OCCIDENTAL PETROLEUM CORP /DE/
Form 8-K
April 24, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) April 24, 2008

OCCIDENTAL PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**1-9210**	**95-4035997**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

10889 Wilshire Boulevard

Los Angeles, California	**90024**
(Address of principal executive offices)	(ZIP code)

Registrant s telephone number, including area code:

(310) 208-8800

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions (see General Instruction A.2. below):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 Financial Information

Item 2.02. Results of Operations and Financial Condition

On April 24, 2008, Occidental Petroleum Corporation released information regarding its results of operations for the three months ended March 31, 2008. The exhibits to this Form 8-K and the information set forth in this Item 2.02 are being furnished pursuant to Item 2.02, Results of Operations and Financial Condition. The full text of the press release is attached to this report as Exhibit 99.1. The full text of the speech given by Stephen I. Chazen is attached to this report as Exhibit 99.2. Investor Relations Supplemental Schedules are attached to this report as Exhibit 99.3. Earnings Conference Call Slides are attached to this report as Exhibit 99.4.

Section 8 Other Events

Item 8.01. Other Events

On April 24, 2008, Occidental Petroleum Corporation announced net income of $1.846 billion ($2.23 per diluted share) for the first quarter of 2008, compared with $1.212 billion ($1.43 per diluted share) for the first quarter of 2007.

Core results for the first quarter of 2008 were $1.819 billion ($2.20 per diluted share), compared with $788 million ($0.93 per diluted share) for the first quarter of 2007.

Oil and Gas

Oil and gas segment earnings were $2.888 billion for the first quarter of 2008, compared with $1.883 billion for the same period in 2007. Oil and gas core results for the first quarter of 2007 were $1.362 billion, after excluding a $412 million gain from the sale of Occidental's Russian joint venture and $109 million gain from the resolution of certain legal disputes. The $1.5 billion increase in the first quarter 2008 core results reflected $1.6 billion of increases from record crude oil and higher natural gas prices, production from the Dolphin project coming on line in the second half of 2007, partially offset by increased DD&A rates and higher operating expenses.

For the first quarter of 2008, daily oil and gas production averaged 607,000 barrels of oil equivalent (BOE), compared with 560,000 BOE per day produced in the first quarter of 2007. The bulk of the production increase was the result of 55,000 BOE per day from the Dolphin project, which began production in the third quarter of 2007, partially offset by lower volumes from our production sharing contracts due to higher prices.

Oxy's realized price for worldwide crude oil was $86.75 per barrel for the first quarter of 2008, compared with $51.67 per barrel for the first quarter of 2007. Domestic realized gas prices increased from $6.38 per MCF in the first quarter of 2007 to $8.15 per MCF for the first quarter of 2008.

Chemicals

Chemical segment earnings for the first quarter of 2008 were $179 million, compared with $137 million for the same period in 2007. The first quarter of 2008 results reflect higher margins for caustic soda.

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Midstream, Marketing and Other

Occidental's midstream, marketing and other segment gathers, processes, transports, stores, and markets crude oil, natural gas, natural gas liquids and CO2. The transportation and storage systems primarily serve operations from New Mexico across the Permian Basin to Cushing, Oklahoma. Occidental's 24.5-percent equity interest in the Dolphin pipeline project is also included in this segment. Additionally, this segment also generates electricity at facilities in Texas, Louisiana and California.

Midstream segment preliminary earnings were approximately $123 million for the first quarter of 2008, compared with approximately $119 million for the first quarter of 2007. Prior period oil and gas segment earnings have been revised to remove these midstream results.

