ANIXTER INTERNATIONAL INC
Form 10-K
February 20, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

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

For the fiscal year ended January 3, 2014
or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-10212
Anixter International Inc.
(Exact name of Registrant as Specified in Its Charter)

Delaware	94-1658138
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2301 Patriot Blvd.
Glenview, IL 60026
(224) 521-8000
(Address and telephone number of principal executive offices in its charter)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class on Which Registered	Name of Each Exchange on Which Registered
Common stock, $1 par value	New York Stock Exchange

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 ¨ No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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	x	Accelerated Filer	¨
Non-Accelerated Filer		Smaller Reporting Company	¨

¨ (Do not check if a smaller reporting company)

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

The aggregate market value of the shares of registrant's Common Stock, $1 par value, held by nonaffiliates of the registrant was approximately $2,049,827,879 as of June 28, 2013.

At February 12, 2014, 32,555,841 shares of registrant's Common Stock, $1 par value, were outstanding.

Documents Incorporated by Reference:

Certain portions of the registrant's Proxy Statement for the 2014 Annual Meeting of Stockholders of Anixter International Inc. are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS.

Company Overview

Anixter International Inc. (the "Company"), founded in 1957, is headquartered near Chicago, Illinois and trades on the New York Stock Exchange under the symbol AXE. The Company was formerly known as Itel Corporation which was incorporated under Delaware law in 1967. Through Anixter Inc. and its subsidiaries (collectively "Anixter" and sometimes referred to in this Annual Report on Form 10-K as "we", "our", "us", or "ourselves"), we are a leading distributor of enterprise cabling and security solutions, electrical and electronic wire and cable products, OEM Supply fasteners and other small parts ("C" Class inventory components).

Through our global presence, technical expertise and supply chain solutions, we help our customers reduce the risk, cost and complexity of their supply chains. We add value to the distribution process by providing approximately 100,000 customers access to innovative inventory management programs, approximately 450,000 products and approximately $1.0 billion in inventory, approximately 210 warehouses with approximately 7 million square feet of space, and locations in over 250 cities across over 50 countries. We are a leader in the provision of advanced inventory management services including procurement, just-in-time delivery, quality assurance testing, advisory engineering services, component kit production, small component assembly and e-commerce and electronic data interchange to a broad spectrum of customers.

Our customers are international, national, regional and local companies, covering a broad and diverse set of industry groups including manufacturing, resource extraction, telecommunications, internet service providers, finance, education, healthcare, transportation, utilities, aerospace and defense and government; and include contractors, installers, system integrators, value-added resellers, architects, engineers and wholesale distributors. Our customer base is well-diversified with no single customer accounting for more than 3% of sales.

Our differentiated operating model is premised on our belief that our customers and suppliers value a partner with consistent global product offerings, technical expertise (including product and application knowledge and support) and customized supply chain solutions, all supported by a common operating system and business practices that ensure the "same look, touch and feel" worldwide.

Our growth strategy is built on a foundation of organic growth driven by constant refresh and expansion of our product and solution offerings to meet changing marketplace needs. This organic growth approach extends to a constantly evolving set of supply chain services that are designed to lower the customer's total cost of procuring, owning and deploying the products we sell. We have identified security solutions, emerging markets, e-commerce, industrial communications and control and in-building wireless as growth opportunities we are pursuing. Organic growth will periodically be supplemented with acquisitions where the benefits associated with geographic expansion, market penetration or new product line additions are weighted in favor of "buying versus building."

Business Segments and Products

For a number of years and through the end of the third quarter of 2012, our reporting units were consistent with our operating segments of North America, Europe and Emerging Markets (Latin America and Asia Pacific). In the fourth quarter of 2012, we reorganized our business segments from geography to end market to reflect our realigned segment reporting structure and management of these global businesses: Enterprise Cabling and Security Solutions, Electrical and Electronic Wire and Cable and OEM Supply. All prior period amounts related to the segment change have been retrospectively reclassified throughout these consolidated financial statements to conform to the new presentation. The following is a brief description of each of our reportable segments and business activities.

Enterprise Cabling and Security Solutions

The Enterprise Cabling and Security Solutions ("ECS") segment, with operations in over 50 countries, supplies products and customized Supply Chain Solutions to customers in a diverse range of industries including finance, transportation, education, government, healthcare and retail. ECS specifies solutions with end-users and sells the products through various channels including data communications contractors, security, network and systems integrators, and directly to end users. ECS has a broad product portfolio that includes copper and fiber optic cable and connectivity, access control, video surveillance, cabinets, power, cable management, voice and networking switches and other ancillary

products. The ECS segment includes more than 1,600 technically trained salespeople, approximately 50 Supply Chain Solutions specialists and approximately 90 sales engineers.

Through a variety of value-added supply chain solutions, including inventory management, product packaging and enhancement and other customized supply chain services, ECS helps customers reduce the risk, complexity and cost associated with their IT infrastructure and physical security deployments. The ECS commitment to quality products and services and technical leadership is demonstrated by its participation in many global standards organizations. Its technical expertise extends to performance and interoperability testing at our Infrastructure Solutions Lab℠, which provides ECS the opportunity to demonstrate solutions and proof-of-concepts to customers. The ECS Data Center HealthCheck℠ and ipAssured℠ programs help customers make intelligent buying decisions around network and security infrastructure and improve efficiency to meet their sustainability goals.

Electrical and Electronic Wire and Cable

The Electrical and Electronic Wire and Cable ("W&C") segment, with operations in over 30 countries, offers a broad range of wire and cable products and solutions to the Industrial and Original Equipment Manufacturer ("OEM") markets. The Industrial group supplies products for the transmission of power and signals in industrial facilities to customers in key markets including oil, gas and petrochemical, power generation and distribution, industrial, natural resource and water and wastewater treatment. It also sells through channels including electrical contractors, security and automation integrators, and engineering, procurement and construction firms. The OEM group supplies products used in the manufacturing of audio/video, automotive, industrial, medical, military and communications equipment, selling to OEM and panel, cable and harness shops. The product portfolio in this global business includes electrical and electronic wire and cable, shipboard cable, support and supply products, low-voltage cable, instrumentation cable, industrial communication and control products, security cable, connectors, industrial Ethernet switches, and voice and data cable. Value-added services, including supply chain management services, and engineering support are tailored to position us as a specialist in high-growth emerging markets, OEMs and industrial verticals. W&C helps customers achieve their sustainability goals by using its value-added services to minimize scrap, reduce lead times and improve power efficiency.

