LINCOLN ELECTRIC HOLDINGS INC
Form 10-Q
October 30, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2014
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 x No o

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

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares outstanding of the registrant's common shares as of September 30, 2014 was 77,680,043.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION	3
Item 1. Financial Statements	3
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)	3
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)	4
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)	5
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)	6
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 3. Quantitative and Qualitative Disclosures About Market Risk	34
Item 4. Controls and Procedures	34
PART II. OTHER INFORMATION	35
Item 1. Legal Proceedings	35
Item 1A. Risk Factors	35
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	36
Item 4. Mine Safety Disclosures	36
Item 6. Exhibits	36
Signatures	37
EX-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.
EX-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.
EX-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.
EX-101	Instance Document
EX-101	Schema Document
EX-101	Calculation Linkbase Document
EX-101	Label Linkbase Document
EX-101	Presentation Linkbase Document
EX-101	Definition Linkbase Document

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net sales	$715,777	$691,875	$2,129,370	$2,137,880
Cost of goods sold	474,168	459,178	1,411,158	1,438,273
Gross profit	241,609	232,697	718,212	699,607
Selling, general & administrative expenses	136,424	131,217	419,495	403,323
Rationalization and asset impairment charges	29,068	6,302	29,887	8,204
Operating income	76,117	95,178	268,830	288,080
Other income (expense):				
Interest income	627	536	2,465	2,452
Equity earnings in affiliates	1,172	1,170	4,308	3,687
Other income	1,043	1,514	3,204	3,141
Interest expense	(1,174)	(558)	(3,730)	(2,307)
Total other income	1,668	2,662	6,247	6,973
Income before income taxes	77,785	97,840	275,077	295,053
Income taxes	32,953	33,588	96,532	91,431
Net income including non-controlling interests	44,832	64,252	178,545	203,622
Non-controlling interests in subsidiaries’ loss	(857)	(1,792)	(929)	(1,834)
Net income	$45,689	$66,044	$179,474	$205,456
Basic earnings per share	$0.58	$0.81	$2.25	$2.50
Diluted earnings per share	$0.57	$0.80	$2.22	$2.47
Cash dividends declared per share	$0.23	$0.20	$0.69	$0.60

See notes to these consolidated financial statements.

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income including non-controlling interests	$44,832	$64,252	$178,545	$203,622
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax of $(159) and $25 in the three and nine months ended September 30, 2014; $276 and $(55) in the three and nine months ended September 30, 2013	313	(734)	(284)	(147)
Defined benefit pension plan activity, net of tax of $1,974 and $5,235 in the three and nine months ended September 30, 2014; $2,050 and $8,232 in the three and nine months ended September 30, 2013	2,909	4,314	7,989	14,391
Currency translation adjustment	(49,550)	19,891	(49,778)	(15,209)
Other comprehensive (loss) income:	(46,328)	23,471	(42,073)	(965)
Comprehensive (loss) income	(1,496)	87,723	136,472	202,657
Comprehensive loss attributable to non-controlling interests	(797)	(1,678)	(164)	(1,769)
Comprehensive (loss) income attributable to shareholders	$(699)	$89,401	$136,636	$204,426

See notes to these consolidated financial statements.

Table of Contents

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

	September 30, 2014 (UNAUDITED)	December 31, 2013 (NOTE 1)
ASSETS		
Current Assets		
Cash and cash equivalents	$279,523	$299,825
Accounts receivable (less allowance for doubtful accounts of $7,703 in 2014; $8,398 in 2013)	354,376	367,134
Inventories:		
Raw materials	96,857	112,478
Work-in-process	37,779	38,963
Finished goods	202,561	198,522
Total inventory	337,197	349,963
Other current assets	238,740	113,853
Total Current Assets	1,209,836	1,130,775
Property, Plant and Equipment		
Land	47,286	48,369
Buildings	361,489	373,373
Machinery and equipment	703,082	723,715
	1,111,857	1,145,457
Less accumulated depreciation	661,841	661,452
Property, Plant and Equipment, Net	450,016	484,005
Non-current assets	452,667	537,087
TOTAL ASSETS	$2,112,519	$2,151,867
LIABILITIES AND EQUITY		
Current Liabilities		
Amounts due banks	$85,642	$14,581
Trade accounts payable	186,751	212,799
Other current liabilities	297,449	228,822
Current portion of long-term debt	1,859	715
Total Current Liabilities	571,701	456,917
Long-Term Liabilities		
Long-term debt, less current portion	1,041	3,791
Accrued pensions	23,166	26,999
Other long-term liabilities	140,132	133,472
Total Long-Term Liabilities	164,339	164,262
Shareholders’ Equity		
Common shares	9,858	9,858
Additional paid-in capital	252,138	240,519
Retained earnings	2,033,290	1,908,462
Accumulated other comprehensive loss	(194,779)	(151,941)
Treasury shares	(727,168)	(480,296)

Total Shareholders' Equity	1,373,339	1,526,602
Non-controlling interests	3,140	4,086
Total Equity	1,376,479	1,530,688
TOTAL LIABILITIES AND EQUITY	$2,112,519	$2,151,867

See notes to these consolidated financial statements.

