing on or after the effective date to have his Employer make Before-Tax Contributions and/or Roth Contributions for him to the Trust, (c) his authorization to his Employer to withhold from his Compensation payable on or after such effective date, any designated Before-Tax Contributions and/or Roth Contributions and to pay the same to the Trust, and (d) his direction that the Before-Tax Contributions, Roth Contributions and Employer Contributions, if any, made by or for him be invested (to the extent permitted under the Plan) in any one of the investment options permitted by Section 5.5. Notwithstanding the preceding provisions of this Section, the terms and provisions of the Plan in effect prior to January 1, 2019 contained special membership rules for certain classes of Eligible Employees."

XIII.

The last sentence of Section 2.2(2) of the Plan is hereby amended in its entirety to read as follows:

"An Eligible Employee who is deemed to have enrolled pursuant to this Section 2.2(2) and Section 2.3 for purposes of having his Employer make Before-Tax Contributions from his Base Compensation may separately elect (but shall not be deemed to have elected) to enroll pursuant to Section 2.2(1) for purposes of having his Employer make Before-Tax Contributions and/or Roth Contributions from his Bonus Compensation."

XIV.

The last sentence of Section 2.4 of the Plan is hereby amended in its entirety to read as follows:

"An Employee shall cease to be a Member when he ceases to be an Eligible Employee, a Nonelective Contribution Participant, a Transitional Contribution Participant and a Matching Contribution Participant, provided, however, that if after he ceases to be an Eligible Employee, a Nonelective Contribution Participant, a Transitional Contribution Participant and a Matching Contribution Participant, an Account continues to be maintained for him, he shall (subject to Section 13.1) remain a Member for all purposes of the Plan other than for purposes of making, or having his Employer make Before-Tax, Roth, Rollover or Employer Contributions."

XV.

Section 2.5(1) of the Plan is hereby amended by inserting a new sentence at the end thereof to read as follows:

"Further, notwithstanding the preceding provisions of this Section, for purposes of becoming a Matching Contribution Participant on July 1, 2019, the requirements of Subsection (1)(b) of this Section shall be waived in the case of a Covered Employee employed by Baker Industries, Inc. on April 1, 2019."

XVI.

Section 2.6(1)(a) of the Plan is hereby amended in its entirety to read as follows:

"(a) he is a Covered Employee who is employed by the Company, Welding, Cutting, Tools & Accessories, LLC, Lincoln Electric Cutting Systems, Inc., Kaliburn, Inc., J.W. Harris Co., Inc., Smart Force, LLC, Lincoln Global, Inc. and Baker Industries, Inc., and"

XVII.

Section 2.6(1) of the Plan is hereby amended by inserting a new sentence at the end thereof to read as follows:

"Notwithstanding the preceding provisions of this Section, for purposes of becoming a Nonelective Contribution Participant on July 1, 2019, the requirements of Subsection (1)(b) of this Section shall be waived in the case of a Covered Employee employed by Baker Industries, Inc. on April 1, 2019."

XVIII.

Sections 2.8(1) and 2.9(1) of the Plan are hereby amended by deleting the term "Before-Tax Contributions" and replacing it with the phrase "Before-Tax Contributions and/or Roth Contributions" each place it appears therein.

XIX.

The title of Article III of the Plan is hereby amended to read as follows:

"**ARTICLE III - BEFORE-TAX, ROTH AND ROLLOVER CONTRIBUTIONS**"

XX.

Section 3.1 of the Plan is hereby amended in its entirety to read as follows:

"3.1 **Amount of Contributions**.