The W&C team of over 900 technical experts includes its sales personnel, supply chain specialists, industrial communication specialists and engineers. W&C provides world-class technical assistance, products and support through code and standards interpretation, product selection assistance, on-site customer training and customer specification reviews. W&C brings value to its customers through its global reach, ability to provide global infrastructure project coordination, technical and engineering support, financial strength, and sourcing and supplier relationships. These capabilities help customers reduce costs and risks and gain competitive advantage in their marketplace.

OEM Supply

The OEM Supply segment, with operations in over 10 countries, supplies high-volume, low-cost components and customized Supply Chain Solutions to leading original equipment manufacturers worldwide including the heavy truck, automotive, construction, medical, white goods, agricultural, power train, wind turbine, HVAC and transportation industries. Its inventory consists of primarily Class-C parts that are application-critical and typically are engineered to distinct performance and quality specifications. The OEM Supply segment product portfolio includes nuts, bolts, screws, washers, clips, gaskets, brackets and rivets as well as other fasteners and small components required by manufacturers.

OEM Supply's worldwide scale and internationally accredited laboratories help its customers source quality components that we further test for quality adherence. Its Supply Chain Solutions, including scheduled and managed buys, direct line feed, just-in time deliveries, vendor-managed inventory, kitting and subassembly, allow customers to streamline their manufacturing processes, reduce overall costs and focus on their core competencies. OEM Supply's engineers and supply chain experts specialize in problem resolution, design support, part rationalization, part substitution and process re-engineering. In-house quality experts and advanced quality procedures allow OEM Supply to successfully implement customized supply solutions for each customer. OEM Supply also has small batch manufacturing capabilities that allow it to address unique fastener quick turnaround requirements. With unrivaled geographic coverage, OEM Supply leverages its strong engineering, supply chain services and quality focus to support customers around the globe.

For more information concerning our business segments, foreign and domestic operations and export sales, see Note 7. "Income Taxes" and Note 10. "Business Segments" in the Notes to the Consolidated Financial Statements.

Suppliers

We source products from thousands of suppliers. However, approximately one-third of our annual dollar volume purchases are sourced from our five largest suppliers. An important element of our overall business strategy is to develop and maintain close relationships with our key suppliers, which include the world's leading manufacturers of communication cabling, connectivity, support and supply products, electrical wire and cable and fasteners. Such relationships emphasize joint product planning, inventory management, technical support, advertising and marketing. In support of this strategy, we generally do not compete with our suppliers in product design or manufacturing activities. We also generally do not sell private label products that carry our name or a brand name exclusive to us. Our typical distribution agreement includes the following significant terms:

- a non-exclusive right to resell products to any customer in a geographical area (typically defined as a country);
- usually cancelable upon 90 days notice by either party for any reason;
- no minimum purchase requirements, although pricing may change with volume on a prospective basis; and
- the right to pass through the manufacturer's warranty to our customers.

Distribution and Service Platform

We cost-effectively serve our customers' needs through our proprietary computer systems, which connect nearly all of our warehouses and sales offices throughout the world. The systems are designed for sales support, order entry, inventory status, order tracking, credit review and material management. Customers may also conduct business through our e-commerce platform, which we believe is one of the most comprehensive, user-friendly and secure websites in the industry.

We operate a series of large, modern, regional warehouses in key geographic locations in North America, Europe and Emerging Markets that provide for cost-effective, reliable storage and delivery of products to our customers. We have designated 16 warehouses as regional warehouses. Collectively these facilities store approximately 40% of our inventory. In certain cities, some smaller warehouses are also maintained to maximize transportation efficiency and to provide for the local needs of customers. Our network of regional warehouses, local distribution centers, service centers and sales offices consists of 147 locations in the United States, 18 in Canada, 30 in the United Kingdom, 36 in Continental Europe, 34 in Latin America, 14 in Asia and 7 in Australia/New Zealand.

We have developed close relationships with certain freight, package delivery and courier services to minimize transit times between our facilities and customer locations. The combination of our information systems, distribution network and delivery partnerships allows us to provide a high level of customer service while maintaining a reasonable level of investment in inventory and facilities.

Employees

At January 3, 2014, we employed approximately 8,200 people. Approximately 45% of the employees are engaged in sales or sales-related activities, 37% are engaged in warehousing and distribution operations and 18% are engaged in support activities, including inventory management, information services, finance, human resources and general management. We do not have any significant concentrations of employees subject to collective bargaining agreements within any of our geographic segments.

Competition

Given our role as an aggregator of many different types of products from many different sources and because these products are sold to many different industry groups, there is no well-defined industry group against which we compete. We view the competitive environment as highly fragmented with hundreds of distributors and manufacturers that sell products directly or through multiple distribution channels to end users or other resellers. There is significant competition within each end market and geography served that creates pricing pressure and the need for constant attention to improve services. Competition is based primarily on breadth of products, quality, services, relationships, price and geographic proximity. We believe that we have a significant competitive advantage due to our comprehensive product and service offerings, global distribution network, technically-trained sales team and customized supply chain solutions. We believe our global distribution platform provides a competitive advantage to serving multinational customers' needs. Our operations and logistics platform gives us the ability to ship orders from inventory for delivery within 24 to 48 hours to all major global markets. In addition, we have common systems and

processes throughout nearly all our operations in more than 50 countries that provide our customers and suppliers with global consistency.