Table of Contents

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

	Nine Months Ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$179,474	$205,456
Non-controlling interests in subsidiaries' loss	(929)	(1,834)
Net income including non-controlling interests	178,545	203,622
Adjustments to reconcile Net income including non-controlling interests to Net cash provided by operating activities:		
Rationalization and asset impairment charges	29,447	5,049
Depreciation and amortization	53,017	51,881
Equity earnings in affiliates, net	(1,901)	(1,313)
Deferred income taxes	6,155	21,023
Stock-based compensation	6,268	7,511
Pension expense	9,634	22,261
Pension contributions and payments	(34,643)	(84,417)
Foreign exchange loss (gain)	19,968	(3,852)
Other, net	(2,350)	5,075
Changes in operating assets and liabilities, net of effects from acquisitions:		
Increase in accounts receivable	(22,388)	(17,982)
Increase in inventories	(11,153)	(9,889)
(Increase) decrease in other current assets	(27,963)	10,860
Decrease in trade accounts payable	(11,534)	(32,703)
Increase in other current liabilities	81,262	64,767
Net change in other long-term assets and liabilities	(4,311)	198
NET CASH PROVIDED BY OPERATING ACTIVITIES	268,053	242,091
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(55,430)	(59,691)
Acquisition of businesses, net of cash acquired	(892)	(4,936)
Proceeds from sale of property, plant and equipment	17,046	796
Other investing activities	778	(4,217)
NET CASH USED BY INVESTING ACTIVITIES	(38,498)	(68,048)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	8,135	788
Payments on short-term borrowings	(11,463)	(1,732)
Amounts due banks, net	75,958	(1,110)
Proceeds from long-term borrowings	57	—
Payments on long-term borrowings	(1,573)	(297)
Proceeds from exercise of stock options	5,945	16,077
Excess tax benefits from stock-based compensation	3,361	6,973
Purchase of shares for treasury	(249,403)	(113,641)
Cash dividends paid to shareholders	(55,395)	(32,987)
Transactions with non-controlling interests	(2,330)	(2,809)

NET CASH USED BY FINANCING ACTIVITIES	(226,708)	(128,738)
Effect of exchange rate changes on Cash and cash equivalents	(23,149)	(1,460)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20,302)	43,845
Cash and cash equivalents at beginning of period	299,825	286,464
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$279,523	$330,309

6

Table of Contents
LINCOLN ELECTRIC HOLDINGS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
Dollars in thousands, except per share amounts

NOTE 1 — BASIS OF PRESENTATION

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 accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these unaudited consolidated financial statements do not include all of the information and notes required by GAAP for complete financial statements. However, in the opinion of management, these unaudited consolidated financial statements contain all the adjustments (consisting of normal recurring accruals) considered necessary to present fairly the financial position, results of operations and cash flows for the interim periods. Operating results for the nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the year ending December 31, 2014.

The accompanying Consolidated Balance Sheet at December 31, 2013 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, 2013.

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

Venezuela — Highly Inflationary Economy

Venezuela is a highly inflationary economy under GAAP. As a result, the financial statements of the Company's Venezuelan operation are reported under highly inflationary accounting rules as of January 1, 2010. Under highly inflationary accounting, the financial statements of the Company's Venezuelan operation have been remeasured into the Company's reporting currency and exchange gains and losses from the remeasurement of monetary assets and liabilities are reflected in current earnings. On February 8, 2013, the Venezuelan government announced the devaluation of its currency relative to the U.S. dollar. Effective February 13, 2013, the official rate moved from 4.3 to 6.3 bolivars to the U.S. dollar. The devaluation of the bolivar resulted in a foreign currency transaction loss of $8,081 in Selling, general & administrative expenses and higher Cost of goods sold of $4,117 due to the liquidation of inventory valued at the historical exchange rate.

In January 2014, the Venezuela government announced the formation of the National Center of Foreign Trade ("CENCOEX") to replace the Commission for the Administration of Currency Exchange ("CADIVI"). Effective January 24, 2014, the exchange rate applicable to the settlement of certain transactions through CENCOEX, including payments of dividends and royalties, changed to utilize the Complementary System of Foreign Currency Administration ("SICAD") auction-based exchange rate (the "SICAD I rate") as opposed to the official rate. In February 2014, the government announced a new market based foreign exchange system, the SICAD II. The exchange rate established through SICAD II fluctuates daily and is significantly higher than both the official rate and the SICAD I rate.

As of March 31, 2014, the Company determined that the rate used in remeasuring the Venezuelan operation's financial statements into U.S. dollars would change to the SICAD I rate as future remittances for dividend payments could be transacted at the SICAD I rate. As of March 31, 2014, the SICAD I rate was 10.7 bolivars to the U.S. dollar, which resulted in a remeasurement loss on the bolivar-denominated monetary net asset position of $17,665 which was recorded in Selling, general & administrative expenses in the three months ended March 31, 2014. Additionally, the Company incurred higher Cost of goods sold of $3,468 during the second quarter of 2014 related to the adoption of the SICAD I rate. The SICAD I rate is determined by periodic auctions which may result in additional losses or gains on a remeasurement of the bolivar-denominated monetary net asset position. While there remains considerable uncertainty as to the nature and volume of transactions that will flow through the various currency exchange mechanisms, the Company has determined that the SICAD I rate remains the most appropriate exchange rate for the

Company to utilize in remeasuring the Venezuelan operation's financial statements into U.S. dollars. As of September 30, 2014, the SICAD I rate was 12.0 bolivars to the U.S dollar.
Future impacts to earnings of applying highly inflationary accounting for Venezuela on the Company’s consolidated financial statements will be dependent upon the applied currency exchange mechanisms, the movements in the applicable exchange rates between the bolivar and the U.S. dollar and the amount of monetary assets and liabilities included in the Company’s Venezuelan operation’s balance sheet. The bolivar-denominated monetary net asset position was $8,438 at September 30, 2014, including $1,847 of cash and cash equivalents and $38,633 at December 31, 2013, including $50,642 of cash and cash equivalents.