Forward-Looking Statements

Statements in this release that contain words such as "will," "expect" or "estimate," or otherwise relate to the future, are forward-looking and involve risks and uncertainties that could significantly affect expected results. Factors that could cause results to differ materially include, but are not limited to: exploration risks, such as drilling of unsuccessful wells; global commodity pricing fluctuations and supply/demand considerations for oil, gas and chemicals; higher-than-expected costs; political risk; operational interruptions; changes in tax rates and not successfully completing (or any material delay in) any expansion, capital expenditure, acquisition, or disposition. You should not place undue reliance on these forward-looking statements which speak only as of the date of this release. Unless legally required, Occidental does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise. U.S. investors are urged to consider carefully the disclosure in our Form 10-K, available through the following toll-free telephone number, 1-888-OXYPETE (1-888-699-7383) or on the Internet at http://www.oxy.com. You also can obtain a copy from the SEC by calling 1-800-SEC-0330.

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SUMMARY OF SEGMENT NET SALES AND EARNINGS

	First Quarter	
(In millions, except per-share amounts)	**2008**	2007
SEGMENT NET SALES		
Oil and Gas	**$ 4,518**	$ 2,720
Chemical	**1,267**	1,060
Midstream, marketing and other	**405**	358
Eliminations	**(170)**	(123)
Net sales	**$ 6,020**	$ 4,015
SEGMENT EARNINGS		
Oil and Gas (a)	**$ 2,888**	$ 1,883
Chemical	**179**	137
Midstream, marketing and other	**123**	119
	3,190	2,139
Unallocated Corporate Items		
Interest expense, net (b)		(181)
Income taxes	**(1,294)**	(684)
Other (c)	**(77)**	(105)
Income from Continuing Operations	**1,819**	1,169
Discontinued operations, net (d)	**27**	43
NET INCOME	**$ 1,846**	$ 1,212
BASIC EARNINGS PER COMMON SHARE		
Income from continuing operations	**$ 2.21**	$ 1.39
Discontinued operations, net	**0.03**	0.05
	$ 2.24	$ 1.44
DILUTED EARNINGS PER COMMON SHARE		
Income from continuing operations	**$ 2.20**	$ 1.38
Discontinued operations, net	**0.03**	0.05
	$ 2.23	$ 1.43
AVERAGE BASIC COMMON SHARES OUTSTANDING		
BASIC	**823.6**	841.0
DILUTED	**828.2**	846.5

See footnotes on following page.

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(a) **Oil and Gas** - Prior period oil and gas segment results have been revised to remove midstream results. The first quarter of 2007 includes after-tax gains of $412 million from the sale of Occidental's Russian joint venture and $109 million resulting from the resolution of certain legal disputes.

(b) **Interest Expense, net** - The first quarter of 2008 includes $3 million pre-tax interest charges for the defeasance of various debt issues. The first quarter of 2007 includes $172 million of pre-tax interest charges for the purchase of various debt issues in the open market.

(c) **Unallocated Corporate Items - Other** - The first quarter of 2007 includes a $47 million pre-tax charge for a plant closure and related environmental remediation reserve.

(d) **Discontinued Operations, net** - In the first quarter of 2008, Occidental received payment from Ecuador for disputed tax refunds. In 2007, Occidental completed an exchange of oil and gas interests in Horn Mountain with BP p.l.c. (BP) for oil and gas interests in the Permian Basin and a gas processing plant in Texas. Occidental also sold its oil and gas interests in Pakistan to BP.

SUMMARY OF CAPITAL EXPENDITURES AND DD&A EXPENSE

	First Quarter	
($ millions)	**2008**	2007
CAPITAL EXPENDITURES	**$ 868**	$ 780
DEPRECIATION, DEPLETION AND AMORTIZATION OF ASSETS	**$ 653**	$ 574

SUMMARY OF OPERATING STATISTICS

	First Quarter	
	2008	2007
NET OIL, GAS AND LIQUIDS PRODUCTION PER DAY		
United States		
Crude Oil and Liquids (MBBL)		
California	**87**	85
Permian	**170**	165
Hugoton and other	**4**	4
Total	**261**	254
Natural Gas (MMCF)		
California	**245**	232
Hugoton and other	**158**	150
Permian	**177**	198
Total	**580**	580
Latin America		
Crude Oil (MBBL)		
Argentina	**37**	33
Colombia	**42**	42
Total	**79**	75
Natural Gas (MMCF)		
Argentina	**22**	21
Bolivia	**21**	14

