UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

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: 000-20278

ENCORE WIRE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	75-2274963 (I.R.S. Employer Identification No.)
1329 Millwood Road McKinney, Texas (Address of principal executive offices)	75069 (Zip Code)

Registrant s telephone number, including area code: (972) 562-9473

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ¨ Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes x No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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). x Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant computed by reference to the price at which the Common Stock was last sold as of the last business day of the registrant s most recently completed second fiscal quarter was $555,222,440 (Note: The aggregate market value of Common Stock held by the Company s directors, executive officers, immediate family members of such directors and executive officers, 10% or greater stockholders and other stockholders deemed to be affiliates was excluded from the computation of the foregoing amount. The characterization of such persons as affiliates should not be construed as an admission that any such person is an affiliate of the Registrant for any other purpose).

Number of shares of Common Stock outstanding as of February 27, 2014: 20,712,402

DOCUMENTS INCORPORATED BY REFERENCE

Listed below are documents, parts of which are incorporated herein by reference, and the part of this report into which the document is incorporated:

(1) Proxy statement for the 2014 annual meeting of stockholders Part III

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PART I

Item 1. Business.

General

Encore Wire Corporation is a Delaware corporation, incorporated in 1989, with its principal executive office and manufacturing plants located at 1329 Millwood Road, McKinney, Texas 75069. The Company s telephone number is (972) 562-9473. As used in this annual report, unless otherwise required by the context, the terms Company, Encore and Encore Wire refer to Encore Wire Corporation and its consolidated entities.

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 principal customers for Encore s wire are wholesale electrical distributors, who sell building wire and a variety of other products to electrical contractors. The Company sells its products primarily through independent manufacturers representatives located throughout the United States and, to a lesser extent, through its own direct in-house marketing efforts.

Encore s strategy is to further expand its share of the building wire market primarily by emphasizing a high level of customer service and the addition of new products that complement its current product line, while maintaining and enhancing its low-cost production capabilities to help the Company prosper. The Company maintains product inventory levels sufficient to meet anticipated customer demand and believes that the speed and completeness with which it fills customer orders are key competitive advantages critical to marketing its products. Encore s low-cost production capability features an efficient plant design incorporating highly automated manufacturing equipment, an integrated production process and a highly motivated work force.

Strategy

Encore s strategy for expanding its share of the building wire markets emphasizes customer service and product innovations coupled with low-cost production.

Customer Service. Responsiveness to customers is a primary focus of Encore, with an emphasis on building and maintaining strong customer relationships. Encore seeks to establish customer loyalty by achieving a high order fill rate and rapidly handling customer orders, shipments, inquiries and returns. The Company maintains product inventories sufficient to meet anticipated customer demand and believes that the speed and completeness with which it fills orders are key competitive advantages critical to marketing its products.

Product Innovation. Encore has been a leader in bringing new ideas to a commodity product. Encore pioneered the widespread use of color feeder sizes of commercial wire and colors in the residential non-metallic cable. The colors have improved on the job safety and reduced installation times for contractors. Encore Wire s new patented SmartColor ID® system for metal-clad and armor clad cables allows for quick and accurate identification of gauge, number of conductors, wire and jacket type. Additionally, Encore currently has two patented and seventeen patent-pending innovations that range from process improvements to packaging solutions.

Low-Cost Production. Encore s low-cost production capability features an efficient plant design and an incentivized work force.

Efficient Plant Design. Encore s highly automated wire manufacturing equipment is integrated in an efficient design that reduces material handling, labor and in-process inventory.

Incentivized Work Force. The Company has a stock option plan that enhances the motivation of its salaried manufacturing supervisors. The Company also has a comprehensive safety program that emphasizes employee participation. The Company provides a 401(k) retirement savings plan to all employees with at least one year of service.

Products

Encore offers an electrical building wire product line that consists primarily of NM-B cable, UF-B cable, THHN/THWN-2 and other types of wire products, including metal clad and armored cable. All of these products are manufactured with copper or aluminum as the conductor. The Company also purchases small quantities of other types of wire to re-sell to customers that buy products that the Company manufactures. The principal bases for differentiation among stock-keeping units (SKUs) are product type, conductor type, diameter, insulation, color and packaging.

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NM-B Cable. Non-metallic sheathed cable is used primarily as interior wiring in homes, apartments and manufactured housing. NM-B cable is composed of either two or three insulated copper wire conductors, with an un-insulated ground wire, all sheathed in a polyvinyl chloride (PVC) jacket.

UF-B Cable. Underground feeder cable is used to conduct power underground to outside lighting and other applications remote from buildings. UF-B cable is composed of two or three PVC insulated copper wire conductors, with an un-insulated ground wire, all jacketed in PVC.

SE Style Cable. Service Entrance cable is primarily utilized as an external service drop to the meter base to the distribution equipment. SE style cable is composed of copper or aluminum multiple conductors, insulated with PVC or a single layer of cross-linked polyethylene (XLPE) insulation, all jacketed in PVC.

THHN/THWN-2 Cable. THHN/THWN-2 cable is used primarily as feeder, circuit and branch wiring in commercial and industrial buildings. It is composed of a copper or aluminum single conductor, either stranded or solid, and insulated with PVC, which is further coated with nylon. Users typically pull THHN/THWN-2 cable through cable tray or protective conduit pipe

XHHW-2 Cable. XHHW-2 wire is intended for general purpose applications utilized in conduit or other recognized raceways for service, feeders, and branch-circuit wiring. It is composed of a copper or aluminum single conductor, either stranded or solid, and with a single layer of cross-linked polyethylene (XLPE) insulation.

USE-2 Cable. USE-2 or RHH or RHW-2 wire is intended for general purpose applications utilized in conduit or installed in underground applications or in recognized raceways for service, feeders, and branch-circuit wiring. It is composed of a copper or aluminum single conductor, either stranded or solid, and with a single layer of cross-linked polyethylene (XLPE) insulation suitable for wet locations.

Metal Clad and Armored Cable. Metal clad and armored cable is used primarily as feeder, circuit and branch wiring, primarily in commercial and industrial buildings. It is composed of multiple conductors, either stranded or solid, and insulated with PVC, which are further coated with nylon and then fully encased in a flexible aluminum or steel armored protective sheath that eliminates the need to pull the wire through pipe or conduit.

Photovoltaic Cable. Photovoltaic style cables are designed to meet the different needs of the emerging Solar Industry by providing connections between PV panels, collector boxes and inverters; and where also allowed by the National Electric Code (NEC).

Bare Copper. Bare copper conductors are used in overhead electrical transmission and distribution systems for grounding electrical systems, and where high-conductivity and flexibility are required for equipment and circuit grounding.

Manufacturing

The efficiency of Encore s highly automated manufacturing facility is a key element of its low-cost production capability. Encore s residential wire manufacturing lines have been integrated so that the handling of product is substantially reduced throughout the production process.

The manufacturing process for the Company s various products involves multiple steps, including: casting, drawing, stranding, compounding, insulating, jacketing and armoring.

Casting. Rod is produced by melting sheets of copper cathode and copper scrap, casting the molten copper into a bar and rolling the hot copper bar into a 5/16 inch copper rod to be drawn into copper wire.

Drawing. Drawing is the process of reducing 5/16 inch copper rod through converging dies until the specified wire diameter is attained. The wire is then heated with electrical current to soften or anneal the wire to make it easier to handle.

Stranding. Stranding is the process of twisting together from seven to sixty-one individual wire strands to form a single cable. The purpose of stranding is to improve the flexibility of wire while maintaining its electrical current carrying capacity.

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PVC Compounding. PVC compounding is the process of mixing the various raw materials that are required to produce the PVC necessary to meet U/L specifications for the insulation and jacket requirements for the wire that is manufactured.

Insulating. Insulating is the process of extruding PVC over the solid or stranded wire.

Jacketing. Jacketing is the process of extruding PVC over two or more insulated conductor wires, with or without an un-insulated ground wire, to form a finished product. The Company s jacketing lines are integrated with packaging lines that cut the wire and coil it onto reels or package it in boxes or shrink-wrap. Jacketing also comprises extruding a nylon covering over some PVC insulated products, such as THHN/THWN-2.

Metal Cladding and Armoring. Metal cladding and armoring is the process of covering two or more insulated conductor wires, with or without an un-insulated ground wire, with a spiral interlocking cover of aluminum or steel to form a finished product.