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

NOTE 2 — EARNINGS PER SHARE
The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Numerator:				
Net income	$45,689	$66,044	$179,474	$205,456
Denominator:				
Basic weighted average shares outstanding	78,817	81,644	79,779	82,260
Effect of dilutive securities - Stock options and awards	908	1,063	923	1,054
Diluted weighted average shares outstanding	79,725	82,707	80,702	83,314
Basic earnings per share	$0.58	$0.81	$2.25	$2.50
Diluted earnings per share	$0.57	$0.80	$2.22	$2.47

For the three months ended September 30, 2014 and 2013, common shares subject to equity-based awards of 259,336 and 44,026, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive. For the nine months ended September 30, 2014 and 2013, common shares subject to equity-based awards of 260,964 and 420,584, respectively, were excluded from the computation of diluted earnings per share because the effect of their exercise would be anti-dilutive.

NOTE 3 — NEW ACCOUNTING PRONOUNCEMENTS
New Accounting Standards Yet to Be Adopted:
In June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation (Topic 718)." ASU 2014-12 requires a performance target which affects vesting and that could be achieved after the requisite service period be treated as a performance condition by applying existing guidance in Topic 718 as it relates to awards with performance conditions. The amendment also specifies the period over which compensation costs should be recognized. The amendment is effective for annual reporting periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-12 on the Company's financial statements.
In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, the amendment provides five steps that an entity should apply when recognizing revenue. The amendment also specifies the accounting of some costs to obtain or fulfill a contract with a customer and expands the disclosure requirements around contracts with customers. An entity can either adopt this amendment retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the update recognized at the date of initial application. The amendment is effective for annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on the Company's financial statements.

NOTE 4 — ACQUISITIONS
During October 2014, the Company acquired substantially all of the assets of Easom Automation Systems, Inc. ("Easom"). Easom, based in Detroit, Michigan, is an integrator and manufacturer of automation and positioning solutions, serving heavy fabrication, aerospace and automotive OEMs and suppliers. The acquisition advances the Company's leadership position in automated welding and cutting solutions. Easom has annual sales of approximately $30,000. In addition, during 2014, the Company acquired the remaining interest in its majority-owned joint venture,

Harris Soldas Especiais S.A.

8

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

During November 2013, the Company completed the acquisition of Robolution GmbH ("Robolution"). Robolution, based outside of Frankfurt, Germany, is a leading European provider of robotic arc welding systems. The acquisition added to the Company's growing automation business and will enable the Company to support automation customers across three continents.

During November 2013, the Company acquired an ownership interest in Burlington Automation Corporation ("Burlington"). Burlington, based in Hamilton, Ontario, Canada, is a leader in the design and manufacture of 3D robotic plasma cutting systems whose products are sold under the brand name Python X®. The acquisition broadens the Company's portfolio of automated cutting and welding process solutions.

Combined revenues for Robolution and Burlington in 2013 were approximately $35,000. In addition, during 2013 the Company acquired a greater interest in its majority-owned joint venture, Lincoln Electric Heli (Zhengzhou) Welding Materials Company Ltd.

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

NOTE 5 — SEGMENT INFORMATION

The Company’s primary business is the design and manufacture of arc welding and cutting products, manufacturing a broad line of arc welding equipment, consumable welding products and other welding and cutting products. The Company also has a leading global position in the brazing and soldering alloys market. The Company has aligned its business units into five operating segments to enhance the utilization of the Company’s worldwide resources and global end user and sourcing initiatives. The operating segments consist of North America Welding, Europe Welding, Asia Pacific Welding, South America Welding and The Harris Products Group. The North America Welding segment includes welding operations in the United States, Canada and Mexico. The Europe Welding segment includes welding operations in Europe, Russia, Africa and the Middle East. The other two welding segments include welding operations in Asia Pacific and South America, respectively. The fifth segment, The Harris Products Group, includes the Company’s global cutting, soldering and brazing businesses as well as the retail business in the United States.

Segment performance is measured and resources are allocated based on a number of factors, the primary profit measure being earnings before interest and income taxes (“EBIT”), as adjusted. Segment EBIT is adjusted for special items as determined by management such as the impact of rationalization activities, certain asset impairment charges and gains or losses on disposals of assets.

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

Financial information for the reportable segments follows:

	North America Welding	Europe Welding	Asia Pacific Welding	South America Welding	The Harris Products Group	Corporate / Eliminations	Consolidated
Three Months Ended September 30, 2014							
Net sales	$439,621	$107,507	$57,404	$32,862	$78,383	$—	$715,777
Inter-segment sales	30,365	4,533	3,595	9	2,009	(40,511)	—
Total	$469,986	$112,040	$60,999	$32,871	$80,392	$(40,511)	$715,777
EBIT, as adjusted	$84,450	$15,221	$(304)	$(590)	$8,947	$(324)	$107,400
Special items (gain) charge	—	(81)	28,567	582	—	—	29,068
EBIT	$84,450	$15,302	$(28,871)	$(1,172)	$8,947	$(324)	$78,332
Interest income							627
Interest expense							(1,174)
Income before income taxes							$77,785
Three Months Ended September 30, 2013							
Net sales	$404,113	$98,522	$63,834	$51,715	$73,691	$—	$691,875
Inter-segment sales	35,355	5,256	3,821	151	2,311	(46,894)	—
Total	$439,468	$103,778	$67,655	$51,866	$76,002	$(46,894)	$691,875
EBIT, as adjusted	$75,225	$7,881	$(979)	$15,942	$6,917	$(822)	$104,164
Special items (gain) charge	(17)	1,595	4,724	—	—	—	6,302
EBIT	$75,242	$6,286	$(5,703)	$15,942	$6,917	$(822)	$97,862
Interest income							536
Interest expense							(558)
Income before income taxes							$97,840
Nine Months Ended September 30, 2014							
Net sales	$1,271,017	$328,487	$185,687	$115,906	$228,273	$—	$2,129,370
Inter-segment sales	96,668	15,887	11,644	73	6,389	(130,661)	—
Total	$1,367,685	$344,374	$197,331	$115,979	$234,662	$(130,661)	$2,129,370
EBIT, as adjusted	$247,009	$39,412	$(579)	$16,170	$22,183	$3,167	$327,362
Special items (gain) charge	(68)	923	28,450	21,715	—	—	51,020
EBIT	$247,077	$38,489	$(29,029)	$(5,545)	$22,183	$3,167	$276,342
Interest income							2,465
Interest expense							(3,730)

Income before income taxes							$275,077
Total assets	$1,205,179	$389,122	$285,626	$139,908	$161,069	$(68,385)	$2,112,519
Nine months ended September 30, 2013							
Net sales	$1,242,736	$317,674	$203,112	$132,592	$241,766	$—	$2,137,880
Inter-segment sales	99,869	13,865	12,579	222	7,209	(133,744)	—
Total	$1,342,605	$331,539	$215,691	$132,814	$248,975	$(133,744)	$2,137,880
EBIT, as adjusted	$234,662	$28,114	$1,967	$32,119	$21,411	$(2,963)	$315,310
Special items (gain) charge	1,109	1,664	5,431	12,198	—	—	20,402
EBIT	$233,553	$26,450	$(3,464)	$19,921	$21,411	$(2,963)	$294,908
Interest income							2,452
Interest expense							(2,307)
Income before income taxes							$295,053
Total assets	$979,043	$415,387	$329,117	$145,672	$186,474	$63,948	$2,119,641

10

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

In the third quarter 2014, special items include net credits of $81 in the Europe Welding segment and charges of $582 in the South America Welding segment primarily related to employee severance and other costs associated with the consolidation of manufacturing operations. The Asia Pacific Welding segment special items include net charges of $28,567, which represents charges of $32,448 related to impairment of long-lived assets partially offset by net gains of $3,881 primarily related to a gain on the sale of real estate.

In the third quarter 2013, special items include net charges of $1,595 and $49 for rationalization actions in the Europe Welding and Asia Pacific Welding segments, respectively, and a net credit of $17 in the North America Welding segment primarily related to employee severance and other costs associated with the consolidation of manufacturing operations. The Asia Pacific Welding segment special items also include charges of $4,675 related to impairment of long-lived assets.

In the nine months ended September 30, 2014, special items include net credits of $68 in the North America Welding segment and net charges of $923 and $582 in the Europe Welding and South America Welding segments, respectively, primarily related to employee severance. The South America Welding segment special items also include Venezuelan foreign exchange remeasurement losses of $21,133, related to the adoption of a new foreign exchange mechanism in the first quarter. The Asia Pacific Welding segment special items include net charges of $28,450, which represents charges of $32,557 related to impairment of long-lived assets partially offset by net gains of $4,107 primarily related to a gain on the sale of real estate.

In the nine months ended September 30, 2013, special items include net charges of $1,109, $1,664 and $756 in the North America Welding, Europe Welding and Asia Pacific Welding segments, respectively, primarily related to employee severance and other costs associated with the consolidation of manufacturing operations. The Asia Pacific Welding segment special items also include charges of $4,675 related to impairment of long-lived assets. The South America Welding segment special items represent charges of $12,198 relating to the devaluation of the Venezuelan currency.

NOTE 6 — RATIONALIZATION AND ASSET IMPAIRMENTS

The Company recorded net rationalization charges of $29,887 for the nine months ended September 30, 2014. The net charges include $1,260 primarily related to employee severance and $32,557 in asset impairments, offset by gains of $3,930 related to the sale and disposal of assets. A description of each restructuring plan and the related costs follows:

North America Welding Plans:

During 2012, the Company initiated various rationalization plans within the North America Welding segment. Plans for the segment include consolidating its Oceanside, California operations and its Reno, Nevada operations to another facility in Reno, Nevada and consolidating its Baltimore, Maryland manufacturing operations into its current manufacturing operations in Cleveland, Ohio. During the nine months ended September 30, 2014, the Company recorded credits of $68 related to these actions. The Company does not expect further costs associated with these actions as they were substantially completed and paid at September 30, 2014.

Europe Welding Plans:

During 2014, the Company initiated a rationalization plan within the Europe Welding segment. The plan includes headcount restructuring to better align the cost structure with current economic conditions and operating needs. During the nine months ended September 30, 2014, the Company recorded charges of $686, which represent employee severance costs. At September 30, 2014, a liability relating to these actions of $356 was recognized in Other current liabilities. Additional charges related to the completion of this plan are expected to be immaterial.

During 2013, the Company initiated a rationalization plan within the Europe Welding segment to consolidate certain consumable manufacturing operations. During the nine months ended September 30, 2014, the Company recorded net charges of $335, which primarily represents employee severance and other related costs. At September 30, 2014, a liability relating to these actions of $44 was recognized in Other current liabilities. Additional charges related to the completion of this plan are expected to be immaterial.