(1) Upon enrollment pursuant to Section 2.2(1), a Member shall agree pursuant to a Salary Reduction Agreement to have his Employer make Before-Tax Contributions and/or Roth Contributions for him to the Trust of a specified percentage of between 1% and 80% of his Compensation in 1% increments through equal percentage pay period reductions with respect to his Base Compensation and through payroll deduction with respect to his Bonus Compensation. Unless otherwise provided pursuant to procedures established by the Administrative Committee for a specified group or groups of Members, the percentage elected by a Member pursuant to this Subsection shall apply to the Member's Base and Bonus Compensation. If the Administrative Committee establishes procedures that provide for a specified group of Members to make separate Before-Tax and Roth Contribution elections with respect to their Base Compensation and their Bonus Compensation, the Committee may permit such Members to elect to contribute a whole dollar amount, rather than a specified percentage, with respect to their Bonus Compensation.

(2) Upon enrollment pursuant to Sections 2.2(2) and 2.3, a Member shall be deemed to have elected pursuant to an Automatic Salary Reduction Agreement to have his Employer make Before-Tax Contributions for him to the Trust in an amount equal to 4% of his Base Compensation through equal percentage pay period reductions.

(3) If a Member's Before-Tax Contributions or Roth Contributions must be reduced pursuant to Sections 3.5 through 3.8 or the requirements of applicable law, his Before-Tax Contributions and Roth Contributions as so reduced shall be the maximum percentage of his Compensation permitted by such Sections or law notwithstanding the foregoing provisions of this Section requiring that Before-Tax and Roth Contributions be made in specified increments of his Compensation. In furtherance of the foregoing, and notwithstanding any provision of the Plan to the contrary, in the event a Member has elected to make both Before-Tax Contributions and Roth Contributions and it is determined that in a particular pay period the Member's Before-Tax Contributions and Roth Contributions during a taxable year will reach the maximum amount applicable under Section 3.5(1) or any other maximum amount applicable under the Plan, the Member's election with respect to Before-Tax Contributions will be applied first (up to such maximum amount) and, if applicable, the Member's election with respect to Roth Contributions will be applied second (up to such maximum amount), subject to any alternative procedure as may be adopted by the Administrative Committee from time to time."

XXI.

Section 3.2 of the Plan is hereby amended in its entirety to read as follows:

"3.2 Payments to Trustee. Before Tax Contributions and Roth Contributions shall be transmitted to the Trustee as soon as practicable, but in any event not later than the 15th business day of the month following the month in which such Contributions would otherwise have been paid to the Members."

XXII.

Sections 3.3 and 3.4 of the Plan are hereby amended by deleting the term “Before-Tax Contributions” and replacing it with the phrase “Before-Tax Contributions and/or Roth Contributions” each place it appears therein.

XXIII.

Sections 3.5, 3.6, 3.12, 4.1 and 4.11(2)(a) of the Plan are hereby amended by (i) deleting the term “Before-Tax Contributions” and replacing it with the phrase “Before-Tax Contributions and Roth Contributions” and (ii) deleting the term “Catch-Up Before-Tax Contributions” and replacing it with the term “Catch-Up Contributions,” each place they appear therein.

XXIV.

Section 3.5(2) of the Plan is hereby amended by inserting the following new sentence at the end thereof:

“In the event both Before-Tax Contributions and Roth Contributions were made on behalf of a Member for the taxable year to which the excess relates, any excess Before-Tax Contributions will be returned to the Member first, subject to any alternative procedure as may be adopted by the Administrative Committee from time to time.”

XXV.

Section 3.6(4) of the Plan is hereby amended by inserting the following new sentence at the end thereof:

“In the event both Before-Tax Contributions and Roth Contributions were made on behalf of a Member for the Plan Year in which the excess arose, any excess Before-Tax Contributions will be returned to the Member first, subject to any alternative procedure as may be adopted by the Administrative Committee from time to time.”

XXVI.

The second sentence of Section 3.7(1) of the Plan is hereby amended in its entirety to read as follows:

“If two or more plans of the Controlled Group to which matching contributions, Employee after tax contributions, Roth Contributions or Before Tax Contributions (as defined in Section 3.5(1)) are made are treated as one plan for purposes of section 410(b) of the Code, such plans shall be treated as one plan for purposes of this Subsection (1); and if a Highly Compensated Eligible Employee participates in two or more plans of the Controlled Group to which such contributions are made, all such contributions shall be aggregated for purposes of this Subsection (1) and, in the event that such plans have different plan years, all such contributions made during the Plan Year under all such plans shall be aggregated.”