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We enhance our value proposition to both key suppliers and customers through our specifications and testing facilities and numerous quality assurance certification programs such as ISO 9001:2008 and ISO/TS 16949:2009. We use our testing facilities in conjunction with suppliers to develop product specifications and to test quality compliance. At our data network-testing lab located at our suburban Chicago headquarters, we also work with customers to design and test various product configurations to optimize network design and performance specific to the customers' needs. At our strategically positioned technical centers and laboratories and through various regional quality labs, we offer OEMs a comprehensive range of dimensional, performance and mechanical testing and materials characterization for product testing and failure investigation.

Most of our competitors are privately held, and as a result, reliable competitive information is not available.

Contract Sales and Backlog

We have a number of customers who purchase products under long-term (generally three to five year) contractual arrangements, primarily in the OEM Supply segment. In such circumstances, the relationship with the customer typically involves a high degree of material requirements planning and information systems interfaces and, in some cases, may require the maintenance of a dedicated distribution facility or dedicated personnel and inventory at, or in close proximity to, the customer site to meet the needs of the customer. Such contracts do not generally require the customer to purchase any minimum amount of goods from us, but would require that materials acquired by Anixter, as a result of joint material requirements planning between us and the customer, be purchased by the customer.

Generally, backlog orders, excluding contractual customers, represent approximately four weeks of sales and ship to customers within 30 to 60 days from order date. Our operations and logistics platform gives us the ability to ship orders from inventory for delivery within 24 to 48 hours to all major global markets.

Seasonality

The operating results are not significantly affected by seasonal fluctuations except for the impact resulting from variations in the number of billing days from quarter to quarter. Consecutive quarter sales from the third to fourth quarters are generally lower due to the holidays and lower number of billing days as compared to other consecutive quarter comparisons. The first and second quarter are somewhat stronger in the fastener business, due to third and fourth quarter seasonal and holiday plant shutdowns among OEM customers.

Available Information

We maintain an Internet website at http://www.anixter.com which includes an Investor Relations section that links to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to these reports. These forms are available without charge as soon as reasonably practical following the time they are filed with or furnished to the Securities and Exchange Commission ("SEC"). Shareholders and other interested parties may request email notifications of the posting of these documents through the Investor Relations section of our website. In addition, copies of our reports will be made available, free of charge, upon written request. Our Internet website also contains corporate governance information including corporate governance guidelines; audit, compensation and nominating and governance committee charters; nomination process for directors; and our business ethics and conduct policy.

ITEM 1A. RISK FACTORS.

The following factors could materially adversely affect our operating results and financial condition. Although we have tried to discuss key factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict those risks or estimate the extent to which they may affect our financial performance.

A change in sales strategy or financial viability of our suppliers could adversely affect our sales or earnings.

Most of our agreements with suppliers are terminable by either party on short notice for any reason. We currently source products from thousands of suppliers. However, approximately one-third of our annual dollar volume purchases are sourced from our five largest suppliers. If any of these suppliers changes its sales strategy to reduce its reliance on distribution channels, or decides to terminate its business relationship with us, our sales and earnings could be adversely affected until we are able to establish relationships with suppliers of comparable products. Although we believe our relationships with these key suppliers are good, they could change their strategies as a result of a change in control, expansion of their direct sales force, changes in the marketplace or other factors beyond our control, including a key supplier becoming financially distressed.

We have risks associated with the sale of nonconforming products and services.

Historically, we have experienced a small number of cases in which our vendors supplied us with products that did not conform to the agreed upon specifications without our knowledge. Additionally, we may inadvertently sell a product not suitable for a customer’s application. We address this risk through our quality control processes, by seeking to limit liability and our warranty in our customer contracts, by obtaining indemnification rights from vendors and by maintaining insurance responsive to these risks. However, there can be no assurance that we will be able to include protective provisions in all of our contracts, that vendors will have the financial capability to fulfill their indemnification obligations to us, or that insurance can be obtained with sufficiently broad coverage or in amounts sufficient to fully protect us.

Our foreign operations are subject to political, economic and currency risks.

We derive over 40% of our revenues from sales outside of the United States. Economic and political conditions in some of these markets may adversely affect our results of operations, cash flows and financial condition in these markets. Our results of operations and the value of our foreign assets are affected by fluctuations in foreign currency exchange rates, and different legal, tax, accounting and regulatory requirements.

We have risks associated with inventory.

We must identify the right product mix and maintain sufficient inventory on hand to meet customer orders. Failure to do so could adversely affect our sales and earnings. However, if circumstances change (for example, an unexpected shift in market demand, pricing or customer defaults) there could be a material impact on the net realizable value of our inventory. To guard against inventory obsolescence, we have negotiated various return rights and price protection agreements with certain key suppliers. We also maintain an inventory valuation reserve account against diminution in the value or salability of our inventory. However, there is no guaranty that these arrangements will be sufficient to avoid write-offs in excess of our reserves in all circumstances.

Our operating results are affected by copper prices.

Our operating results have been affected by changes in copper prices, which is a major component in a portion of the electrical wire and cable products sold by us. As our purchase costs with suppliers change to reflect the changing copper prices, our mark-up to customers remains relatively constant, resulting in higher or lower sales revenue and gross profit depending upon whether copper prices are increasing or decreasing.

The degree to which price changes in the copper commodity spot market correlate to product price changes, is a factor of market demand for products. When demand is strong, there is a high degree of correlation but when demand is weak, there can be significant time lags between spot price changes and market price changes.

We have risks associated with the integration of acquired businesses.

In connection with recent and future acquisitions, it is necessary for us to continue to create a cohesive business from the various acquired properties. This requires the establishment of a common management team to guide the acquired businesses, the conversion of numerous information systems to a common operating system, the establishment of a brand identity for the acquired businesses, the streamlining of the operating structure to optimize efficiency and

customer service and a reassessment of the inventory and supplier base to ensure the availability of products at competitive prices. No assurance can be given that these various actions can be completed without disruption to the business, or in a short period of time or that anticipated improvements in operating performance can be achieved.