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

During 2012, the Company initiated various rationalization plans within the Europe Welding segment. Plans for the segment include the consolidation of manufacturing facilities in Russia, relocation of its Italian machine manufacturing operations to current facilities in Poland and headcount restructuring at various other manufacturing operations within the segment to better align the cost structure and capacity requirements with current economic needs and conditions. During the nine months ended September 30, 2014, the Company recorded net credits of $98 related to these activities. At September 30, 2014, a liability relating to these actions of $111 was recognized in Other current liabilities, which will be substantially paid in 2014. Additional charges related to the completion of this plan are expected to be immaterial.

Asia Pacific Welding Plans:

During the third quarter of 2014, the Company identified assets within the segment for planned divestiture. In anticipation of the divestiture, the Company reviewed the carrying values and future cash flows of certain long-lived assets and indefinite-lived intangible assets for potential impairment. The Company determined that for certain assets, including the planned divestiture, the carrying values of the assets exceeded the fair values resulting in non-cash impairment charges of $32,448 recorded in Rationalization and asset impairment charges. This result was considered a possible indication of goodwill impairment. As such, the Company performed a goodwill impairment test for the Asia Pacific reporting unit ahead of the annual impairment tests, which resulted in no impairment to the carrying value of goodwill. As of September 30, 2014, the assets identified for divestiture were classified as held for sale. As of September 30, 2014, $36,331 and $13,236 of assets and liabilities held for sale were recorded in Other current assets and Other current liabilities, respectively.

During 2012, the Company initiated various rationalization plans within the Asia Pacific Welding segment. Plans for the segment include the rationalization of its Australian manufacturing operations and headcount restructuring at various other manufacturing operations within the segment to better align the cost structure and capacity requirements with current economic needs and conditions. During the nine months ended September 30, 2014, the Company recorded net gains of $3,982, which primarily represent a gain of $3,911 on the sale of real estate, a net reversal of $184 of previously accrued costs and $125 in asset impairment charges. The Company does not expect further costs associated with these actions as they were substantially completed and paid at September 30, 2014.

South America Welding Plans:

During 2014, the Company initiated a rationalization plan within the South America Welding segment to restructure headcount to better align the cost structure with current economic conditions and operating needs. During the nine months ended September 30, 2014, the Company recorded net charges of $582, which primarily represents employee severance and other related costs. The Company does not expect further costs associated with these actions as they were substantially completed and paid at September 30, 2014.

The Company continues evaluating its cost structure and additional rationalization actions may result in charges in future periods.

The following tables summarize the activity related to the rationalization liabilities by segment for the nine months ended September 30, 2014:

	North America Welding	Europe Welding	Asia Pacific Welding	South America Welding	Consolidated
Balance, December 31, 2013	$466	$2,435	$375	$—	$3,276
Payments and other adjustments	(398)	(2,854)	(191)	(582)	(4,025)
Charged (credited) to expense	(68)	930	(184)	582	1,260
Balance, September 30, 2014	$—	$511	$—	$—	$511

NOTE 7 — COMMON SHARE REPURCHASE PROGRAM

As of September 30, 2014, the Company had a share repurchase program for up to 45 million of the Company's common shares. At management's discretion, the Company repurchases its common shares from time to time in the open market, depending on market conditions, stock price and other factors. During the three and nine month periods ended September 30, 2014, the Company purchased an aggregate of 1,859,670 and 3,555,415 common shares, respectively, in the open market under this program. As of September 30, 2014, there remained 12,115,344 common shares available for repurchase under this program. The repurchased common shares remain in treasury and have not been retired.

Table of Contents

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

NOTE 8 — ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME ("AOCI")

The following tables set forth the total changes in AOCI by component, net of taxes for the three months ended September 30, 2014 and 2013:

	Three Months Ended September 30, 2014			
	Unrealized (loss) gain on derivatives designated and qualifying as cash flow hedges	Defined benefit pension plan activity	Currency translation adjustment	Total
Balance at June 30, 2014	$(228)	$(155,613)	$7,450	$ (148,391)
Other comprehensive (loss) income before reclassification	397	—	(49,610) [3]	(49,213)
Amounts reclassified from AOCI	(84) [1]	2,909 [2]	—	2,825
Net current-period other comprehensive (loss) income	313	2,909	(49,610)	(46,388)
Balance at September 30, 2014	$85	$(152,704)	$(42,160)	• **Borj El Khadra Permit and Adam Concession.** The Borj El Khadra Permit, including the Adam Concession, covers approximately 3,725 square kilometers. Production from the Adam Concession began in May 2003, for which the Company now has a 20 percent working interest. During 2008, the Company continued its exploratory and appraisal activities on the Adam Concession by drilling four successful wells and began drilling two wells in the Borj El Khadra Permit, of which one was successful and

one was in progress at year end, but subsequent to year end, was determined to be uneconomical.. The Company plans to drill up to four additional wells in the Adam Concession and Borj El Khadra Permit during 2009.

- **El Hamra Permit.** The El Hamra exploration permit covers approximately 4,000 square kilometers, of which the Company is operator with a 50 percent working interest during the exploration period. In 2008, the Company completed processing of 310 kilometers of seismic data and drilled one unsuccessful exploration well. The Company plans on further interpretation of the seismic data during 2009.