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The petitions filed by Southwire on October 17, 2012 were denied by the USPTO in a decision mailed April 5, 2013. The Examiner s Brief was mailed on July 16, 2013. Southwire filed its Rebuttal Brief on August 16, 2013. On March 28, 2014, the Patent Trial and Appeal Board (PTAB) issued its Decision on Appeal. In its opinion, the PTAB fully addressed one of nine grounds of rejection of the claims under reexamination as obvious in view of the prior art, sustaining the rejections of the broadest claims, but reversing the rejections of a number of the narrower claims. In light of the PTAB s failure to address the remaining eight grounds of rejection with regards to these narrower claims, the Company filed a Request for Rehearing on April 22, 2014.

The parties convened on March 21, 2012 and August 27, 2012 for settlement conferences regarding the 301 patent lawsuit. Such settlement conferences did not result in any negotiation, agreement, decision or other development that the Company believed is material to such lawsuit. Settlement discussions continue between the parties. The potentially applicable factual and legal issues related to the above claims asserted against the Company have not been resolved. The Company disputes all of Southwire s claims and alleged damages and intends to vigorously defend the lawsuits and vigorously pursue its own claims against Southwire if and when the litigation resumes. The Company is from time to time involved in litigation, certain other claims and arbitration matters arising in the ordinary course of its business. The Company accrues for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of the probability of a loss and the determination as to whether a loss is reasonably estimable. Any such accruals are reviewed at least quarterly and adjusted to reflect the effects of negotiations, settlements, rulings, advice of legal counsel and technical experts and other information and events pertaining to a particular matter. To the extent there is a reasonable possibility (within the meaning of ASC 450) that probable losses could exceed amounts already accrued, if any, and the additional loss or range of loss is able to be estimated, management discloses the additional loss or range of loss.

For matters where the Company has evaluated that a loss is not probable, but is reasonably possible, the Company will disclose an estimate of the possible loss or range of loss or make a statement that such an estimate cannot be made. In some instances, for reasonably possible losses, the Company cannot estimate the possible loss or range of loss. The nature and progression of litigation can make it difficult to predict the impact a particular lawsuit will have on the Company. There are many reasons that the Company cannot make these assessments, including, among others, one or more of the following: the early stages of a proceeding; damages sought that are unspecified, unsupportable, unexplained or uncertain; discovery is incomplete; the complexity of the facts that are in dispute; the difficulty of assessing novel claims; the parties not having engaged in any meaningful settlement discussions; the possibility that other parties may share in any ultimate liability; and/or the often slow pace of litigation.

At this time, given the status of the proceedings, the complexities of the facts in dispute and the multiple claims involved, the Company has not concluded that a probable loss exists with respect to the Southwire litigation. Accordingly, no accrual has been made. Additionally, given the aforementioned uncertainties, the Company is unable to estimate any possible loss or range of losses for disclosure purposes.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Encore is a low-cost manufacturer of electrical building wire and cable. The Company is a significant supplier of building wire for interior electrical wiring in commercial and industrial buildings, homes, apartments, and manufactured housing.