XXVII.

The first sentence of Section 3.7(2) of the Plan is hereby amended in its entirety to read as follows:

“For the purposes of this Section, the contribution percentage for a specified group of Eligible Employees for a Plan Year shall be the average of the ratios (calculated separately for each Eligible Employee in such group) of (a) the sum of the Matching Employer Contributions and, at the election of an Employer, any Before-Tax Contributions, Roth Contributions or Qualified Nonelective Contributions paid under the Plan by or on behalf of each such Eligible Employee for such Plan Year and not taken into account for such Plan Year under Section 3.6(2), to (b) the Eligible Employee’s compensation (as defined in Section 3.6(2)) for such Plan Year.”

XXVIII.

Section 3.8(1) of the Plan is hereby amended in its entirety to read as follows:

“(1) In order to ensure that at least one of the actual deferral percentages specified in Section 3.6(1) and at least one of the contribution percentages specified in Section 3.7(1) are satisfied for each Plan Year, the Company may monitor (or cause to be monitored) the amount of Before-Tax Contributions, Roth Contributions and Matching Employer Contributions, if any, being made to the Plan for each Eligible Employee during each Plan Year. In the event that the Company determines that neither of such actual deferral percentages or neither of such contribution percentages will be satisfied for a Plan Year, the Before-Tax Contributions, Roth Contributions and/or Matching Employer Contributions made thereafter for each Highly Compensated Eligible Employee (as defined in Section 3.6(3)) shall be reduced (pursuant to non-discriminatory rules adopted by the Company) to the extent necessary to decrease the actual deferral percentage and/or contribution percentage for Highly Compensated Eligible Employees for such Plan Year to a level which satisfies either of the actual deferral percentages and/or either of the contribution percentages.”

XXIX.

Section 3.8(2) of the Plan is hereby amended in its entirety to read as follows:

“(2) In order to ensure that excess deferrals (as such term is defined in Section 3.5(2)) shall not be made to the Plan for any taxable year for any Member, the Company may monitor (or cause to be monitored) the amount of Before-Tax Contributions and Roth Contributions being made to the Plan for each Member during each taxable year and may take such action (pursuant to non-discriminatory rules adopted by the Company) to prevent Before-Tax Contributions and/or Roth Contributions made for any Member under the Plan for any taxable year from exceeding the maximum amount applicable under Section 3.5(1).”

XXX.

The third sentence of Section 3.9(1) of the Plan is hereby amended in its entirety to read as follows:

“Without limiting the generality of the foregoing, the Plan may accept as a Rollover Contribution amounts distributed from a designated Roth account (as defined in section 402A of the Code) which shall be separately accounted for under the Plan, but the Plan shall not accept as a Rollover Contribution any amounts distributed from a Roth IRA (as defined in section 408A of the Code).”

XXXI.

Section 3.11 of the Plan is hereby amended in its entirety to read as follows:

"3.11 Catch-Up Contributions. All Members who have elected, or are deemed to have elected, to make Before-Tax Contributions and/or Roth Contributions to this Plan and who have attained age 50 before the end of a particular Plan Year shall be eligible to make catch-up contributions (the "Catch-Up Before-Tax Contributions" and "Catch-Up Roth Contributions," respectively, and the "Catch-Up Contributions," collectively) in accordance with, and subject to the limitations of, section 414(v) of the Code; provided, however that Catch-Up Contributions shall not be eligible for Matching Employer Contributions under Section 4.1, and provided further that Catch-Up Contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of section 401(a)(30) and 415(c) of the Code (i.e., Sections 3.6 and 4.11, respectively). In addition, notwithstanding any provision of the Plan to the contrary, the Plan shall not be treated as failing to satisfy the requirements of sections 401(k)(3), 401(k)(11), 410(b) or 416 of the Code, as applicable, by reason of the making of any such Catch-Up Contributions. In furtherance of, but without limiting the foregoing, Before-Tax Contributions and Roth Contributions that exceed (i) the percentage limits described in Section 3.1, (ii) the statutory limits described in Sections 3.5(1) and 4.11, or (iii) the limits specified by the Company under Section 3.8 for the Plan Year, shall be treated as Catch-Up Contributions; provided, however, that whether Before-Tax Contributions and Roth Contributions are in excess of any applicable limit and therefore shall be treated as Catch-Up Contributions shall be determined as of the end of the Plan Year. A Member who is eligible to make Catch-Up Contributions shall designate whether his Catch-Up Contributions shall be considered Before-Tax Contributions or Roth Contributions. In the event a Member does not designate whether the Catch-Up Contributions to be made are to be Before-Tax Contributions or Roth Contributions, all Catch-Up Contributions shall be deemed for all purposes of the Plan to be Before-Tax Contributions."

XXXII.

Section 4.3 of the Plan is hereby amended in its entirety to read as follows:

"4.3 Allocation of Matching Employer Contributions. Except as otherwise provided in any other provision of the Plan or Trust Agreement, each Employer's Matching Employer Contributions made for a Plan Year shall, subject to the provisions of Sections 3.5(3), 3.6(5) and 3.7(3), be allocated and credited to the Account of each Employee of the Employer who is a Matching Contribution Participant, who is entitled to receive Matching Employer Contributions and for whom Before-Tax Contributions and/or Roth Contributions were made during such Plan Year, with each such Matching Contribution Participant being credited with a portion of such Employer's Matching Employer Contributions equal to the Matching Employer Contribution Percentage of the Before-Tax Contributions and Roth Contributions (not in excess of 3% of Compensation or such other percentage of Compensation specified in the Employer's Instrument of Adoption) made for him pursuant to Section 3.1. An Employee of the Employer who is a Matching Contribution Participant and for whom Before-Tax Contributions and/or Roth Contributions are made shall be entitled to receive an allocation of Matching Employer Contributions in accordance with the preceding sentence for the period during which he was a Matching Contribution Participant. For purposes of this Section, the terms "Before-Tax Contributions" and "Roth Contributions" shall not include any Catch-Up Contributions (as defined in Section 3.11)."

XXXIII.

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

"5.2 Account; Sub-Account. The Company shall establish and maintain, or cause to be established and maintained, an Account for each Member, which Account shall reflect, pursuant to Sub-Accounts established and maintained thereunder, the amount, if any, of the Member's (1) Before-Tax Contributions, (2) Roth Contributions, (3) Rollover Contributions, (4) Prior ESOP Contributions, (5) Matching Employer Contributions, (6) Qualified Nonelective Contributions, (7) Nonelective Employer Contributions, (8) Transitional Employer Contributions, (9) FSP Contributions, (10) FSP Plus Contributions, (11) Weartech Prior Matching Contributions and (12) Harris Prior Employer Contributions. The Company shall also establish and maintain an ESOP Account and a Non-ESOP Account for each Member. To the extent a Member's Rollover Contributions consist of the portion of a distribution not includible in the gross income of the Member, the Plan shall separately account for the portion of the distribution that is includible in gross income and the portion of the distribution that is not so includible, and any amount received as a Rollover Contribution from a designated Roth account, as defined in Section 402A of the Code (and only to the extent the rollover is permitted under the rules of Section 402(c) of the Code), will be allocated to a Roth Rollover Contributions Sub-Account within the Member's Rollover Contributions Sub-Account. The Company may establish such other Sub-Accounts, to the extent deemed necessary or desirable, in order to separately account for contribution and/or investment sources."

XXXIV.