Our debt agreements could impose restrictions on our business.
Our debt agreements contain certain financial and operating covenants that limit our discretion with respect to certain business matters. These covenants restrict our ability to incur additional indebtedness as well as limit the amount of dividends or share repurchases we may make. As a result of these restrictions, we are limited in how we may conduct business and may be unable to compete effectively or take advantage of new business opportunities.
We have risks associated with accounts receivable.
Although no single customer accounts for more than 3% of our sales, a payment default by one of our larger customers could have a short-term impact on earnings. Given the current economic environment, constrained access to capital and general market uncertainties, our exposure to customer defaults may be heightened.
A decline in project volume could adversely affect our sales and earnings.
While most of our sales and earnings are generated by comparatively smaller and more frequent orders, the fulfillment of large orders for capital projects generates significant sales and earnings. Slow macro-economic growth rates, difficult credit market conditions for our customers, weak demand for our customers' products or other customer spending constraints can result in project delays or cancellations, potentially having a material adverse effect on our financial results.

ITEM 1B. UNRESOLVED STAFF COMMENTS.
None.

ITEM 2. PROPERTIES.
Our distribution network consists of approximately 210 warehouses in more than 50 countries with approximately 7 million square feet of space. This includes 16 regional distribution centers (100,000 — 500,000 square feet), 40 local distribution centers (35,000 — 100,000 square feet) and 151 service centers. Additionally, we have 79 sales offices throughout the world. All but two of these facilities are leased. No one facility is material to our overall operations, and we believe there is ample supply of alternative warehousing space available on similar terms and conditions in each of our markets.

ITEM 3. LEGAL PROCEEDINGS.
Incorporated by reference to Note 6. "Commitments and Contingencies" of this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES.
Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table lists the name, age as of February 20, 2014, position, offices and certain other information with respect to our executive officers. The term of office of each executive officer will expire upon the appointment of his successor by the Board of Directors.

Robert J. Eck, 55	Director of the Company since 2008; President and Chief Executive Officer of the Company since July 2008. Mr. Eck has served in a variety of senior management positions since joining the Company in 1990. Mr. Eck has also been a Director of Ryder Systems, Inc. since 2011.
Theodore A. Dosch, 54	Executive Vice President - Finance and Chief Financial Officer of the Company since July 2011; Senior Vice President - Global Finance of the Company from January 2009 to June 2011; CFO - North America and Vice President - Maytag Integration at Whirlpool Corporation from 2006 to 2008; Corporate Controller at Whirlpool Corporation from 2004 to 2006; CFO - North America at Whirlpool Corporation from 1999 to 2004.
Giulio Berardesca, 60	Executive Vice President - Electrical and Electronic Wire and Cable of the Company since 2012; Executive Vice President - North America and EMEA Electrical and Electronic Wire and Cable from 2005 to 2012. Mr. Berardesca has over 40 years of experience with the Company, holding a variety of senior management positions in Electrical and Electronic Wire and Cable since joining the Company in 1973.
Justin C. Choi, 48	Executive Vice President - General Counsel & Corporate Secretary of the Company since May 2013; Vice President - General Counsel & Corporate Secretary of the Company from June 2012 to May 2013; Executive Vice President, General Counsel and Secretary -Trustwave Holdings from January 2011 to June 2012; Senior Vice President, General Counsel & Secretary - Andrew Corporation from March 2006 to December 2007; Vice President of Law - Avaya Inc. from September 2000 to February 2006. Mr. Choi has also been a Director of Pulse Electronics Corporation since 2010.
Ian Clarke, 53	Executive Vice President - OEM Supply of the Company since January 2013; Executive Vice President - Global Sales and Marketing from July 2012 to December 2012; Senior Vice President - OEM Supply - Americas from November 2010 to June 2012; Senior Vice President - Global Marketing from March 2010 to October 2010. Prior to Anixter, Ian held several senior sales and general management roles at Caparo from 2004 to 2009, Timken from 2001 to 2004 and British steel for 20 years prior.
William Galvin, 51	Executive Vice President - Enterprise Cabling and Security Solutions of the Company since 2012; Executive Vice President - North America and EMEA Enterprise Cabling and Security Solutions from 2007 to 2012. Mr. Galvin has held several sales and marketing management roles over his 26 years of experience with the Company.
Rodney A. Smith, 56	Executive Vice President - Human Resources of the Company since May 2013; Vice President - Human Resources from August 2006 to May 2013.
William Standish, 59	Executive Vice President - Operations of the Company since 2004. Since joining the Company in 1984, Mr. Standish has held several corporate and reporting unit senior management roles.
Terrance A. Faber, 62	Vice President - Controller since joining the Company in 2000.
Philip F. Meno, 54	Vice President - Taxes of the Company since May 1993. Mr. Meno has been with the Company since 1986.
Mary Kate Shashaguay, 41	Vice President - Internal Audit of the Company since November 2011; Director of Audit Services - Illinois Tool Works Inc. from March 2008 to November 2011; Chief Audit Executive - Sun-Times Media Group, Inc. from March 2006 to March 2008; Senior Manager - Deloitte from July 1998 to March 2006.
Rodney A. Shoemaker, 56	Vice President -Treasurer of the Company since July 1999. Mr. Shoemaker has been with the Company since 1986.

PART II

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

Anixter International Inc.'s Common Stock is traded on the New York Stock Exchange under the symbol AXE. Stock price information, dividend information and shareholders of record are set forth in Note 12. "Selected Quarterly Financial Data (Unaudited)" in the Notes to the Consolidated Financial Statements. There have been no sales of unregistered securities.