Encore manufactures and tests all of its products in accordance with the standards of Underwriters Laboratories, Inc. (U/L), a nationally recognized testing and standards agency. Encore s machine operators and quality control inspectors conduct routine product tests. The Company tests finished products for electrical continuity to ensure compliance with its own quality standards and those of U/L. Encore s manufacturing lines are equipped with laser micrometers to measure wire diameter and insulation thickness while the lines are in operation. During each shift, operators perform and record routine physical measurements of products, all of which are separately verified and approved by quality control inspectors. Although suppliers pre-test PVC and nylon compounds, the Company tests products for aging, cracking and brittleness of insulation and jacketing. Additionally, UL representatives routinely visit and test products from each area of manufacturing.

Customers

Encore sells its wire principally to wholesale electrical distributors throughout the United States and, to a lesser extent, to retail home improvement centers. Most distributors supply products to electrical contractors. Encore s customer base is numerous and diversified. Encore has no customer, the loss of which would have a material adverse effect on the Company.

Encore believes that the speed and completeness with which it fills customers orders is crucial to its ability to expand the market share for its products. The Company also believes that, in order to reduce costs, many customers do not maintain substantial inventories. Because of this trend, the Company seeks to maintain sufficient inventories to satisfy customers prompt delivery requirements.

Marketing and Distribution

Encore markets its products throughout the United States primarily through independent manufacturers representatives and, to a lesser extent, through its own direct marketing efforts.

Encore maintains the majority of its finished product inventory at its plant in McKinney, Texas. In order to provide flexibility in handling customer requests for immediate delivery of the Company s products, additional product inventories are maintained at warehouses owned and operated by independent manufacturers representatives located throughout the United States. As of December 31, 2013, additional product inventories are maintained at the warehouses of independent manufacturers representatives located in Chattanooga, Tennessee; Norcross, Georgia; Cincinnati, Ohio; Canton, Michigan; Edison, New Jersey; Louisville, Kentucky; Greensboro, North Carolina;

Pittsburgh, Pennsylvania; Santa Fe Springs, California; Hayward, California; and Lakeland, Florida. Some of these manufacturers representatives, as well as the Company s other manufacturers representatives, maintain offices without warehouses in numerous locations throughout the United States.

Finished goods are typically delivered to warehouses and customers by trucks operated by common carriers. The decision regarding the carrier to be used is based primarily on availability and cost.

The Company invoices its customers directly for products purchased and, if an order has been obtained through a manufacturer s representative, pays the representative a commission based on pre-established rates. The Company determines customer credit limits. The Company recorded nominal bad debt charges in 2013, 2012, and 2011. The manufacturers representatives have no discretion to determine prices charged for the Company s products, and all sales are subject to approval by the Company. Encore sells all of its products with a one-year replacement warranty. Warranty expenses have historically been nominal.

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Employees

Encore believes that its hourly employees are highly motivated and that their motivation contributes significantly to the plant s efficient operation. The Company attributes the motivation of these employees largely to the fact that Encore offers competitive hourly compensation that is directly tied to productivity and quality standards. The Company believes that competitive hourly compensation coupled with sound management practices focuses its employees on maintaining high production standards and product quality.

As of December 31, 2013, Encore had 1,108 employees, 943 of whom were paid hourly wages and were primarily engaged in the operation and maintenance of the Company s manufacturing and warehouse facility. The rest of the Company s employees were executive, supervisory, administrative, sales and clerical personnel. The Company considers its relations with its employees to be good. The Company has no collective bargaining agreements with any of its employees.

Raw Materials

The principal raw materials used by Encore in manufacturing its products are copper cathode, copper scrap, PVC thermoplastic compounds, XLPE compounds, aluminum, steel, paper and nylon, all of which are readily available from a number of suppliers. Copper is the principal raw material used by the Company in manufacturing its products, constituting nearly 85.6% of the dollar value of all raw materials used by the Company during 2013. Copper requirements are purchased primarily from miners and commodity brokers at prices determined each month primarily based on the average daily COMEX closing prices for copper for that month, plus a negotiated premium. The Company also purchases raw materials necessary to manufacture various PVC thermoplastic compounds. These raw materials include PVC resin, clay and plasticizer.

The Company produces copper rod from purchased copper cathodes and copper scrap in its own rod fabrication facility. The Company reprocesses copper scrap generated by its operations and copper scrap purchased from others. In 2013, the Company s copper rod fabrication facility manufactured the majority of the Company s copper rod requirements. The Company purchases aluminum rod for aluminum wire production.

The Company also compounds its own wire jacket and insulation compounds. The process involves the mixture of PVC raw material components to produce the PVC used to insulate the Company s wire and cable products. The raw materials include PVC resin, clay and plasticizer. During the last year, the Company s plastic compounding facility produced virtually all of the Company s PVC requirements.

Competition

The electrical wire and cable industry is highly competitive. The Company competes with several companies who manufacture and sell wire and cable products beyond the building wire segment in which the Company competes. The Company s primary competitors include Southwire Company, Cerro Wire LLC, United Copper Industries, General Cable Corporation and AFC Cable Systems, Inc.

The principal elements of competition in the electrical wire and cable industry are, in the opinion of the Company, order fill rate, quality, pricing, and, in some instances, breadth of product line. The Company believes that it is competitive with respect to all of these factors.

Competition in the electrical wire and cable industry, although intense, has been primarily from U.S. manufacturers, including foreign-owned facilities located in the United States. The Company has encountered little significant competition from imports of building wire. The Company believes this is primarily because direct labor costs generally account for a relatively small percentage of the cost of goods sold for these products and freight costs are relatively high to bring wire to the United States from overseas.

Research and Development Activities

The Company classifies research and development activities as a component of production overhead. Research and development costs were approximately $1.5 million, $1.6 million and $1.0 million for the years ended December 31, 2013, 2012 and 2011, respectively. Research and development costs attributable to customer-sponsored research activities performed by the Company were insignificant.

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Intellectual Property Matters

From time to time, the Company files patent applications with the United States Patent and Trademark Office. The Company currently owns several patents and pending patent applications. The Company also owns several registered trademarks and pending trademark applications with the U.S. Patent and Trademark Office. The current registrations for the marks will expire on various dates between 2015 and 2023, but each registration can be renewed indefinitely as long as the respective mark continues to be used in commerce and the requisite proof of continued use or renewal application, as applicable, is filed. These trademarks provide source identification for the goods manufactured and sold by the Company and allow the Company to achieve brand recognition within the industry.

Internet Address/SEC Filings

The Company s Internet address is http://www.encorewire.com. Under the Investors Info section of our website, the Company provides a link to our electronic Securities and Exchange Commission (SEC) filings, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, director and officer beneficial ownership reports filed pursuant to Section 16 of the Securities Exchange Act of 1934, as amended, and any amendments to these reports. All such reports are available free of charge and are available as soon as reasonably practicable after the Company files such material with, or furnishes it to, the SEC.

The public may read and copy any materials the Company files with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

Item 1A. Risk Factors.

The following are risk factors that could affect the Company s business, financial results and results of operations. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report on Form 10-K because these factors could cause the actual results and conditions to differ materially from those projected in forward-looking statements. Before purchasing the Company s stock, an investor should know that making such an investment involves some risks, including the risks described below. If any of the risks mentioned below or other unknown risks actually occur, the Company s business, financial condition or results of operations could be negatively affected. In that case, the trading price of its stock could fluctuate significantly.

Product Pricing and Volatility of Copper Market

Price competition for copper electrical wire and cable is intense, and the Company sells its product in accordance with prevailing market prices. 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. Copper, a commodity product, is the principal raw material used in the Company s manufacturing operations. Copper accounted for approximately 77.6%, 79.0% and 86.1% of the costs of goods sold during 2013, 2012 and 2011, respectively, and the Company expects that copper will continue to account for a significant portion of these costs in the future. The price of copper fluctuates, depending on general economic conditions and in relation to supply and demand and other factors, and causes monthly variations in the cost of copper purchased by the Company. The SEC has recently issued an order amending a rule to allow shares of a physically backed copper exchange traded fund (ETF) to be listed and publicly traded. Such fund 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 copper price volatility. The Company cannot predict future copper prices or the effect of fluctuations in the costs of copper on the Company s future operating results. Consequently, fluctuations in copper prices caused by market forces can significantly affect the Company s financial results. 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.

Operating Results May Fluctuate

Encore s quarterly results of operations may fluctuate as a result of a number of factors, including fluctuation in the demand for and shipments of the Company s products. Therefore, quarter-to-quarter comparisons of results of operations have been and will be impacted by the volume of such orders and shipments. In addition, its operating results could be adversely affected by the following factors, among others, such as variations in the mix of product sales, price changes in response to competitive factors, increases in raw material costs and other significant costs, the loss of key manufacturer s representatives who sell the Company s product line, increases in utility costs (particularly electricity and natural gas) and various types of insurance coverage and interruptions in plant operations resulting from the interruption of raw material supplies and other factors.