Section 5.8(1) of the Plan is hereby amended in its entirety to read as follows:

"(1) A Member who is an Employee or a "party in interest" within the meaning of section 3(14) of ERISA, but who is not a Disabled Member, may apply on the form provided by the Administrative Committee for a loan from his Vested Interest in his Account. If the Committee determines that the Member is not in bankruptcy or similar proceedings and is entitled to a loan in accordance with the following provisions of this Section, the Committee shall direct the Trustee to make a loan to the Member from his Account. Each loan shall be charged against the Member's Vested Interest in his Sub-Accounts as follows: first, against the Member's Rollover Contributions Sub-Account (excluding the Roth Rollover Contributions Sub-Account), if any; second, to the extent necessary, against the Member's Before-Tax Contributions Sub-Account, if any; third, to the extent necessary, against the Member's Qualified Nonelective Contributions Sub-Account, if any; fourth, to the extent necessary, against the Member's Matching Employer Contributions Sub-Account, if any; fifth, to the extent necessary, against the Member's Nonelective Employer Contributions Sub-Account, if any; sixth, to the extent necessary, against the Member's Transitional Employer Contributions Sub-Account, if any; seventh, to the extent necessary, against the Member's Prior ESOP Contributions Sub-Account, if any; eighth, to the extent necessary, against the Member's Weartech Prior Matching Contributions Sub-Account, if any; ninth, to the extent necessary, against the Member's FSP Contributions Sub-Account; tenth, to the extent necessary, against the Member's FSP Plus Contributions Sub-Account; eleventh, to the extent necessary, against the Member's Harris Prior Employer Contributions Sub-Account, if any; twelfth, to the extent necessary, against the Member's Roth Rollover Contributions Sub-Account; and thirteenth, to the extent necessary, against the Member's Roth Contributions Sub-Account."

XXXV.

Section 6.3(1)(b) of the Plan is hereby amended by inserting the following new sentence at the end thereof:

"Except as otherwise provided under any procedures implemented by the Administrative Committee, including any Member elections permitted by such procedures, installment distributions will be charged against the Sub-Accounts in the Member's Account on a pro-rata basis."

XXXVI.

Section 6.7(1) of the Plan is hereby amended in its entirety to read as follows:

"(1) Withdrawals on Account of Hardship. A Member who is an Employee and who has obtained all distributions and withdrawals (including distributions of dividends from his ESOP Account under section 404(k) of the Code but not Hardship distributions) then available under all plans maintained by the Controlled Group may request, on a form provided by and filed with the Committee, a withdrawal on account of Hardship of all or a part of his Vested Interest in the following Sub-Accounts (including earnings thereon): Rollover Contributions Sub-Account (excluding the Roth Rollover Contributions Sub-Account), Before-Tax Contributions Sub-Account, Matching Employer Contributions Sub-Account, Nonelective Employer Contributions Sub-Account, Transitional Employer Contributions Sub-Account, Prior ESOP Contributions Sub-Account, Weartech Prior Matching Contributions Sub-Account, FSP Contributions Sub-Account, FSP Plus Contributions Sub-Account, Harris Prior Employer Contributions Sub-Account, Roth Rollover Contributions Sub-Account and Roth Contributions Sub-Account. Upon making a determination that the Member is entitled to a withdrawal on account of Hardship, the Committee shall direct the Trustee to distribute to such Member the amount requested and charge the amount of the withdrawal to the Member's Sub-Accounts in the order set forth in the preceding sentence, provided, however, that the amount of the withdrawal shall not be in excess of the amount necessary to alleviate such Hardship. If, as of January 1, 2019, a Member's Before-Tax Contributions were suspended for a period of six months following receipt of a withdrawal on account of Hardship, such suspension will cease to apply effective January 1, 2019 and a Member who desires to resume having Before-Tax Contributions made for him may do so, as of any Valuation Date on or after January 1, 2019, if he is then an Eligible Employee and he again enrolls as a contributing Member pursuant to Sections 2.2(1) and 3.1."

XXXVII.