PERFORMANCE GRAPH

The following graph sets forth the annual changes for the five-year period indicated in a theoretical cumulative total shareholder return of an investment of $100 in our common stock and each comparison index, assuming reinvestment of dividends. This graph reflects the comparison of shareholder return on our common stock with that of a broad market index and a peer group index consistent with the prior year. Our Peer Group Index for 2013 consists of the following companies: Agilysys Inc., Arrow Electronics Inc., Avnet Inc., Fastenal Company, W.W. Grainger Inc., Houston Wire and Cable Company, Ingram Micro, MSC Industrial Direct Co. Inc., Park Ohio Holdings Corp., Richardson Electronics Ltd., Tech Data Corp, and WESCO International, Inc. This peer group was selected based on a review of publicly available information about these companies and our determination that they are engaged in distribution businesses similar to ours.

ITEM 6. SELECTED FINANCIAL DATA.

(In millions, except per share amounts)	Fiscal Year				
	2013	2012	2011	2010	2009
Selected Income Statement Data:					
Net sales	$6,226.5	$6,253.1	$6,146.9	$5,274.5	$4,779.6
Operating income	354.8	282.5	362.8	267.2	84.8
Interest expense and other, net	(58.8)	(73.3)	(59.3)	(55.1)	(85.3)
Net income (loss) from continuing operations	200.4	124.6	200.7	109.5	(41.4)
Income (loss) from discontinued operations, net	0.1	0.2	(12.5)	(1.0)	12.1
Net income (loss)	$200.5	$124.8	$188.2	$108.5	$(29.3)
Diluted Income (Loss) Per Share:					
Continuing operations	$6.04	$3.69	$5.71	$3.08	$(1.17)
Discontinued operations	$—	$—	$(0.35)	$(0.03)	$0.34
Net income	$6.04	$3.69	$5.36	$3.05	$(0.83)
Dividend declared per common share	$5.00	$4.50	$—	$3.25	$—
Selected Balance Sheet Data:					
Total assets	$2,860.8	$3,089.6	$3,034.0	$2,933.3	$2,671.7
Total short-term debt	$—	$0.9	$3.0	$203.4	$8.5
Total long-term debt	$836.0	$982.2	$806.8	$688.7	$821.1
Stockholders' equity	$1,027.4	$969.9	$1,001.2	$1,010.8	$1,024.1
Book value per diluted share	$30.95	$28.70	$28.50	$28.45	$29.17
Weighted-average diluted shares	33.2	33.8	35.1	35.5	35.1
Year-end outstanding shares	32.9	32.5	33.2	34.3	34.7
Other Financial Data:					
Working capital	$1,373.3	$1,482.8	$1,376.0	$1,233.1	$1,381.0
Capital expenditures	$32.2	$34.2	$26.4	$19.6	$21.9
Depreciation and amortization of intangibles	$30.1	$32.5	$33.5	$33.8	$37.1

Items Impacting Comparability of Results

Over the last five years, we have completed various acquisitions and the respective sales and operating profits have impacted the comparability of the results as reflected below. The acquisitions were accounted for as purchases and the results of operations of the acquired businesses are included in the Consolidated Financial Statements from the dates of acquisition. The following represents the incremental impact of the results for one year following the acquisitions:

	Years Ended				
	January 3, 2014 (a)	December 28, 2012 (a)	December 30, 2011 (b)	December 31, 2010	January 1, 2010 (c)
Net sales	$60.7	$62.8	$120.1	$—	$109.8
Operating profit	1.9	5.2	2.6	—	(2.4)

(a) June 2012 acquisition of Jorvex, S.A. ("Jorvex") for $55.3 million.

(b) December 2010 acquisition of Clark Security Products, Inc and General Lock, LLC (collectively "Clark") for $36.4 million. As the acquisition of Clark closed during the latter part of December 2010, sales and operating income were immaterial to 2010 results.

(c) August, September and October of 2008 acquisitions include QSN Industries, Inc., Quality Screw de Mexico SA, Sofrasar SA, Camille Gergen and World Class Wire & Cable Inc. for $76.1 million, $4.5 million, $20.7 million, $19.4 million and $61.4 million, respectively.

In August 2011, we sold our Aerospace Hardware business. As a result of the divestiture, results of that business are reflected as "Discontinued operations" and all prior periods have been revised to reflect this classification. The sales price of $155.0 million resulted in net proceeds of $143.6 million after adjusting for working capital adjustments and amounts we paid for legal and advisory fees. In 2010, we recorded a charge of $20.0 million ($0.35 per diluted share) related to an unfavorable arbitration ruling, which is included in the loss from discontinued operations in that year.
The following reflects various items that impact the comparability of the results for the last five fiscal years:

Items impacting comparability of results:

(In millions, except per share amounts)	Years Ended				
Income Statement	January 3, 2014	December 28, 2012	December 30, 2011	December 31, 2010	January 1, 2010
Items impacting operating income:	Favorable / (Unfavorable)				
Impairment of goodwill and long-lived assets (a)	$—	$(48.5)	$—	$—	$(100.0)
Post-retirement benefit charges	—	(15.3)	—	—	—
Restructuring charge	—	(10.1)	(5.3)	—	(5.7)
Inventory lower-of-cost-or-market adjustment	—	(1.2)	—	—	(4.2)
Total of items impacting operating income	$—	$(75.1)	$(5.3)	$—	$(109.9)
Items impacting other expenses:					
Penalty and interest from prior year tax liabilities	0.7	(1.7)	—	—	—
Loss on retirement of debt	—	—	—	(31.9)	(1.1)
Foreign exchange (gain) loss	—	—	—	2.1	(13.8)
Interest rate swap settlement loss	—	—	—	—	(2.1)
Total of items impacting other expenses	$0.7	$(1.7)	$—	$(29.8)	$(17.0)
Total of items impacting pre-tax income	$0.7	$(76.8)	$(5.3)	$(29.8)	$(126.9)
Items impacting income taxes:					
Tax benefit of items above impacting pre-tax income	(0.2)	10.0	2.0	10.8	11.9
Reversal of deferred income tax valuation allowances/other	—	9.7	10.8	—	4.8
Reversal of prior year foreign tax	—	—	—	1.3	—
Tax effect related to closing prior tax years	4.2	—	—	—	—
Total of items impacting income taxes	$4.0	$19.7	$12.8	$12.1	$16.7
Net income impact of these items	$4.7	$(57.1)	$7.5	$(17.7)	$(110.2)
Diluted EPS impact of these items	$0.14	$(1.73)	$0.22	$(0.50)	$(3.06)