The Company s operating results in any given period are driven by several key factors, including the volume of product produced and shipped, the cost of copper and other raw materials, the competitive pricing environment in the wire industry and the resulting influence on gross margin and the efficiency with which the Company s plants operate during the period, among others. Price competition for electrical wire and cable is intense, and the Company sells its products in accordance with prevailing market prices. Copper, a commodity product, is the principal raw material used by the Company in manufacturing its products. Copper accounted for approximately 77.6%, 79.0% and 86.1% of the Company s cost of goods sold during fiscal 2013, 2012 and 2011, respectively. The price of copper fluctuates depending on general economic conditions and in relation to supply and demand and other factors, which causes monthly variations in the cost of the Company s purchased copper. Additionally, the SEC has issued an order amending a rule to allow shares of certain physically backed copper exchange-traded funds (ETFs) to be listed and publicly traded. Such funds and other copper ETFs like it hold copper cathode as collateral against their shares. The acquisition of copper cathode by copper ETFs may materially decrease or interrupt the availability of copper for immediate delivery in the United States, which could materially increase the Company s cost of copper. In addition to rising copper prices and potential supply shortages, we believe that ETFs and similar copper-backed derivative products could lead to increased price volatility for copper. The Company cannot predict copper prices or the effect of fluctuations in the cost of copper on the Company s future operating results. Wire prices can, and frequently do, change on a daily basis. This competitive pricing market for wire does not always mirror changes in copper prices, making margins highly volatile. With the Company s expansion into aluminum conductors in some of its building wire products, aluminum will slowly grow its percentage share of the raw materials cost. In fiscal 2013, aluminum wire sales constituted less than 7.0% of net sales. Historically, the cost of aluminum has been much less than copper and also less volatile. With the volatility of both raw material prices and wire prices in the Company s end market, hedging raw materials can be risky. Historically, the Company has not engaged in hedging strategies for raw material purchases. The tables below highlight the range of closing prices of copper on the Comex exchange for the periods shown.

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COMEX COPPER CLOSING PRICE 2014

	July 2014	August 2014	September 2014	Quarter Ended Sept. 30, 2014	Year-to-Date Sept. 30, 2014
High	$ 3.27	$ 3.24	$ 3.16	$ 3.27	$ 3.43
Low	3.17	3.09	3.01	3.01	2.98
Average	3.23	3.16	3.09	3.16	3.16

COMEX COPPER CLOSING PRICE 2013

	July 2013	August 2013	September 2013	Quarter Ended Sept. 30, 2013	Year-to-Date Sept. 30, 2013
High	$ 3.20	$ 3.36	$ 3.35	$ 3.36	$ 3.78
Low	3.04	3.16	3.21	3.04	3.03
Average	3.14	3.28	3.27	3.23	3.36

The following discussion and analysis relates to factors that have affected the operating results of the Company for the quarters ended September 30, 2014 and 2013. Reference should also be made to the audited financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

Results of Operations

Quarter Ended September 30, 2014 Compared to Quarter Ended September 30, 2013

Net sales were $297.4 million in the third quarter of 2014 compared to $309.9 million in the third quarter of 2013. This 4.1% decrease in net sales is primarily the result of a 6.4% decrease in copper wire sales driven by a 5.7% decrease in copper wire unit volume shipped, along with decreases in average selling prices of 0.7% and 2.0% of copper and aluminum wire, respectively, offset somewhat by a 25.8% increase in aluminum wire sales driven by a 28.4% increase in aluminum wire unit volume shipped. Unit volume is measured in pounds of copper or aluminum contained in the wire shipped during the period. Fluctuations in sales prices are primarily a result of changing copper and other raw material prices and product price competition. The average cost per pound of raw copper purchased decreased 1.8% in the third quarter of 2014 compared to the third quarter of 2013, and was the principal driver of the decreased average sales price of copper wire. In the third quarter of 2014, aluminum building wire constituted 9.4% of the Company s net sales dollars compared to 7.2% in the third quarter of 2013.

Cost of goods sold was $263.3 million, or 88.5% of net sales, in the third quarter of 2014, compared to $272.0 million, or 87.8% of net sales, in the third quarter of 2013. Gross profit decreased to $34.1 million, or 11.5% of net sales, in the third quarter of 2014 versus $37.9 million, or 12.2% of net sales, in the third quarter of 2013.

The small percentage decrease in gross profit margin percentage was primarily the result of an increase in the other overhead category from 7.1% of net sales in the third quarter of 2013 to 8.2% in the third quarter of 2014. The spread between the average price paid for a pound of raw copper and the average sale price for a pound of copper increased 2.1% in the third quarter of 2014 versus the third quarter of 2013. The spread increased as a result of the average sales price per copper pound sold declining 0.7% while the per pound cost of raw copper decreased 1.8%. The aluminum wire spread decreased 9.7% in the same quarterly comparison. In 2014, total raw materials cost, including the LIFO adjustment, decreased to 78.2% of net sales in the third quarter of 2014, versus 78.6% of net sales in the third quarter of 2013.