Reliance on Senior Management

Encore s future operating results depend, in part, upon the continued service of its senior management, Mr. Daniel L. Jones, the President and Chief Executive Officer, and Mr. Frank J. Bilban, the Company s Vice President and Chief Financial Officer (neither of whom are bound by an employment agreement). The Company s future success will depend upon its continuing ability to attract and retain highly qualified managerial and technical personnel. Competition for such personnel is intense, and there can be no assurance that the Company will retain its key managerial and technical employees or that it will be successful in attracting, assimilating or retaining other highly qualified personnel in the future.

Industry Conditions and Cyclicality

The residential, commercial and industrial construction industry, which is the end user of the Company s products, is cyclical and is affected by a number of factors including the general condition of the economy, market demand and changes in interest rates, among other factors. Industry sales of electrical wire and cable products tend to parallel general construction activity, which includes remodeling. Housing construction activity in the United States declined significantly in 2006 and continued its downward trend through 2010, improving somewhat in 2011 through 2013. Nationally, commercial construction had been strong through 2007, but slowed significantly in 2008, and continued downward through 2012, improving slightly in 2013. The ongoing sluggish economy in the United States and the overhang of excess housing and commercial and industrial buildings may have a negative impact on the construction industry for some time to come.

Deterioration in the financial condition of the Company s customers due to current industry and economic conditions may result in reduced sales, an inability to collect receivables and payment delays or losses due to a customer s bankruptcy or insolvency. Although the Company s bad debt experience has been relatively low even in recent years, the Company s inability to collect receivables may increase the amounts the Company must expense against its bad debt reserve, decreasing the Company s profitability. The downturn in the residential, commercial or industrial construction industries and general economic conditions as a whole may continue to have a material adverse effect on the Company.

Environmental Liabilities

The Company is subject to federal, state and local environmental protection laws and regulations governing the Company s operations and the use, handling, disposal and remediation of hazardous substances currently or formerly used by the Company. A risk of environmental liability is inherent in the Company s current manufacturing activities in the event of a release or discharge of a hazardous substance generated by the Company. Under certain environmental laws, the Company could be held jointly and severally responsible for the remediation of any hazardous substance contamination at the Company s facilities and at third party waste disposal sites and could also be held liable for any consequences arising out of human exposure to such substances or other environmental damage. There can be no assurance that the costs of complying with environmental, health and safety laws and requirements in the Company s current operations or the liabilities arising from past releases of, or exposure to, hazardous substances, will not result in future expenditures by the Company that could materially and adversely affect the Company s financial results, cash flow or financial condition.

Competition

The electrical wire and cable industry is highly competitive. The Company competes with several manufacturers of wire and cable products that have substantially greater resources than the Company. Some of these competitors are owned and operated by large, diversified companies. The principal elements of competition in the wire and cable industry are, in the opinion of the Company, pricing, product availability and quality and, in some instances, breadth of product line. The Company believes that it is competitive with respect to all of these factors. While the number of firms producing wire and cable has declined in the past, there can be no assurance that new competitors will not emerge or that existing producers will not employ or improve upon the Company s manufacturing and marketing strategy.

Patent and Intellectual Property Disputes

Disagreements about patents and intellectual property rights occur in the wire and cable industry. The unfavorable resolution of a patent or intellectual property dispute could preclude the Company from manufacturing and selling certain products or could require the Company to pay a royalty on the sale of certain products. Patent and intellectual property disputes could also result in substantial legal fees and other costs.

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Common Stock Price May Fluctuate

Future announcements concerning Encore or its competitors or customers, quarterly variations in operating results, announcements of technological innovations, the introduction of new products or changes in product pricing policies by the Company or its competitors, developments regarding proprietary rights, changes in earnings estimates by analysts or reports regarding the Company or its industry in the financial press or investment advisory publications, among other factors, could cause the market price of the Common Stock to fluctuate substantially. These fluctuations, as well as general economic, political and market conditions, such as recessions, world events, military conflicts or market or market-sector declines, may materially and adversely affect the market price of the Common Stock.

Beneficial Ownership of the Company s Common Stock by a Small Number of Stockholders

A small number of significant stockholders beneficially own greater than 40% of the outstanding common stock of the Company. Depending on stockholder turnout for a stockholder vote, these stockholders, acting together, could be able to control the election of directors and certain matters requiring majority approval by the Company s stockholders. The interests of this group of stockholders may not always coincide with the Company s interests or the interests of other stockholders.

In the future, these stockholders could sell large amounts of common stock over relatively short periods of time. In February 2012, the Company entered into a Registration Rights Agreement with Capital Southwest Corporation and Capital Southwest Venture Corporation (together, the Capital Southwest), pursuant to which the Company agreed to register the offer and sale of an aggregate of 4,086,750 shares of the Company s common stock held by Capital Southwest on a registration statement on Form S-3 (the Registration). On May 14, 2012, the Company repurchased 2,774,250 shares of common stock owned by Capital Southwest Venture Corporation at an aggregate purchase price of $66,638,000, based on a price of $24.02 per share. The Company cannot predict if, when or in what amounts Capital Southwest will sell any of the other shares covered by the Registration. However, the Registration enables Capital Southwest to sell all of such shares in the public market without any volume limitation, subject to certain trading restrictions. Sales of substantial amounts of the Company s common stock in the public market by existing stockholders or the perception that these sales could occur, may adversely affect the market price of our common stock by creating a public perception of difficulties or problems with the Company s business.

Future Sales of Common Stock Could Affect the Price of the Common Stock

No prediction can be made as to the effect, if any, that future sales of shares or the availability of shares for sale will have on the market price of the Common Stock prevailing from time to time. Sales of substantial amounts of Common Stock, or the perception that such sales might occur, could adversely affect prevailing market prices of the Common Stock.

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

Encore maintains its corporate office and manufacturing plants in McKinney, Texas, approximately 35 miles north of Dallas. The Company s facilities are located on a combined site of approximately 425 acres and consist of buildings containing approximately 1.6 million square feet of floor space. The plant and equipment are owned by the Company and are not mortgaged to secure any of the Company s existing indebtedness. Encore believes that its plant and equipment are suited to its present needs, comply with applicable federal, state and local laws and regulations, are properly maintained and adequately insured.

Item 3. Legal Proceedings.

A description of the Company s legal proceedings is contained in Note 9 to the Company s consolidated financial statements included in Item 8 to this report and incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

EXECUTIVE OFFICERS OF THE COMPANY

Information regarding Encore s executive officers including their respective ages as of February 28, 2014, is set forth below:

Name	Age	Position with Company
Daniel L. Jones	50	President, Chief Executive Officer, and Member of the Board of Directors
Frank J. Bilban	57	Vice President Finance, Treasurer, Secretary, and Chief Financial Officer

Mr. Jones has held the office of President and Chief Executive Officer of the Company since February 2006. He performed the duties of the Chief Executive Officer in an interim capacity from May 2005 to February 2006. From May 1998 until February 2006, Mr. Jones was President and Chief Operating Officer of the Company. He previously held the positions of Chief Operating Officer from October 1997 until May 1998, Executive Vice President from May 1997 to October 1997, Vice President-Sales and Marketing from 1992 to May 1997, after serving as Director of Sales since joining the Company in November 1989. He has also served as a member of the Board of Directors since May 1994.

Mr. Bilban has served as Vice President-Finance, Treasurer, Secretary and Chief Financial Officer of Encore since June 2000. From 1998 until joining the Company in June 2000, Mr. Bilban was Executive Vice President and Chief Financial Officer of Alpha Holdings, Inc., a plastics manufacturing conglomerate. From 1996 until 1998, Mr. Bilban was Vice President and Chief Financial Officer of Wedge Dia-Log Inc., an oil field services company.

All executive officers are elected annually by the Board of Directors to serve until the next annual meeting of the Board or until their respective successors are chosen and qualified.

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 traded and quoted on the NASDAQ Stock Market s Global Select Market under the symbol WIRE. The following table sets forth the high and low intraday sales prices per share for the Common Stock as reported by NASDAQ for the periods indicated.

	High	Low
2013		
First Quarter	$ 35.41	$ 30.69
Second Quarter	35.90	31.46
Third Quarter	42.48	34.07
Fourth Quarter	54.84	37.95
2012		
First Quarter	$ 30.74	$ 25.16

Second Quarter	30.19	23.58
Third Quarter	30.49	25.37
Fourth Quarter	32.64	29.27

As of February 27, 2014, there were 41 record holders of the Company s Common Stock.