(a) Includes only the changes related to our annual and interim assessments of the recoverability of goodwill and related long-lived assets.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Executive Overview

For a number of years and through the end of the third quarter of 2012, our reporting units were consistent with our operating segments of North America, Europe and Emerging Markets (Latin America and Asia Pacific). In the fourth quarter of 2012, we reorganized our business segments from geography to end market to reflect our realigned segment reporting structure and management of these global businesses: Enterprise Cabling and Security Solutions ("ECS"), Electrical and Electronic Wire and Cable ("W&C") and OEM Supply. All prior period amounts related to the segment change have been retrospectively reclassified throughout these Consolidated Financial Statements to conform to the new presentation.

At the outset of fiscal 2013, we anticipated improved capital spending trends by our customers in the second half of the year; however the acceleration was both delayed and more modest than we expected, resulting in flat year-to-date sales growth. While we experienced gradually improving trends by the end of 2013 in all of our segments and geographies, we were especially pleased with our OEM Supply segment which, as a result of actions taken to reposition the business, achieved significant operating profit growth year-over-year. The performance in this segment fueled sales and operating profit growth in our European geography. Overall, we are encouraged by the improving performance within each of our segments across our global markets, reflecting the value of our global capabilities to an increasing number of global customers. Even in a slow growth environment we have demonstrated the discipline to manage through short term challenges while continuing to invest for long term growth. Highlights of the year included the following:

- Adjusted earnings per diluted share from continuing operations of $5.90, up from $5.42 in 2012;
- Gross margin of 22.8%, up from 22.5% in 2012;
- OEM Supply segment achieved four straight quarters of improved operating margin;
- We generated $334.5 million of cash flow from operations in the year, up from $142.9 million in 2012;
- Payment of special dividend of $5.00 per common share in the fourth quarter;
- The retirement of the $300 million principal amount of convertible senior notes in the first quarter;
- The 2012 mid-year acquisition of Jorvex, a Peruvian wire & cable distributor, added an incremental $60.7 million of sales during fiscal 2013, compared to the prior year.

As we enter 2014, we believe we are well-positioned for global growth in all of our segments. In addition to a gradually improving economy, we believe our strategic initiatives will enable us to gain market share and exceed market growth across our business. For the fiscal year 2014, we expect mid-single digit organic growth, compared to a 0.5% decrease in organic sales for 2013. We have taken aggressive measures to align our cost structure with the current economic environment, while continuing to invest in our strategic growth initiatives, including security, industrial communication and control, in-building wireless, e-commerce and emerging markets. As companies continue their focus on managing expenses, our business model, which is based on helping our customers lower their supply chain costs and reduce execution risk across the globe, is of even greater value. We are well positioned financially, operationally and strategically to capitalize on opportunities in our target markets.

Consolidated Results of Operations

(In millions, except per share amounts)	Years Ended January 3, 2014	December 28, 2012	December 30, 2011
Net sales	$6,226.5	$6,253.1	$6,146.9
Gross profit	1,422.7	1,408.7	1,407.4
Operating expenses	1,066.2	1,077.7	1,044.6
Impairment of goodwill and long-lived assets	1.7	48.5	—
Operating income	354.8	282.5	362.8
Other expense:			
Interest expense	(47.4)	(59.7)	(50.1)
Other, net	(11.4)	(13.6)	(9.2)
Income from continuing operations before income taxes	296.0	209.2	303.5
Income tax expense	95.6	84.6	102.8
Net income from continuing operations	200.4	124.6	200.7
Income (loss) from discontinued operations, net of tax	0.1	0.2	(12.5)
Net income	$200.5	$124.8	$188.2
Diluted income (loss) per share:			
Continuing operations	$6.04	$3.69	$5.71
Discontinued operations	$—	$—	$(0.35)
Net income	$6.04	$3.69	$5.36

Items Impacting Comparability of Results

In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) above, this report includes certain financial measures computed using non-GAAP components as defined by the Securities and Exchange Commission. Specifically, net sales comparisons to the prior corresponding period, both worldwide and in relevant segments, are discussed in this report both on a GAAP and non-GAAP basis, which excludes acquisitions, foreign exchange effects and the impact of copper prices. We believe that by reporting non-GAAP organic growth, which excludes the impact of acquisitions, foreign exchange effects and the impact of copper prices, both management and investors are provided with meaningful supplemental sales information to understand and analyze our underlying trends and other aspects of our financial performance. From time to time, we may also exclude other items from reported financial results (e.g., impairment charges, inventory adjustments, restructuring charges, tax benefits, etc.) so that both management and financial statement users can use these non-GAAP financial measures to better understand and evaluate our performance period over period and to analyze the underlying trends of our business.

Non-GAAP financial measures provide insight into selected financial information and should be evaluated in the context in which they are presented. These non-GAAP financial measures have limitations as analytical tools, and should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures as reported by us may not be comparable to similarly titled amounts reported by other companies. The non-GAAP financial measures should be considered in conjunction with the Consolidated Financial Statements, including the related notes, and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in this report. Management does not use these non-GAAP financial measures for any purpose other than the reasons stated above.

Our operating results can be affected by changes in prices of commodities, primarily copper, which are components in some of the electrical wire and cable products sold. Generally, as the costs of inventory purchases increase due to higher commodity prices, our mark-up percentage to customers remains relatively constant, resulting in higher sales revenue and gross profit. In addition, existing inventory purchased at previously lower prices and sold as prices increase may result in a higher gross profit margin. Conversely, a decrease in commodity prices in a short period of time would have the opposite effect, negatively affecting financial results. The degree to which spot market copper prices change affects product prices and the amount of gross profit earned will be affected by end market demand and

overall economic conditions. Importantly, however, there is no exact measure of the effect of changes in copper prices, as there are thousands of transactions in any given year, each of which has various factors involved in the individual pricing decisions. Therefore, all references to the effect of copper prices are estimates.