Inventories are stated at the lower of cost, using the last-in, first out (LIFO) method, or market. The Company maintains two inventory pools for LIFO purposes. As permitted by U.S. generally accepted accounting principles, the Company maintains its inventory costs and cost of goods sold on a first-in, first-out (FIFO) basis and makes a monthly adjustment to adjust total inventory and cost of goods sold from FIFO to LIFO. The Company applies the lower of cost or market (LCM) test by comparing the LIFO cost of its raw materials, work-in-process and finished goods inventories to estimated market values, which are based primarily upon the most recent quoted market price of copper, aluminum and finished wire prices as of the end of each reporting period. The Company performs a lower of cost or market calculation quarterly. As of September 30, 2014, no LCM adjustment was required. However, decreases in copper and other material prices could necessitate establishing an LCM reserve in future periods. Additionally, future reductions in the quantity of inventory on hand could cause copper or other raw materials that are carried in inventory at costs different from the cost of copper and other raw materials in the period in which the reduction occurs to be included in costs of goods sold for that period at the different price.

Due primarily to a decrease in copper inventory quantities on hand, largely offset by an increase in aluminum costs aided somewhat by price and volume movements of other materials during the third quarter of 2014, a LIFO adjustment was recorded decreasing cost of sales by $0.2 million during the quarter. As discussed in Note 2 to the Company s consolidated financial statements included in

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Item 1 to this report, during the first six months of 2014, the Company liquidated a portion of the LIFO inventory layer in the aluminum wire pool established in prior years. This liquidation had an insignificant effect on the net income of the Company. During the third quarter of 2014, that layer was replenished. During the first quarter of 2013, the Company liquidated a portion of the LIFO inventory layer in the copper wire pool established in 2011. During the second and third quarters of 2013 that layer was replenished. As a result, under the LIFO method, this inventory layer was liquidated at historical costs that were higher than current costs, which positively impacted net income for the third quarter of 2013 by $0.9 million offsetting the $0.9 million negative net impact from the liquidation in the first six months of 2013.

Selling expenses, consisting of commissions and freight, for the third quarter of 2014 were $13.3 million, or 4.5% of net sales, compared to $12.8 million, or 4.1% of net sales, in the third quarter of 2013. Commissions paid to independent manufacturers representatives are paid as a relatively stable percentage of sales dollars, and therefore, exhibited little change in percentage terms. Freight costs as a percentage of net sales increased to 2.1% of net sales in the third quarter of 2014 from 1.8% of net sales in the third quarter of 2013, primarily due to small changes in the mix of both product sold and the geographical distribution of product sold. General and administrative expenses remained relatively constant at $4.2 million, or 1.4% of net sales, in the third quarters of both years. The provision for bad debts was $0 for the third quarters of 2014 and 2013.

Net interest and other (income) expense was virtually zero in the third quarters of 2014 and 2013. Income taxes were accrued at an effective rate of 33.5% in the third quarter of 2014, versus an effective rate of 33.6% in the third quarter of 2013. The decrease in the effective rate was due to a change in the proportional effects of permanent items on the effective rate.

As a result of the foregoing factors, the Company s net income decreased to $11.1 million in the third quarter of 2014 from $13.8 million in the third quarter of 2013.