Section 6.7(3) of the Plan is hereby amended in its entirety to read as follows:

"(3) Withdrawals of Rollover Contributions. A Member who is an Employee may request, on a form provided by and filed with the Committee, a withdrawal of all or any part of his Rollover Contributions Sub-Account. Any such partial withdrawal shall be charged pro-rata to the non-Roth Rollover Contributions Sub-Account and the Roth Rollover Contributions Sub-Account under the Member's Account."

XXXVIII.

Section 6.9 of the Plan is hereby amended by inserting the following new Section 6.9(4) immediately following Section 6.9(3) thereof:

"(4) Notwithstanding the foregoing, an Eligible Rollover Distribution from a Roth Contributions Sub-Account or Roth Rollover Contributions Sub-Account will only be made to another designated Roth account (as defined in Section 402A of the Code) under an applicable retirement plan described in Section 402A(e)(1) of the Code or to a Roth IRA described in Section 408A of the Code, and only to the extent the rollover is permitted under the rules of Section 402(c) of the Code."

XXXIX.

Section 6.12 of the Plan is hereby amended in its entirety to read as follows:

"6.12 Distributions to Certain Individuals Performing Military Service.

(1) To the extent permitted by section 414(u)(12)(B) of the Code, a Member shall be treated as having had an Employment Severance during any period that the Member is performing services in the uniformed services (as defined in section 3401(h)(2)(A) of the Code) on active duty for a period of more than 30 days, and may elect to receive a distribution of all or a portion of his Before-Tax Contributions and Roth Contributions made under the Plan. A Member who receives a distribution from the Plan by reason of this Section shall have his Before-Tax Contributions and Roth Contributions suspended for a period of 6 months beginning on the date of distribution. Any such distribution of a portion of the Member's Before-Tax Contributions and Roth Contributions shall be charged pro-rata to the Member's Before-Tax Contributions Sub-Account and Roth Contributions Sub-Account.

(2) A Member who is an Employee and is ordered or called to active duty may elect a Qualified Reservist Distribution. A "Qualified Reservist Distribution" is any distribution, if (a) the distribution is from amounts attributable to Before-Tax Contributions and/or Roth Contributions; (b) the Member was, by reason of being a member of a reserve component, as defined in Section 101 of Title 37 of the United States Code, ordered or called to active duty for a period in excess of 179 days or for an indefinite period; and (c) such distribution is made during the period beginning on the date of such order or call, and ending at the close of the Member's active duty period. Any such distribution of a portion of the Member's Before-Tax Contributions and Roth Contributions shall be charged pro-rata to the Member's Before-Tax Contributions Sub-Account and Roth Contributions Sub-Account."

XL.

Section 15.5(a) of the Plan is hereby amended in its entirety to read as follows:

"(a) Each Non-Key Employee who is eligible to share in any Employer Contribution for such Plan Year (or who would have been eligible to share in any such Employer Contribution if a Before-Tax Contribution or Roth Contribution had been made for him during such Plan Year) shall be entitled to receive an allocation of such Employer Contribution, which is at least equal to three percent (3%) of his Compensation for such Plan Year."

XLI.

Section 15.5(f) of the Plan is hereby amended in its entirety to read as follows:

"(f) For the purpose of this Section, the term "Employer Contributions" shall include Before-Tax Contributions, Roth Contributions and Matching Employer Contributions made for an Employee; provided, however, that Matching Employer Contributions taken into account in satisfying the percentage minimum contribution requirement set forth in paragraphs (a) and (b) above shall be treated as matching contributions for purposes of the actual contribution percentage test and other requirements of section 401(m) of the Code."

XLII.

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

"**EXHIBIT A**

Participating Employers
as of July 1, 2019

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

EXECUTED at Cleveland, Ohio this 26th day of June, 2019.

THE LINCOLN ELECTRIC COMPANY

By: /s/ Michele R. Kuhrt
Title: Executive Vice President, Chief Human Resources Officer

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: July 26, 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: July 26, 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 June 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: July 26, 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