The following summarizes the various items that favorably / (unfavorably) impact the comparability of the results for the last three fiscal years:

2013

- We recorded net benefits of $4.7 million primarily related to closing prior tax years. The net benefit included related interest income of $0.7 million which is included in "Other, net."

2012

- We recorded non-cash impairment charge related to goodwill and long-lived assets of $10.8 million and $16.4 million, respectively, in our former European operating segment during the third quarter. In the fourth quarter, we recorded an additional non-cash impairment charge related to goodwill and long-lived assets of $15.3 million and $6.0 million, respectively, due to the change in reporting segments.
- We recorded a settlement charge of $15.3 million related to a one-time lump sum payment option to terminated vested participants enrolled in the Anixter Inc. Pension Plan in the United States.
- We recognized the ongoing challenging global economic conditions and took aggressive actions to restructure our costs across all segments and geographies. As a result, a restructuring charge of $10.1 million was recorded primarily related to severance costs associated with a reduction of over 200 positions along with certain lease termination costs.
- We recorded a lower-of-cost-or-market adjustment of $1.2 million in our former European reporting segment.
- We recorded an interest and penalties charge of $1.7 million associated with prior year tax liabilities which is included in "Other, net."
- We recorded a tax benefit of $9.7 million primarily related to the reversal of deferred income tax valuation allowances in certain foreign jurisdictions.

2011

- In order to improve the profitability of our former European segment, management approved a facility consolidation and headcount reduction plan during the first quarter of 2011 that eliminated a number of European facilities and reduced operating costs. The restructuring charge of $5.3 million included certain exit costs for leased facilities and employee severance charges.
- We recorded a net tax benefit of $10.8 million primarily related to the reversal of deferred income tax valuation allowances.

Items Impacting Comparability of Results:

(In millions, except per share amounts)	Years Ended		
	January 3, 2014	December 28, 2012	December 30, 2011
Items impacting operating income:	Favorable / (Unfavorable)		
Impairment of goodwill and long-lived assets	$—	$(48.5)	$—
Post-retirement benefit charges	$—	$(15.3)	$—
Restructuring charge	—	(10.1)	(5.3)
Inventory lower-of-cost-or-market adjustment	—	(1.2)	—
Total of items impacting operating income	$—	$(75.1)	$(5.3)
Items impacting other expenses:			
Penalty and interest from prior year tax liabilities	0.7	(1.7)	—
Total of items impacting other expenses	$0.7	$(1.7)	$—
Total of items impacting pre-tax income	$0.7	$(76.8)	$(5.3)
Items impacting income taxes:			
Tax impact of items impacting pre-tax income above	(0.2)	10.0	2.0
Tax benefits related to closing prior tax years	4.2	—	—
Reversal of deferred income tax valuation allowances/other	—	9.7	10.8
Total of items impacting income taxes	$4.0	$19.7	$12.8
Net income impact of these items	$4.7	$(57.1)	$7.5
Diluted EPS impact of these items	$0.14	$(1.73)	$0.22

In 2013, there were no items that significantly impacted operating income. The items impacting operating income in 2012 and 2011 by segment are reflected in the table below. All other items impacted consolidated results only and were not allocated to segments.

Items Impacting Comparability of 2012 and 2011 Operating Income by Segment:

(In millions)	ECS	W&C	OEM Supply	Corporate (a)	Total
	Favorable / (Unfavorable)				
2012 impairment of goodwill and long-lived assets	$(0.3)	$(0.1)	$ (37.3)	$ (10.8)	$(48.5)
2012 pension-related charge	(8.2)	(5.7)	(1.4)	—	(15.3)
2012 restructuring charge	(4.1)	(2.8)	(3.2)	—	(10.1)
2012 inventory lower-of-cost-or-market adjustment	—	—	(1.2)	—	(1.2)
Total of items impacting operating income in 2012	$(12.6)	$(8.6)	$ (43.1)	$ (10.8)	$(75.1)
2011 restructuring	(2.3)	(0.8)	(2.2)	—	(5.3)
Total of items impacting operating income in 2011	$(2.3)	$(0.8)	$ (2.2)	$ —	$(5.3)

(a) Prior to the change in segments, and in connection with our annual assessment of goodwill recoverability in the third quarter, we recorded a non-cash impairment charge to write-off the goodwill of $10.8 million associated with our former European reporting unit. For further information, see Note 4. "Impairment of Goodwill and Long-lived Assets".

GAAP to Non-GAAP Net Income and EPS Reconciliation:

(In millions, except per share amounts)	Years Ended		
	January 3, 2014	December 28, 2012	December 30, 2011
Reconciliation to most directly comparable GAAP financial measure:			
Net income from continuing operations – Non-GAAP	$195.7	$181.7	$193.2
Items impacting net income from continuing operations	$4.7	$(57.1)	$7.5
Net income from continuing operations - GAAP	$200.4	$124.6	$200.7
Diluted EPS from continuing operations – Non-GAAP	$5.90	$5.42	$5.49
Diluted EPS impact of these items	$0.14	$(1.73)	$0.22
Diluted EPS from continuing operations – GAAP	$6.04	$3.69	$5.71

At the end of the second quarter of 2012, we acquired all of the outstanding shares of Jorvex, S.A. (“Jorvex”), an electrical wire and cable distributor based in Lima, Peru. We paid $55.3 million, net of cash acquired, and assumed approximately $12.7 million in debt. The acquisition resulted in the allocation of $15.7 million to goodwill. As a result of the acquisition of Jorvex, sales and operating income were favorably affected in 2013 and 2012 as compared to the corresponding prior year by $60.7 million and $62.8 million, respectively, and $1.9 million and $5.2 million, respectively.