The Company paid its first cash dividend in January 2007 and has continued paying quarterly dividends of two cents per share through 2013. Aside from periodic dividends, management intends to retain the majority of future earnings for the operation and expansion of the Company s business.

Issuer Purchases of Equity Securities

On November 10, 2006, the Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to 1,000,000 shares of its common stock through December 31, 2007 on the open market or through privately negotiated transactions at prices determined by the President of the Company. The Company s Board of

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Directors has subsequently authorized increases and annual extensions of this stock repurchase program. As of December 31, 2013, the repurchase authorization had 1,225,750 shares remaining authorized through March 31, 2015. The Company did not repurchase any shares of its stock in 2013. On May 14, 2012, the Company repurchased 2,774,250 shares of common stock owned by Capital Southwest Venture Corporation at an aggregate purchase price of $66,638,000, based on a price of $24.02 per share. Appropriate consents to the repurchase were also obtained from lenders under the Company s Financing Agreement. The repurchase represented approximately 11.8% of the Company s outstanding shares as of the purchase date and was the only repurchase in 2012. Other than the Company s repurchase of 2,774,250 shares of common stock owned by Capital Southwest Venture Corporation on May 14, 2012, all shares purchased under the program were purchased on the open market by the Company s broker pursuant to a Rule 10b5-1 plan announced on November 28, 2007.

Equity Compensation Plan Information

The following table provides information about the Company s equity compensation plans as of December 31, 2013.

PLAN CATEGORY	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	345,150	$ 25.03	343,500
Equity compensation plans not approved by security holders	0	0	0
TOTAL	345,150	$ 25.03	343,500

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Performance Graph

The following graph is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any of the Company s filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, respectively.

The graph below sets forth the cumulative total stockholder return, which assumes reinvestment of dividends, of a $100 investment in the Company s Common Stock, the Company s self-determined peer group for the year ended December 31, 2013, and the Russell 2000 Index.

Symbol	Total Return For:	12/31/2008	3/31/2009	6/30/2009	9/30/2009	12/31/2009	3/31/2010	6/30/2010
¿	Encore Wire Corporation	100.00	113.03	112.71	118.16	111.44	110.22	96.50
n	Russell 2000 Index	100.00	85.03	102.62	122.39	127.09	138.30	124.57
p	Peer Group	100.00	84.18	141.97	162.79	133.47	141.72	128.45

Symbol	Total Return For:	9/30/2010	12/31/2010	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012
¿	Encore Wire Corporation	108.91	133.18	129.46	128.93	109.55	138.00	158.53
n	Russell 2000 Index	138.63	161.17	173.97	171.17	133.75	154.44	173.65
p	Peer Group	140.60	187.15	213.15	210.06	131.74	154.56	177.60

Symbol	Total Return For:	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013
¿	Encore Wire Corporation	142.89	156.24	161.95	187.24	182.43	211.12	290.27
n	Russell 2000 Index	167.62	176.43	179.75	202.02	208.25	229.50	249.53
p	Peer Group	157.45	176.10	198.10	236.37	220.03	260.14	275.33

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Notes

(1) Data presented in the performance graph is complete through December 31, 2013.

(2) The Peer Group is self-determined and consists of the following companies: General Cable Corporation, Belden Inc. and Coleman Cable, Inc.

(3) The peer group index uses only such peer group s performance and excludes the performance of the Company. The peer group index uses beginning of period market capitalization weighting.

(4) Each data line represents quarterly index levels derived from compounded daily returns that include all dividends.

(5) The index level for all data lines was set to $100.00 on December 31, 2008.

Item 6. Selected Consolidated Financial Data.

The following financial data 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. The table below presents, as of and for the dates indicated, selected historical financial information for the Company.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In thousands, except per share amounts)				
Statement of Income Data:					
Net sales	$ 1,158,252	$ 1,072,348	$ 1,180,474	$ 910,222	$ 649,613
Cost of goods sold	1,023,180	982,021	1,039,619	827,813	599,498
Gross profit	135,072	90,327	140,855	82,409	50,115
Selling, general and administrative expenses	64,453	60,981	64,577	57,073	43,767
Operating income	70,619	29,346	76,278	25,336	6,348
Interest and other (income) expense	(329)	(343)	(239)	2,395	(1,633)
Interest expense	265	313	322	522	3,181
Income before income taxes	70,683	29,376	76,195	22,419	4,800
Provision for income taxes	23,773	9,565	26,064	7,129	1,164
Net income	$ 46,910	$ 19,811	$ 50,131	$ 15,290	$ 3,636
	$ 2.27	$ 0.91	$ 2.15	$ 0.66	$ 0.16

Net income per common and common equivalent shares basic					
Weighted average common and common equivalent shares basic	20,676	21,680	23,300	23,184	23,011
Net income per common and common equivalent shares diluted	$ 2.26	$ 0.91	$ 2.14	$ 0.66	$ 0.16
Weighted average common and common equivalent shares diluted	20,764	21,732	23,410	23,342	23,298

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	As of December 31,				
	2013	2012	2011	2010	2009
	(In thousands, except per share amounts)				
Balance Sheet Data:					
Working capital	$ 282,148	$ 261,493	$ 334,484	$ 283,944	$ 276,882
Total assets	525,826	472,467	516,146	477,276	534,558
Long-term debt, net of current portion					
Stockholders equity	456,581	410,164	457,743	407,377	392,984
Annual dividends paid	1,654	1,763	1,863	1,854	1,840
Annual dividends paid per common share	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.08

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

The following management s discussion and analysis is intended to provide a better understanding of key factors, drivers and risks regarding the Company and the building wire industry.

Executive Overview

Encore Wire sells a commodity product in a highly competitive market. Management strongly believes that the historical strength of the Company s growth and earnings is attributable to the following main factors:

Industry leading order-fill rates and responsive customer service.

Product innovations and product line expansions based on listening to and understanding customer needs.

Low cost manufacturing operations, resulting from a state-of-the-art manufacturing complex.

Low distribution and freight costs due in large part to the one campus business model.

A focused management team leading an incentivized work force.

Low general and administrative overhead costs.

A team of experienced independent manufacturers representatives with strong customer relationships across the United States.

These factors, and others, have allowed Encore Wire to grow from a startup in 1989 to what management believes is one of the largest copper electric building wire companies in the United States of America. Encore has built a loyal following of customers throughout the United States. These customers have developed a brand preference for Encore Wire in a commodity product line, due to the reasons noted above, among others. The Company prides itself on striving to grow sales by expanding its product offerings where profit margins are acceptable. Senior management monitors gross margins daily, frequently extending down to the individual order level. Management strongly believes that this hands-on focused approach to the building wire business has produced success thus far and will lead to continued success.

The construction and remodeling industries drive demand for building wire. Housing construction activity in the United States declined significantly in 2006 and continued its downward trend through 2010, improving slightly in 2011 and 2012 and then improving somewhat more in 2013. Nationally, commercial construction had been strong through 2007, but slowed significantly in 2008, and continued downward through 2012, before improving somewhat in 2013. The Company s unit sales volume, as measured in pounds of copper wire sold, declined 15.6% in 2009 versus 2008 and declined another 3.8% in 2010 versus 2009. In 2011, the Company s unit sales volume increased 6.2% compared to 2010. In 2012, copper unit sales declined 1.3% versus 2011. Total unit sales including pounds of aluminum wire sold increased 2.3% in 2012 versus 2011, as the Company continued to expand its building wire product line as discussed throughout this report. Total unit sales including pounds of aluminum wire sold increased 14.9% in 2013 versus 2012. In 2013, copper unit sales increased 9.5% versus 2012, while aluminum unit sales increased 116.8% versus 2012. 2013 was the first full year of sales and production from the Company s new aluminum wire plant. The Company believes that the expansion into building wire product offerings with aluminum conductors helped the increase in copper unit sales in 2013, as customers prefer to do one stop shopping and order from full line producers. The Company believes that the overall decline of unit volumes sold since 2006 is primarily the result of the slowdown in construction throughout the United States. The Company also believes that the reduced percentage decline in the Company s unit sales volume in 2010 and the increase in 2011 was caused, in large part, by the exit of a former competitor from the industry in the first quarter of 2010. According to various industry and national economic forecasts the future is unclear for the next few years. The credit crisis and the resulting tightening of credit could continue to negatively impact the availability of capital to fund construction projects for some time to come. Data on remodeling is not as readily available; however, remodeling activity historically trends up when new construction slows down.