- **Anaguid Permit.** The Anaguid exploration permit covers approximately 3,800 square kilometers. In 2007, the Company acquired an additional 15 percent interest in the Anaguid exploration permit, thereby increasing its interest to 60 percent (during the exploration period) and resulting in the transfer of operations to Pioneer. During 2008, the Company acquired an additional 900 square kilometers of 3-D seismic data and drilled one successful exploration well. The Company plans to complete the processing and interpretation of the seismic data and rill an additional exploration well during 2010.

Selected Oil and Gas Information

The following tables set forth selected oil and gas information from continuing operations for the Company as of and for each of the years ended December 31, 2008, 2007 and 2006. Because of normal production declines, increased or decreased drilling activities and the effects of acquisitions or divestitures, the historical information presented below should not be interpreted as being indicative of future results.

29

Production, price and cost data. The following tables set forth production, price and cost data with respect to the Company's properties for 2008, 2007 and 2006. These amounts represent the Company's historical results from continuing operations without making pro forma adjustments for any acquisitions, divestitures or drilling activity that occurred during the respective years. The production amounts will not agree to the reserve volume tables in the "Unaudited Supplementary Information" section included in "Item 8. Financial Statements and Supplementary Data" due to field fuel volumes and production from discontinued operations being included in the reserve volume tables.

PRODUCTION, PRICE AND COST DATA

	Year Ended December 31, 2008			
	United States	**South Africa**	**Tunisia**	**Total**
Production information:				
Annual sales volumes:				
Oil (MBbls)	8,068	880	2,261	11,209
NGLs (MBbls)	6,984	—	—	6,984
Gas (MMcf)	135,502	3,745	866	140,113
Total (MBOE)	37,636	1,504	2,406	41,546
Average daily sales volumes:				
Oil (Bbls)	22,044	2,405	6,178	30,627
NGLs (Bbls)	19,082	—	—	19,082
Gas (Mcf)	370,224	10,232	2,367	382,823
Total (BOE)	102,830	4,110	6,573	113,513
Average prices, including hedge results and amortization of deferred VPP revenue:				
Oil (per Bbl)	$ 67.43	$ 110.21	$ 90.64	$ 75.47
NGL (per Bbl)	$ 51.34	$ —	$ —	$ 51.34
Gas (per Mcf)	$ 7.68	$ 5.83	$ 12.04	$ 7.66
Revenue (per BOE)	$ 51.63	$ 79.00	$ 89.53	$ 54.82
Average prices, excluding hedge results and amortization of deferred VPP revenue:				
Oil (per Bbl)	$ 96.21	$ 110.21	$ 90.64	$ 96.19
NGL (per Bbl)	$ 51.59	$ —	$ —	$ 51.59
Gas (per Mcf)	$ 7.41	$ 5.83	$ 12.04	$ 7.40
Revenue (per BOE)	$ 56.88	$ 79.00	$ 89.53	$ 59.57
Average costs (per BOE):				
Production costs:				
Lease operating	$ 7.79	$ 25.98	$ 6.26	$ 8.37
Third-party transportation charges	1.04	—	1.93	1.06
Net natural gas plant/gathering	0.11	—	—	0.11
Taxes:				
Ad valorem	1.56	—	—	1.41
Production	2.82	—	—	2.55
Workover	0.92	—	—	0.83
Total	$ 14.24	$ 25.98	$ 8.19	$ 14.33
Depletion expense	$ 11.72	$ 18.37	$ 5.96	$ 11.62

30

PRODUCTION, PRICE AND COST DATA – (Continued)

	Year Ended December 31, 2007			
	United States	South Africa	Tunisia	Total
Production information:				
Annual sales volumes:				
Oil (MBbls)	6,804	979	1,403	9,186
NGLs (MBbls)	6,771	—	—	6,771
Gas (MMcf)	115,493	1,037	917	117,447
Total (MBOE)	32,825	1,151	1,557	35,533
Average daily sales volumes:				
Oil (Bbls)	18,643	2,681	3,845	25,169
NGLs (Bbls)	18,553	—	—	18,553
Gas (Mcf)	316,418	2,840	2,513	321,771
Total (BOE)	89,933	3,154	4,264	97,351
Average prices, including hedge results and amortization of deferred VPP revenue:				
Oil (per Bbl)	$ 63.78	$ 76.36	$ 70.04	$ 66.08
NGL (per Bbl)	$ 41.60	$ —	$ —	$ 41.60
Gas (per Mcf)	$ 7.25	$ 6.76	$ 8.77	$ 7.26
Revenue (per BOE)	$ 47.30	$ 70.98	$ 68.33	$ 48.99
Average prices, excluding hedge results and amortization of deferred VPP revenue:				
Oil (per Bbl)	$ 70.26	$ 76.72	$ 70.04	$ 70.91
NGL (per Bbl)	$ 41.60	$ —	$ —	$ 41.60
Gas (per Mcf)	$ 6.02	$ 6.76	$ 8.77	$ 6.04
Revenue (per BOE)	$ 44.31	$ 71.29	$ 68.33	$ 46.24
Average costs (per BOE):				
Production costs:				
Lease operating	$ 6.38	$ 22.43	$ 3.46	$ 6.75
Third-party transportation charges	0.97	—	1.57	0.97
Net natural gas plant/gathering	0.16	—	—	0.16
Taxes:				
Ad valorem	1.33	—	—	1.23
Production	2.12	—	—	1.96
Workover	0.83	—	0.11	0.77
Total	$ 11.79	$ 22.43	$ 5.14	$ 11.84
Depletion expense	$ 10.27	$ 12.07	$ 5.01	$ 10.10