Nine Months Ended September 30, 2014 compared to Nine Months Ended September 30, 2013

Net sales for the first nine months of 2014 were $881.6 million compared with net sales of $864.7 million for the first nine months of 2013. This 2.0% increase in net sales is primarily the result of a 36.9% increase in aluminum wire sales driven by a

43.6% increase in aluminum wire unit volume shipped, offset somewhat by 4.7% and 4.3% decreases in the average selling price of aluminum and copper wire, respectively. Unit volume is measured in pounds of copper or aluminum contained in the wire shipped during the period. Fluctuations in sales prices are primarily a result of changing copper and other raw material prices and product price competition. The average cost per pound of raw copper purchased decreased 4.9% in the first nine months of 2014 compared to the first nine months of 2013, and was the principal driver of the decreased average sales price of copper wire. In the first nine months of 2014, aluminum building wire constituted 8.8% of the Company s net sales dollars compared to 6.5% in the first nine months of 2013.

Cost of goods sold increased to $781.9 million in the first nine months of 2014, compared to $762.4 million in the first nine months of 2013. Gross profit decreased to $99.8 million, or 11.3% of net sales, in the first nine months of 2014 versus $102.4 million, or 11.8% of net sales, in the first nine months of 2013.

The decrease in gross profit margin percentage was the result of several factors, including a decrease in the spread between the average price paid for a pound of raw copper and the average sale price for a pound of copper in the first nine months of 2014 versus the first nine months of 2013. Fluctuations in sales prices are primarily a result of changing copper raw material prices and product price competition. The spread between the average price paid for a pound of raw copper and the average sale price for a pound of copper decreased 2.6% in the first nine months of 2014 versus the first nine months of 2013. The spread was compressed as a result of the 4.3% decline in the average sales price per copper pound sold while the per pound cost of raw copper decreased 4.9%. (In nominal dollars, the sales price declined more than the cost of copper.) Aluminum wire followed the same trend with the spread decreasing 7.7% in the same year-to-date comparison.

Due primarily to decreases in copper costs, and volume fluctuations in copper and other materials, somewhat offset by price movements of other materials in the first nine months of 2014, a LIFO adjustment was recorded decreasing cost of sales by $7.0 million during the nine month period. Based on current copper prices, there is no LCM adjustment necessary. Future reductions in the price of copper could require the Company to record an LCM adjustment against the related inventory balance, which would result in a negative impact on net income.

Selling expenses for the first nine months of 2014 increased to $39.1 million, or 4.4% of net sales, compared to $35.9 million, or 4.2% of net sales, in the same period of 2013. Commissions paid to independent manufacturers representatives are paid as a relatively stable percentage of sales dollars, and therefore, exhibited little change in percentage terms, increasing $0.8 million in concert with the increased sales dollars. Freight costs for the first nine months of 2014 increased $2.4 million to $18.4 million or 2.1% of net sales versus $16.0 million or 1.8% of net sales for the first nine months of 2013. General and administrative expenses were $12.0 million, or 1.4% of net sales, in the first nine months of 2014 compared to $12.6 million, or 1.5% of net sales, in the first nine months of 2013. The provision for bad debts was zero in the first nine months of 2014 and 2013, respectively.

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Net interest and other expense (income) was virtually zero in the first nine months of both 2014 and 2013. Income taxes were accrued at an effective rate of 34.1% in the first nine months of 2014 versus 33.8% in the first nine months of 2013, consistent with the Company s estimated liabilities.

As a result of the foregoing factors, the Company s net income decreased to $32.1 million in the first nine months of 2014 from $35.7 million in the first nine months of 2013.

Liquidity and Capital Resources

The Company maintains a substantial inventory of finished products to promptly satisfy customers delivery requirements. As is customary in the building wire industry, the Company provides payment terms to most of its customers that exceed terms that it receives from its suppliers. Copper suppliers generally give very short payment terms, (less than 15 days) while the Company and the building wire industry give customers much longer terms. In general, the Company s standard payment terms result in the collection of a significant majority of net sales within approximately 75 days of the date of invoice. As a result of this timing difference, building wire companies must have sufficient cash and access to capital resources to finance their working capital needs, thereby creating a barrier to entry for companies who do not have sufficient liquidity and capital resources. The two largest components of working capital, receivables and inventory, and to a lesser extent, capital expenditures are the primary drivers of the Company s liquidity needs. Generally, these needs will cause the Company s cash balance to rise and fall inversely to the receivables and inventory balances. The Company s receivables and inventories will rise and fall in concert with several factors, most notably the price of copper and other raw materials and the level of unit sales. Capital expenditures have historically been necessary to expand and update the production capacity of the Company s manufacturing operations. The Company has historically satisfied its liquidity and capital expenditure needs with cash generated from operations and borrowings under its various debt arrangements. The Company historically uses its revolving credit facility to manage day to day operating cash needs as required by daily fluctuations in working capital, and has the facility in place should such a need arise in the future.