General

The Company s operating results 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 margins 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 copper purchased by the Company. Additionally, the SEC has recently issued an order amending a rule to allow shares of a physically backed copper exchange traded fund (ETF) to be listed and publicly traded. Such fund 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 in the future 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 for the Company. The Company built a plant to expand the production of aluminum building wire as previously announced. The building was completed in mid-2012, while the installation of all the machinery and equipment was ongoing as of December 31, 2012. Production ramped up considerably in the first quarter of 2013, and the plant was fully operational by mid-year. In 2012, aluminum wire sales constituted 3.6% of net sales, growing to 6.9% of net sales in 2013. 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.

COMEX COPPER CLOSING PRICE 2013

	October 2013	November 2013	December 2013	Quarter Ended Dec. 31, 2013	Year-to-Date Dec. 31, 2013
High	$ 3.33	$ 3.29	$ 3.47	$ 3.47	$ 3.78
Low	3.22	3.15	3.20	3.15	3.03

Average	3.28	3.22	3.34	3.28	3.34

COMEX COPPER CLOSING PRICE 2012

	October 2012	November 2012	December 2012	Quarter Ended Dec. 31, 2012	Year-to-Date Dec. 31, 2012
High	$ 3.81	$ 3.63	$ 3.70	$ 3.81	$ 3.97
Low	3.50	3.44	3.53	3.44	3.28
Average	3.68	3.50	3.62	3.60	3.61

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COMEX COPPER CLOSING PRICE 2011

	October 2011	November 2011	December 2011	Quarter Ended Dec. 31, 2011	Year-to-Date Dec. 31, 2011
High	$ 3.70	$ 3.58	$ 3.60	$ 3.70	$ 4.62
Low	3.05	3.27	3.26	3.05	3.05
Average	3.34	3.44	3.43	3.41	4.00

Results of Operations

The following table presents certain items of income and expense as a percentage of net sales for the periods indicated.

	Year Ended December 31, 2013	2012	2011
Net sales	100.0%	100.0%	100.0%
Cost of goods sold:			
Copper	68.6	72.3	75.8
Other raw materials	11.5	9.6	7.3
Depreciation	1.1	1.2	1.0
Labor and overhead	8.1	7.5	5.9
LIFO adjustment	(1.0)	1.0	(2.0)
Lower cost or market adjustment	0.0	0.0	0.0
	88.3	91.6	88.0
Gross profit	11.7	8.4	12.0
Selling, general and administrative expenses	5.6	5.7	5.5
Operating income	6.1	2.7	6.5
Interest and other (income) expense	0.0	0.0	0.0
Income before income taxes	6.1	2.7	6.5
Provision for income taxes	2.0	0.9	2.3
Net income	4.1%	1.8%	4.2%

The following discussion and analysis relates to factors that have affected the operating results of the Company for the years ended December 31, 2013, 2012 and 2011. Reference should also be made to the Consolidated Financial Statements and the related notes included under Item 8. Financial Statements and Supplementary Data of this Annual Report.

Net sales were $1.158 billion in 2013 compared to $1.072 billion in 2012 and $1.180 billion in 2011. The 8.0% increase in net sales in 2013 versus 2012 is primarily the result of a 4.4% increase in copper wire sales driven by a

9.5% increase in copper wire pounds shipped and a 105.0% increase in aluminum wire sales driven by a 116.8% increase in aluminum wire pounds shipped, offset somewhat by decreases in average selling prices of 4.7% and 5.5% of copper and aluminum wire, respectively. Aluminum wire constituted 6.9% of total net sales in 2013. The average price of a pound of copper purchased decreased 7.5% in 2013 versus 2012, while aluminum purchase prices decreased 1.9% during the same time period. In the fourth quarter of 2013, net sales increased 13.8% versus the fourth quarter of 2012. The increase in net sales was due largely to the 10.4% increase in copper net sales and a 76.9% increase in aluminum net sales, driven by an aluminum unit volume increase of 88.5% in the fourth quarter of 2013 versus the fourth quarter of 2012. Aluminum net sales comprised 8.0% of net sales in the fourth quarter of 2013. Copper unit volume was up 18.4% in the fourth quarter of 2013 compared to the fourth quarter of 2012 while the average selling price per copper pound sold was down 6.8% between the same periods. On a sequential quarter comparison, net sales in the fourth quarter of 2013 decreased 5.3% versus the third quarter of 2013, due primarily to a 6.7% decrease in copper wire unit sales offset somewhat by a 0.6% increase in average selling prices. Margins in the fourth quarter of 2013 were down slightly versus those of the third quarter of 2013, producing $11.2 million of net income in the fourth quarter versus $13.8 million in the third quarter.

Comparing the full years of 2013 to 2012, the average sales price of wire that contained a pound of copper decreased less than the average price of a pound of copper purchased during the period. Therefore, margins expanded as the spread between the price of wire sold and the cost of raw copper purchased increased by 3.7%, due primarily to improved industry pricing discipline. Fluctuations in sales prices are primarily a result of changing copper and other raw material prices and product price competition. Margins were stronger in all four quarters of 2013 versus 2012.

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The 9.2% decrease in net sales in 2012 versus 2011 was primarily the result of a 10.4% decrease in the average price of product sold and a 1.3% decrease in the volume of copper pounds of product sold. The average price of copper purchased in 2012 decreased 10.7% versus the 2011 average price. In the fourth quarter of 2012, net sales increased 3.9% versus the fourth quarter of 2011. The small increase in net sales was due largely to the growth in aluminum net sales in the fourth quarter of 2012, which were up 196.1% versus the fourth quarter of 2011, driven by a unit volume increase of 229.9% in the fourth quarter of 2012 versus the fourth quarter of 2011. Aluminum sales, however, comprised only 5.1% of net sales in the quarter. Copper unit volume was up 2.2% in the fourth quarter of 2012 compared to the fourth quarter of 2011 while the average selling price per copper pound sold was down 1.8% between the same periods, resulting in nearly flat fourth quarter results for copper sales. On a sequential quarter comparison, net sales in the fourth quarter of 2012 decreased 4.2%, due primarily to a 9.4% decrease in copper wire unit sales offset somewhat by 3.6% increase in average prices. Margins in the fourth quarter of 2012 were consistent with those of the third quarter of 2012, producing similar results.

In 2012, the average sales price of wire that contained a pound of copper decreased more than the average price of copper purchased during the period. Therefore, margins contracted as the spread between the price of wire sold and the cost of raw copper purchased in 2012 decreased by 9.4%, as compared to 2011, due primarily to somewhat weaker industry pricing discipline. Fluctuations in sales prices are primarily a result of changing copper raw material prices and product price competition. Margins were weaker in all four quarters of 2012 versus 2011, bottoming in the second quarter of 2012.

Cost of goods sold was $1.023 billion in 2013, compared to $982.0 million in 2012 and $1.040 billion in 2011. The copper costs included in cost of goods sold were $794.4 million in 2013 compared to $775.4 million in 2012 and $895.2 million in 2011. Copper costs as a percentage of net sales decreased to 68.6% in 2013 compared to 72.3% in 2012 and 75.8% in 2011. The decrease as a percentage of net sales was due to copper costs decreasing more than or opposed to other costs. As noted above, copper costs are the largest component of costs and therefore the most significant driver of sales prices of wire. Accordingly, the decrease in copper prices in 2013 and 2012 caused most of the other costs to grow in terms of their percentage of net sales dollars. The cost of other raw materials rose from 7.3% of net sales in 2011 to 9.6% in 2012 and 11.5% in 2013 primarily due to the fact the Company increased production of aluminum wire in the second half of 2012 and throughout 2013. While much cheaper than copper, aluminum is higher in cost than the majority of the rest of the products in the other materials category, which in turn contributed to the rise in the other materials category percentage. Other lower cost materials such as plastic also rose marginally in price in 2012. Material cost percentages in 2013 were decreased by a 1.0% LIFO credit (income) and in 2012 were increased by a 1.0% LIFO debit (expense). In 2011, material costs were decreased by a 2.0% LIFO credit (income). Adding LIFO to the cost of copper and other materials, the total materials cost including LIFO in 2013 was 79.1% of net sales versus 82.9% in 2012 and 81.2% in 2011.

The increase in copper prices and the corresponding increase in net sales dollars in 2011 caused most of the other costs to shrink in terms of their percentage of net sales dollars. The cost of other raw materials, however, rose from 6.6% of net sales in 2010 to 7.3% in 2011. On a cents per pound basis, the cost of other raw materials increased by 35.7% in 2011 versus 2010, consistent with the cost of copper and other commodities and in small part due to the fact the Company began producing aluminum wire in 2011. Although the quantity of aluminum building wire sold in 2011 was insignificant compared to copper volumes, the Company did slowly increase its sales of aluminum wire during the year. The Company produced aluminum wire in its existing plants in 2011. In December of 2011, the Company announced that it was building a new 202,000 square-foot manufacturing plant on its McKinney, Texas campus, in which the Company would expand its aluminum wire and cable production.