PRODUCTION, PRICE AND COST DATA – (Continued)

	Year Ended December 31, 2006			
	United States	South Africa	Tunisia	Total
Production information:				
Annual sales volumes:				
Oil (MBbls)	6,467	1,506	871	8,844
NGLs (MBbls)	6,748	—	—	6,748
Gas (MMcf)	103,928	—	436	104,364
Total (MBOE)	30,536	1,506	944	32,986
Average daily sales volumes:				
Oil (Bbls)	17,716	4,127	2,386	24,229
NGLs (Bbls)	18,488	—	—	18,488
Gas (Mcf)	284,732	—	1,195	285,927
Total (BOE)	83,659	4,127	2,585	90,371
Average prices, including hedge results and amortization of deferred VPP revenue:				
Oil (per Bbl)	$ 65.73	$ 65.92	$ 63.16	$ 65.51
NGL (per Bbl)	$ 35.24	$ —	$ —	$ 35.24
Gas (per Mcf)	$ 6.15	$ —	$ 5.97	$ 6.15
Revenue (per BOE)	$ 42.64	$ 65.92	$ 61.05	$ 44.23
Average prices, excluding hedge results and amortization of deferred VPP revenue:				
Oil (per Bbl)	$ 62.92	$ 65.74	$ 63.16	$ 63.42
NGL (per Bbl)	$ 35.24	$ —	$ —	$ 35.24
Gas (per Mcf)	$ 5.96	$ —	$ 5.97	$ 5.96
Revenue (per BOE)	$ 41.37	$ 65.74	$ 61.05	$ 43.04
Average costs (per BOE):				
Production costs:				
Lease operating	$ 5.83	$ 14.47	$ 1.99	$ 6.13
Third-party transportation charges	0.81	—	1.42	0.79
Net natural gas plant/gathering	(0.19)	—	—	(0.19)
Taxes:				
Ad valorem	1.45	—	—	1.35
Production	1.99	—	—	1.84
Workover	0.72	—	—	0.66
Total	$ 10.61	$ 14.47	$ 3.41	$ 10.58
Depletion expense	$ 9.07	$ 6.28	$ 4.25	$ 8.80

Productive wells. The following table sets forth the number of productive oil and gas wells attributable to the Company's properties as of December 31, 2008, 2007 and 2006:

PRODUCTIVE WELLS (a)

	Gross Productive Wells			**Net Productive Wells**		
	Oil	**Gas**	**Total**	**Oil**	**Gas**	**Total**
As of December 31, 2008:						
United States	5,374	4,988	10,362	4,561	4,385	8,946
South Africa	—	6	6	—	3	3
Tunisia	28	—	28	8	—	8
Total	5,402	4,994	10,396	4,569	4,388	8,957
As of December 31, 2007:						
United States	5,134	4,774	9,908	4,255	4,383	8,438
South Africa	3	5	8	1	2	3
Tunisia	13	—	13	3	—	3
Total	5,150	4,779	9,929	4,259	4,185	8,444
As of December 31, 2006:						
United States	4,889	4,253	9,142	3,916	3,932	7,848
Canada	48	832	880	31	699	730
South Africa	4	2	6	2	1	3
Tunisia	10	—	10	2	—	2
Total	4,951	5,087	10,038	3,951	4,632	8,583

(a) Productive wells consist of producing wells and wells capable of production, including shut in wells. One or more completions in the same well bore are counted as one well. If any well in which one of the multiple completions is an oil completion, then the well is classified as an oil well. As of December 31, 2008, the Company owned interests in five gross wells containing multiple completions.

Leasehold acreage. The following table sets forth information about the Company's developed, undeveloped and royalty leasehold acreage as of December 31, 2008:

LEASEHOLD ACREAGE

	Developed Acreage		**Undeveloped Acreage**		**Royalty**
	Gross Acres	**Net Acres**	**Gross Acres**	**Net Acres**	**Acreage**
United States:					
Onshore	1,492,245	1,272,613	2,364,966	1,364,864	299,793
Offshore	51,840	17,834	36,123	31,789	6,750
	1,544,085	1,290,447	2,401,089	1,396,653	306,543

South Africa	119,579	53,281	3,508,421	1,578,790	—
Tunisia	287,540	80,044	2,860,487	1,569,116	—
Total	1,951,204	1,423,772	8,769,997	4,544,559	306,543

The following table sets forth the expiration dates of the leases on the Company's gross and net undeveloped acres as of December 31, 2008:

	Acres Expiring (a)	
	Gross	**Net**
2009 (b)	709,204	393,446
2010	1,459,093	877,318
2011	1,041,680	560,341
2012	121,283	92,070
2013	117,735	100,256
Thereafter	5,321,002	2,521,129
Total	8,769,997	4,544,559

(a) Acres expiring are based on contractual lease maturities.

(b) All acres subject to expiration during 2009 are in North America. The Company may extend the leases prior to their expiration based upon 2009 planned activities or for other business reasons. In certain leases, the extension is only subject to the Company's election to extend and the fulfillment of certain capital expenditures commitments. In other cases, the extensions are subject to the consent of third parties, and no assurance can be given that the requested extensions will be granted. See "Description of Properties" above for information regarding the Company's drilling operations.

Drilling activities. The following table sets forth the number of gross and net productive and dry hole wells in which the Company had an interest that were drilled during 2008, 2007 and 2006. This information should not be considered indicative of future performance, nor should it be assumed that there was any correlation between the number of productive wells drilled and the oil and gas reserves generated thereby or the costs to the Company of productive wells compared to the costs of dry holes.