For more information on the Company s revolving credit facility, see Note 6 to the Company s consolidated financial statements included in Item 1 to this report, which is incorporated herein by reference.

Cash provided by operating activities was $29.3 million in the first nine months of 2014 compared to cash provided of $22.5 million in the first nine months of 2013. The following changes in components of cash flow from operations were notable. The Company had net income of $32.1 million in the first nine months of 2014 versus net income of $35.7 million in the first nine months of 2013. Accounts receivable increased in the first nine months of both 2014 and 2013, although at different amounts, resulting in a use of cash of $14.4 million and $39.0 million, respectively, driving a $24.5 million lower use of cash in 2014 versus 2013. Accounts receivable generally increase in proportion to dollar sales and to a lesser extent are affected by the timing of when sales occur during a given quarter. Accounts receivable increased in the first nine months of both years, primarily due to increased sales dollars. With an average of 60 to 75 days of sales outstanding, quarters in which sales are more back-end loaded will have higher accounts receivable balances outstanding at quarter-end. Inventory value increased in the first nine months of both 2014 and 2013, resulting in a use of cash of $9.7 million and $9.0 million, respectively. Trade accounts payable and accrued liabilities resulted in a $9.7 million increase in cash used in the first nine months of 2014 versus the first nine months of 2013 attributable primarily to the timing of inventory receipts at quarter end. In the first nine months of 2014, changes in current and deferred taxes provided cash of $6.5 million versus $7.7 million in the first nine months of 2013. These changes in cash flow were the primary drivers of the $6.8 million increase in cash provided by operations in the first nine months of 2014 versus the first nine months of 2013.

Cash used in investing activities decreased to $26.6 million in the first nine months of 2014 from $39.5 million in the first nine months of 2013. In 2013, the Company purchased 201 acres of land adjacent to the Company s campus for $25.7 million. Cash used in financing activities consisted of $1.2 million of cash dividends offset by $0.6 million of proceeds and tax benefits from exercised stock options resulting in $0.6 million of cash used in the first nine months of 2014, versus $0.7 million in the first nine months of 2013. As of September 30, 2014, the balance on the Company s revolving line of credit remained at $0. The Company s cash balance was $38.8 million at September 30, 2014, versus $16.1 million at September 30, 2013.

During the remainder of 2014, the Company expects its capital expenditures will consist primarily of expenditures related to the recently announced expansion of its aluminum building wire plant and purchases of manufacturing equipment throughout its facilities. The total capital expenditures for all of 2014 associated with these projects are currently estimated to be between $42 million and $46 million. The Company also expects its future working capital requirements may fluctuate as a result of changes in unit sales volumes and the price of copper and other raw materials. The Company believes that the current cash balance, cash flow from operations, and the financing available from its revolving credit facility will satisfy working capital and capital expenditure requirements during 2014.

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Information Regarding Forward Looking Statements

This quarterly report on Form 10-Q contains various forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) and information that is based on management s belief as well as assumptions made by and information currently available to management. The words believes , estimates , anticipates , plans , seeks , expects , intends and similar expressions identify some of the forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expected. Among the key factors that may have a direct bearing on the Company s operating results are fluctuations in the economy and in the level of activity in the building and construction industry, demand for the Company s products, the impact of price competition and fluctuations in the price of copper and other raw materials. For more information regarding forward looking statements see Information Regarding Forward Looking Statements in Part II, Item 7 of the Company s Annual Report on Form 10-K for the year ended December 31, 2013, which is hereby incorporated by reference.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes from the information provided in Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

Item 4. Controls and Procedures.