Depreciation, labor and overhead costs as a percentage of net sales were 9.2% in 2013 compared to 8.7% in 2012 and 6.9% in 2011. The percentage increase of depreciation, labor and overhead costs in 2013 and 2012 versus 2011 was due primarily to the decrease in copper driven sales dollars trending the opposite direction of the small percentage increases in depreciation, labor and overhead costs. This disparity is due to the fact that depreciation, labor and overhead costs have fixed or semi-fixed components and do not vary directly with sales dollars or unit volumes.

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Inventories consist of the following at December 31 (in thousands):

	2013	2012	2011
Raw materials	$ 28,293	$ 26,013	$ 18,482
Work-in-process	21,881	22,309	22,955
Finished goods	82,997	88,750	84,819
Total	133,171	137,072	126,256
Adjust to LIFO cost	(62,391)	(73,416)	(62,765)
Lower of cost or market adjustment			
Inventory, net	$ 70,780	$ 63,656	$ 63,491

In 2013, copper traded in a narrow range, similar to 2012, while still exhibiting some volatility as shown in the copper table above. Copper prices in 2013 finished lower than at the end of 2012. In addition the quantity of total copper inventory on hand declined slightly in 2013. The other materials category, which includes a large number of raw materials, had quantity changes that included increases primarily in aluminum. These factors resulted in the 2013 year-end inventory value of all inventories using the LIFO method being $62.4 million less than the FIFO value, and the 2013 year end LIFO reserve balance being $11.0 million lower than at the end of 2012. This resulted in a LIFO adjustment decreasing cost of sales by $11.0 million.

In 2012, copper traded in a more consistent range than in 2011, but still exhibited some volatility. Copper prices in 2012 finished higher than at the end of 2011. In addition the quantity of total copper inventory on hand rose slightly in 2012. The other materials category, which includes a large number of raw materials, had quantity changes that included increases primarily in aluminum. These factors resulted in the 2012 year-end inventory value of all inventories using the LIFO method being $73.4 million less than the FIFO value, and the 2012 year end LIFO reserve balance being $10.7 million higher than at the end of 2011. This resulted in a LIFO adjustment increasing cost of sales by $10.7 million. In the fourth quarter of 2011, as part of the Company s aforementioned expansion into aluminum wire products and in anticipation of the start of production at the Company s new aluminum wire plant in 2012, the Company began a new aluminum wire inventory pool which is accounted for separately from the Company s copper wire inventory pool. The Company established this new aluminum wire pool in accordance with U.S. GAAP, which requires that new inventory items not previously present in significant quantities and having qualities significantly different from those items previously inventoried, as is the case with the physical, chemical, and cost differences between copper and aluminum metals, be accounted for separately. Based on the current copper and other raw material prices, there is no LCM adjustment necessary. Future reductions in the price of copper and other raw materials could require the Company to record an LCM adjustment against the related inventory balance, which would result in a negative impact on net income.

In 2011, copper traded in a relatively consistent range, at or near historical highs for most of the first three quarters and then made a fairly steep decline in the fourth quarter. This was offset slightly by a small increase in the amount of inventory on hand. These factors resulted in the 2011 year-end inventory value of all inventories using the LIFO method being $62.8 million less than the FIFO value, and the 2011 year end LIFO reserve balance being $24.0 million lower than at the end of 2010. This resulted in a LIFO adjustment decreasing cost of sales by $24.0 million.

Gross profit was $135.1 million, or 11.7% of net sales in 2013 compared to $90.3 million, or 8.4% of net sales in 2012 and $140.9 million, or 11.9% of net sales in 2011. The changes in gross profit were due to the factors discussed above.

Selling expenses, which include freight and sales commissions, were $48.3 million in 2013, $44.4 million in 2012 and $47.8 million in 2011. As a percentage of net sales, selling expenses remained steady at 4.2% in 2013 versus 4.1% in 2012 and 4.1% in 2011. General and administrative expenses, as a percentage of net sales, remained steady at 1.4% in 2013, 1.5% in 2012 and 1.4% in 2011. Accounts receivable write-offs were zero in 2013 and 2012, and $0.5 million in 2011. The Company did not increase the bad debt reserve in 2013, 2012 and 2011 to provide for potential bad debt expenses.

Interest expenses were $0.3 million in 2013, $0.3 million in 2012 and $0.3 million in 2011. The Company capitalized zero interest expense relating to the construction of assets in 2013, 2012 and 2011.

The Company s effective tax rate was 33.6% in 2013, 32.6% in 2012 and 34.2% in 2011, commensurate with the Company s tax liabilities. The American Jobs Creation Act of 2004 provides a deduction from income for qualified domestic production activities. Accordingly, the impact of any deduction is being reported in the period for which the deduction will be claimed on the Company s tax return. The domestic production activity deduction reduced the 2013 effective tax rate approximately 2.5%.

As a result of the foregoing factors, the Company s net income was $46.9 million in 2013, $19.8 million in 2012 and $50.1 million in 2011.

Off-Balance Sheet Arrangements

The Company does not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company s financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Liquidity and Capital Resources

The following table summarizes the Company s cash flow activities (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Net cash provided by operating activities	$ 47,218	$ 30,060	$ 26,169
Net cash used in investing activities	(43,466)	(40,284)	(16,946)
Net cash used in financing activities	(857)	(68,191)	(177)
Net increase (decrease) in cash and cash equivalents	$ 2,895	$ (78,415)	$ 9,046

The Company maintains a substantial inventory of finished products to satisfy customers prompt delivery requirements. As is customary in the industry, the Company provides payment terms to most of its customers that exceed terms that it receives from its suppliers. 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 the invoice. Therefore, the Company s liquidity needs have generally consisted of working capital necessary to finance receivables and inventory. 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, borrowings under its various debt arrangements and sales of its common stock.

At December 31, 2013 and December 31, 2012, the Company had no debt outstanding.

The Company is party to a Credit Agreement with two banks, Bank of America, N.A., as administrative agent and letter of credit issuer, and Wells Fargo Bank, National Association as syndication agent (the Credit Agreement). The Credit Agreement extends through October 1, 2017, and provides for maximum borrowings of the lesser of $150.0 million or the amount of eligible accounts receivable plus the amount of eligible finished goods and raw materials, less any reserves established by the banks. Additionally, at our request and subject to certain conditions, the commitments under the Credit Agreement may be increased by a maximum of up to $100.0 million as long as existing or new lenders agree to provide such additional commitments. The calculated maximum borrowing amount available at December 31, 2013, as computed under the Credit Agreement, was $149.5 million. Borrowings under the line of credit bear interest, at the Company s option, at either (1) LIBOR plus a margin that varies from 0.875% to 1.75% depending upon the Leverage Ratio (as defined in the Credit Agreement), or (2) the base rate (which is the highest of the federal funds rate plus 0.5%, the prime rate, or LIBOR plus 1.0%) plus 0% to 0.25% (depending upon the Leverage Ratio). A commitment fee ranging from 0.15% to 0.30% (depending upon the Leverage Ratio) is payable on the unused line of credit. At December 31, 2013, there were no borrowings outstanding under the Credit Agreement. Obligations under the Credit Agreement are the only contractual borrowing obligations or commercial borrowing commitments of the Company.

Obligations under the Credit Agreement are unsecured and contain customary covenants and events of default. The Company was in compliance with the covenants as of December 31, 2013.

The Company paid interest totaling $265,000, $313,000 and $322,000 in 2013, 2012 and 2011, respectively. The Company did not capitalize any interest in 2013, 2012 and 2011.

On November 10, 2006, the Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to 1,000,000 shares of its common stock through December 31, 2007 on the open market or through privately negotiated transactions at prices determined by the President of the Company. The Company s Board of Directors has subsequently authorized increases and annual extensions of this stock repurchase program. As of December 31, 2013, the repurchase authorization had 1,225,750 shares remaining authorized through March 31, 2015. The Company did not repurchase any shares of its stock in 2013. On May 14, 2012, the Company repurchased 2,774,250 shares of common stock owned by Capital Southwest Venture Corporation at an aggregate

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purchase price of $66,638,000, based on a price of $24.02 per share. Appropriate consents to the repurchase were also obtained from lenders under the Company s Financing Agreement. The repurchase represented approximately 11.8% of the Company s outstanding shares as of the purchase date and was the only repurchase in 2012. Other than the Company s repurchase of 2,774,250 shares of common stock owned by Capital Southwest Venture Corporation on May 14, 2012, all shares purchased under the program were purchased on the open market by the Company s broker pursuant to a Rule 10b5-1 plan announced on November 28, 2007.