DRILLING ACTIVITIES

	Gross Wells			Net Wells		
	Year Ended December 31,			Year Ended December 31,		
	2008	2007	2006	2008	2007	2006
United States:						
Productive wells:						
Development	526	602	662	504	581	619
Exploratory	56	41	52	46	33	42
Dry holes:						
Development	7	2	8	7	2	7
Exploratory	17	5	8	9	3	6
	606	650	730	566	619	674
Argentina:						
Productive wells:						
Development	—	—	14	—	—	14
Exploratory	—	—	4	—	—	4
Dry holes:						
Development	—	—	1	—	—	1
Exploratory	—	—	2	—	—	2
	—	—	21	—	—	21
Canada:						
Productive wells:						
Development	—	1	2	—	1	2
Exploratory	—	7	326	—	5	297
Dry holes:						
Development	—	1	—	—	—	—
Exploratory	—	6	16	—	5	15
	—	15	344	—	11	314
South Africa:						
Productive wells:						
Development	—	3	2	—	1	1
Exploratory	—	—	—	—	—	—
Dry holes:						
Development	—	—	—	—	—	—
Exploratory	—	—	1	—	—	1
	—	3	3	—	1	2
Tunisia:						
Productive wells:						
Development	—	—	—	—	—	—
Exploratory	6	12	2	3	8	1
Dry holes:						
Development	—	—	—	—	—	—
Exploratory	2	4	2	1	3	—
	8	16	4	4	11	1
West Africa:						
Productive wells:						

Development	—	—	—	—	—	—
Exploratory	—	—	—	—	—	—
Dry holes:						
Development	—	—	—	—	—	—
Exploratory	—	1	1	—	—	—
	—	1	1	—	—	—
Total	614	685	1,103	570	642	1,012
Success ratio (a)	96 %	97 %	96 %	97 %	98 %	97 %

____

(a) Represents the ratio of those wells that were successfully completed as producing wells or wells capable of producing to total wells drilled and evaluated.

35

The following table sets forth information about the Company’s wells upon which drilling was in progress as of December 31, 2008:

	Gross Wells	Net Wells
United States:		
Development	7	7
Exploratory	10	9
	17	16
Tunisia:		
Exploratory	5	3
Total	22	19

ITEM 3. LEGAL PROCEEDINGS

The Company is party to the legal proceedings that are described under “Legal actions” in Note I of Notes to Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data.” The Company is also party to other proceedings and claims incidental to its business. While many of these matters involve inherent uncertainty, the Company believes that the amount of the liability, if any, ultimately incurred with respect to such other proceedings and claims will not have a material adverse effect on the Company’s consolidated financial position as a whole or on its liquidity, capital resources or future annual results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company did not submit any matters to a vote of security holders during the fourth quarter of 2008.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is listed and traded on the NYSE under the symbol "PXD." The Board declared dividends to the holders of the Company's common stock of $.30 per share and $.27 per share during each of the years ended December 31, 2008 and 2007, respectively. The Board is currently considering the Company's dividend policy and may decide to reduce the dividend in the near-term to enhance financial flexibility.

The following table sets forth quarterly high and low prices of the Company's common stock and dividends declared per share for the years ended December 31, 2008 and 2007:

	High	Low	Dividends Declared Per Share
Year ended December 31, 2008			
Fourth quarter	$ 52.27	$ 14.03	$ —
Third quarter	$ 82.21	$ 46.24	$ 0.16
Second quarter	$ 82.16	$ 48.49	$ —
First quarter	$ 50.00	$ 36.37	$ 0.14
Year ended December 31, 2007			
Fourth quarter	$ 54.87	$ 42.92	$ —
Third quarter	$ 49.78	$ 35.51	$ 0.14
Second quarter	$ 54.17	$ 42.53	$ —
First quarter	$ 43.62	$ 37.18	$ 0.13

On February 20, 2009, the last reported sales price of the Company's common stock, as reported in the NYSE composite transactions, was $15.08 per share.

As of February 20, 2009, the Company's common stock was held by approximately 23,000 holders of record.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes the Company's purchases of treasury stock during the three months ended December 31, 2008:

Period	Average Price	Total Number of Shares	Approximate Dollar

	Total Number of Shares (or Units) Purchased (a)	Paid per Share (or Unit)	(or Units) Purchased as Part of Publicly Announced Plans or Programs	Amount of Shares That May Yet Be Purchased Under Plans or Programs
October 2008	986,600	$ 45.96	986,600	
November 2008	2,058,131	$ 24.27	2,058,121	
December 2008	—	$ —	—	
Total	3,044,731	$ 31.30	3,044,721	$ 372,039,606

(a) Amounts include shares withheld to satisfy tax withholding on employees' share-based awards.

During February 2007, the Board approved a share repurchase program authorizing the purchase of up to $300 million of the Company's common stock. In April 2007, the Board approved an increase of $450 million to the existing share repurchase program bringing the aggregate authorized share repurchase program to $750 million. During 2008 and 2007, the Company purchased $165.2 million and $212.8 million, respectively, of common stock pursuant to the 2007 program.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data as of and for each of the five years ended December 31, 2008 for the Company should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data."

	Year Ended December 31, (a)				
	2008	2007	2006	2005	2004
	(in millions, except per share data)				
Statements of Operations Data:					
Revenues and other income:					
Oil and gas	$ 2,277.4	$ 1,740.9	$ 1,458.9		