The Company maintains controls and procedures designed to ensure that information required to be disclosed by it in the reports it files with or submits to the Securities and Exchange Commission (the SEC) is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms and to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company s management, including the Chief Executive and Chief Financial Officers, as appropriate to allow timely decisions regarding required disclosure. Based on an evaluation of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report conducted by the Company s management, with the participation of the Chief Executive and Chief Financial Officers, the Chief Executive and Chief Financial Officers concluded that the Company s disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports it files with or submits to the SEC is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms and to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company s management, including the Chief Executive and Chief Financial Officers, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in the Company s internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the period covered by this report.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings.

For information on the Company s legal proceedings, see Note 8 to the Company s consolidated financial statements included in Item 1 to this report and incorporated herein by reference.

Item 1A. Risk Factors.

Other than the risk factor set forth below, there have been no material changes to the Company s risk factors as disclosed in Item 1A, Risk Factors, in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Cybersecurity Breaches and other Disruptions to our Information Technology Systems

The efficient operation of our business is dependent on our information technology system to process, transmit and store sensitive electronic data, including employee, distributor and customer records, and to manage and support our business operations and manufacturing processes. The secure maintenance of this information is critical to our operations. Despite our security measures, our information technology system may be vulnerable to attacks by hackers or breaches due to errors or malfeasance by employees and others who have access to our system, or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, telecommunication or utility failures or natural disasters. Any such event could compromise our information technology system, expose our customers, distributors and employees to risks of misuse of confidential information, impair our ability to effectively and timely operate our business and manufacturing processes, and cause other disruptions, which could result in legal claims or proceedings, disrupt our operations and the services we provide to customers, damage our reputation, and cause a loss of confidence in our products and services, any of which could adversely affect our results of operations and competitive position.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Note 7 to the Company s consolidated financial statements included in Item 1 to this report is hereby incorporated herein by reference.

Item 6. Exhibits.

The information required by this Item 6 is set forth in the Index to Exhibits accompanying this Form 10-Q and incorporated herein by reference.

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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.

	ENCORE WIRE CORPORATION (Registrant)
Dated: October 31, 2014	/s/ DANIEL L. JONES Daniel L. Jones, President and Chief Executive Officer
Dated: October 31, 2014	/s/ FRANK J. BILBAN Frank J. Bilban, Vice President Finance, Chief Financial Officer, Treasurer and Secretary

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INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Certificate of Incorporation of Encore Wire Corporation and all amendments thereto (filed as Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, and incorporated herein by reference).
3.2	Third Amended and Restated Bylaws of Encore Wire Corporation, as amended through February 27, 2012 (filed as Exhibit 3.2 to the Company s Annual Report on Form 10-K for the year ended December 31, 2011, and incorporated herein by reference).
4.1	Form of certificate for Common Stock (filed as Exhibit 1 to the Company s registration statement on Form 8-A, filed with the SEC on June 4, 1992, and incorporated herein by reference).
4.2	Registration Rights Agreement dated February 29, 2012 among the Company, Capital Southwest Corporation and Capital Southwest Venture Corporation (filed as Exhibit 4.2 to the Company s Annual Report on Form 10-K for the year ended December 31, 2011, and incorporated herein by reference).
31.1	Certification by Daniel L. Jones, President and Chief Executive Officer of the Company, dated September 30, 2014 and submitted pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Frank J. Bilban, Vice President Finance, Treasurer, Secretary and Chief Financial Officer of the Company, dated September 30, 2014 and submitted pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Daniel L. Jones, President and Chief Executive Officer of the Company, dated September 30, 2014 as required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2	Certification by Frank J. Bilban, Vice President Finance, Treasurer, Secretary and Chief Financial Officer, dated September 30, 2014 as required by 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