Net cash provided by operations was $47.2 million in 2013 compared to $30.1 million in 2012 and $26.2 million in 2011. The increase in cash provided by operations of $17.1 in 2013 versus 2012 was due to several factors. The Company had increased net income of $46.9 million in 2013 versus $19.8 million of net income in 2012. Inventory increased in 2013, resulting in a $7.1 million use of cash, while inventory was relatively unchanged in 2012 compared to 2011, resulting in a decrease of cash provided of $7.0 million in 2013 versus 2012. Accounts receivable increased in 2013, resulting in a use of cash of $17.8 million versus a decrease of $1.4 million in 2012, resulting in a negative swing in operating cash flow of $19.2 million in 2013 versus 2012. Accounts receivable generally fluctuate in proportion to dollar sales and to a lesser extent are affected by the timing of when sales occur during a given quarter. Additionally, accounts receivable can fluctuate based upon the payment timing patterns of certain large customers, although increases in accounts receivable at the end of quarterly reporting periods for this reason have not historically raised collectability issues. Changes in current and deferred taxes provided $5.2 million in cash in 2013 versus cash used of $5.4 million in 2012, a positive swing of $10.6 million in 2013 versus 2012. These changes in cash flow were the primary drivers of the $17.2 million increase in net cash flow provided by operations in 2013 versus 2012.

The small increase in net cash provided by operations of $3.9 million in 2012 versus 2011 was due to several factors. The Company had reduced net income of $19.8 million in 2012 versus $50.1 million of net income in 2011. Inventory increased in 2011, resulting in a $21.4 million use of cash, while inventory barely changed in 2012, resulting in a decrease of cash used of $21.2 million in 2012 versus 2011. Accounts receivable decreased in 2012, resulting in a source of cash of $1.4 million versus an increase of $9.0 million in 2011, resulting in a positive swing in cash flow of $10.4 million in 2012 versus 2011. Accounts receivable generally fluctuate in proportion to dollar sales and to a lesser extent are affected by the timing of when sales occur during a given quarter. Additionally, accounts receivable can fluctuate based upon the payment timing patterns of certain large customers, although increases in accounts receivable at the end of quarterly reporting periods for this reason have not historically raised collectability issues. Accounts payable and accrued liabilities resulted in a $19.7 million increase in cash provided in 2012 versus 2011 due primarily to the increase in accounts payable, stemming from the timing of inventory receipts at quarter end. Changes in current and deferred taxes used $5.4 million in cash in 2012 versus cash provided of $9.2 million in 2011. These changes in cash flow were the primary drivers of the $3.9 million increase in cash flow from operations in 2012 versus 2011.

Net cash used in investing activities increased to $43.5 million in 2013 versus $40.3 million in 2012 and $16.9 million in 2011. In 2013, capital expenditures were used primarily to purchase 201 acres of land adjacent to the Company s existing campus in McKinney, Texas for $25.7 million. In 2012, capital expenditures were used primarily for the construction of the new aluminum wire plant and the purchase and installation of machinery and equipment in that plant. In 2011, capital expenditures were used for various machinery and equipment, and completing the construction and equipping of the new research & development building.

The net cash used in financing activities of $0.9 million in 2013 consisted primarily of $1.7 million in dividend payments offset by $0.6 million proceeds from issuance of Company stock related to employees exercising stock options. The cash used in financing activities of $68.2 million in 2012 consisted primarily of $66.6 million used to repurchase 2,774,250 shares of its common stock from Capital Southwest Venture Corporation in May of 2012 along with dividend payments of $1.8 million. The cash used in financing activities of $0.2 million in 2011 consisted primarily of $1.9 million in dividend payments offset by $1.8 million proceeds from issuance of Company stock related to employees exercising stock options.

During 2014, the Company expects its capital expenditures will consist primarily of machinery and equipment for its manufacturing operations. 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 its cash balance, cash flow from operations and the financing available from its revolving credit facility will satisfy working capital and capital expenditure requirements for the next twelve months.

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Contractual Obligations

As shown below, the Company had the following contractual obligations as of December 31, 2013.

	Payments Due By Period ($ in Thousands)				
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-Term Debt Obligations	$	$	$	$	$
Capital Lease Obligations					
Operating Lease Obligations					
Purchase Obligations	74,486	74,486			
Total	$ 74,486	$ 74,486	$	$	$

Note: Amounts listed as purchase obligations consist of open purchase orders for major raw material purchases and $6.6 million of capital equipment and construction purchase orders open as of December 31, 2013.

Critical Accounting Policies and Estimates

Management s discussion and analysis of its financial condition and results of operations are based upon the Company s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. See Note 1 to the Consolidated Financial Statements. Management believes the following critical accounting policies affect its more significant estimates and assumptions used in the preparation of its consolidated financial statements.

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 December 31, 2013, 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.

Revenue from the sale of the Company s products is recognized when goods are shipped to the customer, title and risk of loss are transferred, pricing is fixed or determinable and collection is reasonably assured. A provision for payment discounts and customer rebates is estimated based upon historical experience and other relevant factors and is recorded within the same period that the revenue is recognized.

The Company has provided an allowance for losses on customer receivables based upon estimates of those customers inability to make required payments. Such allowance is established and adjusted based upon the makeup of the current receivable portfolio, past bad debt experience and current market conditions. If the financial condition of our customers was to deteriorate and impair their ability to make payments to the Company, additional allowances for losses might be required in future periods.

Information Regarding Forward-Looking Statements

This report contains various forward-looking statements and information that are based on management s belief as well as assumptions made by and information currently available to management. 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.

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Among the key factors that may have a direct bearing on the Company s operating results and stock price are:

- Fluctuations in the global and national economy.
- Fluctuations in the level of activity in the construction industry, including remodeling.
- Demand for the Company s products.
- The impact of price competition on the Company s margins.
- Fluctuations in the price of copper and other key raw materials.
- The loss of key manufacturers representatives who sell the Company s product line.
- Fluctuations in utility costs, especially electricity and natural gas.
- Fluctuations in insurance costs and coverage of various types.
- Weather related disasters at the Company s and/or key vendor s operating facilities.
- Stock price fluctuations due to stock market expectations and other external variables.
- Unforeseen future legal issues and/or government regulatory changes.
- Patent and intellectual property disputes.
- Fluctuations in the Company s financial position or national banking issues that impede the Company s ability to obtain reasonable and adequate financing.

This list highlights some of the major factors that could affect the Company s operations or stock price, but cannot enumerate all the potential issues that management faces on a daily basis, many of which are totally out of management s control. For further discussion of the factors described herein and their potential effects on the Company, see Item 1. Business, Item 1A. Risk Factors, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

The Company does not engage in metal futures trading or hedging activities and does not enter into derivative financial instrument transactions for trading or other speculative purposes. However, the Company is generally exposed to commodity price and interest rate risks.

The Company purchases copper cathode primarily from miners and commodity brokers at prices determined each month based on the average daily COMEX closing prices for copper for that month, plus a negotiated premium. As a result, fluctuations in copper prices caused by market forces can significantly affect the Company s financial results. Interest rate risk is attributable to the Company s long-term debt. As of December 31, 2013, the Company was a party to the Credit Agreement. Amounts outstanding under the Credit Agreement, as amended, are payable on October 1, 2017, with interest payments due quarterly. At December 31, 2013, the balance outstanding under the Credit Agreement was zero.

There is inherent rollover risk for borrowings under the Credit Agreement as such borrowings mature and are renewed at current market rates. The extent of this risk is not quantifiable or predictable because of the variability of future interest rates and the Company s future financing requirements. Assuming that the Company had $100.0 million of outstanding debt, an average 1% interest rate increase in 2014 would increase the Company s interest expense by $1.0 million.

For further information, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, and Item 1A. Risk Factors.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements of the Company and the notes thereto appear on the following pages.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Encore Wire Corporation

We have audited the accompanying consolidated balance sheets of Encore Wire Corporation (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Encore Wire Corporation at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Encore Wire Corporation s internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated February 28, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Dallas, Texas

February 28, 2014

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Encore Wire Corporation

Consolidated Balance Sheets

In Thousands of Dollars, Except Share Data	December 31 2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$ 36,778	$ 33,883
Accounts receivable, net of allowance of $2,065 and $2,064	215,739	197,980
Inventories	70,780	63,656
Income taxes receivable		
Deferred income taxes	4,756	5,790
Prepaid expenses and other	2,013	5,541
Total current assets	330,066	306,850
Property, plant and equipment at cost:		
Land and land improvements	47,324	18,466
Construction-in-progress	12,222	25,434
Buildings and improvements	90,930	90,790
Machinery and equipment	224,502	196,838
Furniture and fixtures	8,564	8,426
Total property, plant and equipment	383,542	339,954
Accumulated depreciation	(189,288)	(175,030)
Property, plant and equipment net	194,254	164,924
Other assets	1,506	693
Total assets	$ 525,826	$ 472,467
Liabilities and Stockholders Equity		
Current liabilities:		
Trade accounts payable	$ 23,465	$ 20,112
Accrued liabilities	23,006	23,438
Income taxes payable	1,447	1,807
Deferred income taxes		
Total current liabilities	47,918	45,357
Noncurrent deferred income taxes	21,327	16,946
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $.01 par value:		
Authorized shares 2,000,000; none issued		
Common stock, $.01 par value:		
Authorized shares 40,000,000;		

Issued shares 26,631,653 and 26,597,753	266	266
Additional paid-in capital	49,459	48,298
Treasury stock, at cost 5,934,651 and 5,934,651 shares	(88,134)	(88,134)
Retained earnings	494,990	449,734
Total stockholders equity	456,581	410,164
Total liabilities and stockholders equity	$ 525,826	$ 472,467

See accompanying notes.

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Encore Wire Corporation

Consolidated Statements of Income

In Thousands, Except Per Share Data	Year ended December 31 2013	2012	2011
Net sales	$ 1,158,252	$ 1,072,348	$ 1,180,474
Cost of goods sold	1,023,180	982,021	1,039,619
Gross profit	135,072	90,327	140,855
Selling, general and administrative expenses	64,453	60,981	64,577
Operating income	70,619	29,346	76,278
Other (income) expense:			
Interest and other income	(329)	(343)	(239)
Interest expense	265	313	322
Income before income taxes	70,683	29,376	76,195
Provision for income taxes	23,773	9,565	26,064
Net income	$ 46,910	$ 19,811	$ 50,131
Net income per common and common equivalent share basic	$ 2.27	$ 0.91	$ 2.15
Weighted average common and common equivalent shares outstanding basic	20,676	21,680	23,300
Net income per common and common equivalent share diluted	$ 2.26	$ 0.91	$ 2.14
Weighted average common and common equivalent shares outstanding diluted	20,764	21,732	23,410
Cash dividends declared per share	$ 0.08	$ 0.08	$ 0.08

See accompanying notes.

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Encore Wire Corporation

Consolidated Statements of Stockholders Equity

In Thousands, Except Per Share Data	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total
Balance at December 31, 2010	26,367	264	45,040	(21,294)	383,367	407,377
Net income					50,131	50,131
Proceeds from exercise of stock options	220	2	1,786			1,788
Tax benefit on exercise of stock options			100			100
Stock-based compensation			416			416
Dividend declared $0.08 per share					(1,867)	(1,867)
Purchase of treasury stock				(202)		(202)
Balance at December 31, 2011	26,587	266	47,342	(21,496)	431,631	457,743
Net income					19,811	19,811
Proceeds from exercise of stock options	11		198			198
Tax benefit on exercise of stock options			12			12
Stock-based compensation			746			746
Dividend declared $0.08 per share					(1,708)	(1,708)
Purchase of treasury stock				(66,638)		(66,638)
Balance at December 31, 2012	26,598	266	48,298	(88,134)	449,734	410,164
Net income					46,910	46,910
Proceeds from exercise of stock options	34		622			622
Tax benefit on exercise of stock options			175			175
Stock-based compensation			364			364
Dividend declared $0.08 per share					(1,654)	(1,654)
Purchase of treasury stock						
Balance at December 31, 2013	26,632	$ 266	$ 49,459	$ (88,134)	$ 494,990	$ 456,581

See accompanying notes

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Encore Wire Corporation

Consolidated Statements of Cash Flows

In Thousands of Dollars	Year ended December 31 2013	2012	2011
Operating Activities			
Net income	$ 46,910	$ 19,811	$ 50,131
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	14,788	14,280	13,728
Deferred income taxes	5,415	(6,085)	9,980
Excess tax benefits of options exercised	(175)	(12)	(100)
Stock-based compensation	364	746	416
Provision for bad debts			
Other	(604)	(91)	(596)
Changes in operating assets and liabilities:			
Accounts receivable	(17,760)	1,424	(9,002)
Inventories	(7,124)	(165)	(21,387)
Trade accounts payable and accrued liabilities	2,921	3,617	(16,104)
Other assets and liabilities	2,668	(4,110)	(106)
Current income taxes receivable / payable	(185)	645	(791)
Net cash provided by (used in) operating activities	47,218	30,060	26,169
Investing Activities			
Purchases of property, plant and equipment	(44,505)	(40,301)	(25,007)
Proceeds from sale of assets	1,039	17	8,061
Net cash provided by (used in) investing activities	(43,466)	(40,284)	(16,946)
Financing Activities			
Purchase of treasury stock		(66,638)	(202)
Proceeds from issuance of common stock, net	622	198	1,788
Dividends paid	(1,654)	(1,763)	(1,863)
Excess tax benefits of options exercised	175	12	100
Net cash provided by (used in) financing activities	(857)	(68,191)	(177)
Net increase (decrease) in cash and cash equivalents	2,895	(78,415)	9,046
Cash and cash equivalents at beginning of year	33,883	112,298	103,252
Cash and cash equivalents at end of year	$ 36,778	$ 33,883	$ 112,298

See accompanying notes.

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Encore Wire Corporation

Notes to Consolidated Financial Statements

December 31, 2013

1. Significant Accounting Policies

Business

The Company conducts its business in one segment the manufacture of electric building wire, principally NM-B cable, for use primarily as interior wiring in homes, apartments, and manufactured housing, and THHN/THWN-2 cable and metal clad and armored cable for use primarily as wiring in commercial and industrial buildings. The Company sells its products primarily through 31 manufacturers representatives located throughout the United States and, to a lesser extent, through its own direct marketing efforts. The principal customers for Encore s building wire are wholesale electrical distributors.

Copper, a commodity product, is the principal raw material used in the Company s manufacturing operations. Copper accounted for 77.6%, 79.0% and 86.1% of the cost of goods sold during 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, and has caused monthly variations in the cost of copper purchased by the Company. The Company cannot predict future copper prices or the effect of fluctuations in the cost of copper on the Company s future operating results. As the Company continues to expand its product offerings with aluminum wire, the cost of aluminum will impact the raw materials discussion contained in this paragraph and throughout this report. During 2013, aluminum rod used to draw into aluminum wire constituted 3.3% of cost of goods sold**.**

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. Intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Revenue from the sale of the Company s products is recognized when goods are shipped to the customer, title and risk of loss are transferred, pricing is fixed or determinable and collection is reasonably assured. A provision for payment discounts and customer rebates is estimated based upon historical experience and other relevant factors and is recorded within the same period that the revenue is recognized.

Freight Expenses

The Company classifies shipping and handling costs as a component of selling, general and administrative expenses. Shipping and handling costs were approximately $21.7 million, $20.1 million and $18.4 million for the years ended

December 31, 2013, 2012 and 2011, respectively.

Fair Value of Financial Instruments

Certain items are required to be measured at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level hierarchy is followed for disclosure to show the extent and level of judgment used to estimate fair value measurements:

Level 1 Inputs used to measure fair value are unadjusted quoted prices that are available in active markets for the identical assets or liabilities as of the reporting date.

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Level 2 Inputs used to measure fair value, other than quoted prices included in Level 1, are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data from actively quoted markets for substantially the full term of the financial instrument.

Level 3 Inputs used to measure fair value are unobservable inputs that are supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management s estimates of market participant assumptions.

At December 31, 2013 and 2012, the Company had no financial instruments that were required to be measured at fair value on a recurring basis.

At December 31, 2013 and 2012, the Company s fair value of cash equivalents of $36.8 million and $33.9 million respectively, approximated carrying value due to the short maturity of these financial instruments.

Concentrations of Credit Risk and Accounts Receivable

Accounts receivable represent amounts due from customers (primarily wholesale electrical distributors, manufactured housing suppliers and retail home improvement centers) related to the sale of the Company s products. Such receivables are uncollateralized and are generally due from a diverse group of customers located throughout the United States. The Company establishes an allowance for losses based upon the makeup of the current portfolio, past bad debt experience and current market conditions.

Allowance for Losses Progression (In Thousands of Dollars)	2013	2012	2011
Beginning balance January 1	$ 2,064	$ 2,102	