The acquisition was accounted for as a purchase and the results of operations are included in the Consolidated Financial Statements from the date of acquisition. Had the acquisition occurred at the beginning of the year of the acquisition, our operating results would not have been significantly different.

Net Sales

2013 vs. 2012

(In millions)	ECS	W&C	OEM Supply	Total
Net sales, 2013	$3,174.5	$2,116.6	$935.4	$6,226.5
Net sales, 2012	3,236.3	2,111.2	905.6	6,253.1
$ Change	$(61.8)	$5.4	$29.8	$(26.6)
% Change	(1.9)%	0.3%	3.3%	(0.4)%
Less the % Impact of:				
Foreign exchange	(0.3)%	(0.8)%	0.3%	(0.4)%
Copper pricing	—	(1.6)%	—	(0.5)%
Acquisition of Jorvex	—	2.9%	—	1.0%
Organic *	(1.6)%	(0.2)%	3.0%	(0.5)%

* Amounts may not sum due to rounding

ECS – The 1.9% decline in 2013 was due to the ongoing delay in the recovery of the North America data center market, macro-economic weakness in our Emerging Markets geographies and the impact of the 2012 conclusion of a large security solutions contract. ECS security sales, which accounted for 27.0% of segment sales, were up 1.3% from 2012 and would have been up 6.2% excluding the above mentioned contract conclusion impact. Total ECS sales were down 1.6% organically from the prior year.

W&C – This segment's sales were flat against the prior year. Growth in our Emerging Markets geographies, including incremental sales of $60.7 million as a result of the Jorvex acquisition, was offset by the negative impact of a 7% decline in the average price of copper as well as fewer large projects in Canada. Excluding the $33.7 million unfavorable impact from a $0.27 decline in the average price of copper, the $17.5 million unfavorable impact from foreign exchange and the favorable impact of the Jorvex acquisition, organic sales decreased by 0.2%.

OEM Supply – Sales of $935.4 million increased by 3.3% from the prior year, reflecting continued strength in our U.K. business, the continued ramp up of a new contract in Europe and increased production levels by our North America heavy truck customers. Sales were up 3.0% organically from the prior year.

2012 vs. 2011

(In millions)	ECS	W&C	OEM Supply	Total
Net sales, 2012	$3,236.3	$2,111.2	$905.6	$6,253.1
Net sales, 2011	3,245.3	1,949.9	951.7	6,146.9
$ Change	$(9.0)	$161.3	$(46.1)	$106.2
% Change	(0.3)%	8.3%	(4.8)%	1.7%
Less the % Impact of:				
Foreign exchange	(0.8)%	(0.8)%	(2.3)%	(1.0)%
Copper pricing	—	(2.3)%	—	(0.7)%
Acquisition of Jorvex	—%	3.2%	—	1.0%
Organic *	0.5%	8.1%	(2.5)%	2.4%

* Amounts may not sum due to rounding

ECS – We believe the overall data infrastructure market in North America declined in the high-single to low-double digit range from 2011 to 2012 but that our segment gained share in the addressable data infrastructure market in 2012. In Europe, the recessionary pressure caused the market to decline in 2012 as well. In the Emerging Markets the results were mixed. Our ECS segment continued to benefit from strong global trends in security, with the ECS security sales growing by 9.5% in 2012 and accounting for 26.1% of segment sales.

W&C – Our strength in Wire and Cable was global in 2012, with organic growth across nearly all geographies, led by 32.6% organic growth in Emerging Markets, record sales in Canada and continued strength in the U.S. The segment continued to experience solid project activity in the power generation, industrial, oil and gas and mining sectors during 2012. The initiative to expand into industrial automation continued to build momentum with additional products and an expanded vendor base during 2012.

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OEM Supply – The sales decline in 2012 reflected reduced production by many of the segment's large customers. The reductions were primarily driven by weaker demand for customers' products, consistent with widely reported industrial production statistics in the U.S. and Europe where over 90% of the segment's business is concentrated with each region roughly equal in size. In the U.S., OEM Supply continued to be impacted by the heavy truck industry, which had a soft second half of 2012. The Europe OEM Supply business had a similar decline in sales in 2012, reflecting the broader and more persistent weakness in the European region.

Gross Margin

Gross margin increased in 2013 to 22.8% as compared to 22.5% in 2012 and 22.9% in 2011. During 2012, we recorded an inventory lower-of-cost-or-market adjustment of $1.2 million. The effects of lower copper prices did not impact gross margin percentages significantly in any year. The year-over-year increase in gross margin in 2013 was driven by improvements in all three segments as a result of our continued focus on margin realization combined with favorable product mix shifts in North America and Europe. The lower margin in 2012 versus the prior year was driven primarily by a product and geographic mix shift.

Operating Expenses

Operating expenses were $1,067.9 million, $1,126.2 million and $1,044.6 million in 2013, 2012 and 2011, respectively. Operating expenses in 2013 include an incremental $9.1 million related to the Jorvex acquisition, while foreign exchange rates decreased operating expenses by $2.1 million as compared to 2012. Operating expenses were negatively impacted in 2013 due to having one extra week as well as higher employee incentives and benefit costs. Operating expenses for 2012 include an incremental $7.4 million related to the Jorvex acquisition while changes in foreign exchange rates decreased operating expenses by $13.6 million as compared to 2011. The 2012 increase in operating expenses include goodwill and long-lived assets, pension and restructuring charges of $73.9 million, which are more fully described in the Notes to the Consolidated Financial Statements.

Operating Income

2013 vs. 2012

(In millions)	ECS		W&C		OEM Supply		Corporate (a)		Total	
Operating income, 2013	$160.5		$161.8		$32.5		$—		$354.8	
Operating income, 2012	156.7		166.5		(29.9	)	(10.8	)	282.5	
$ Change	$3.8		$(4.7	)	$62.4		$10.8		$72.3	
% Change	2.5	%	(2.9	)%	nm		nm		25.6	%
Add back unfavorable items impacting operating income in 2012	$12.6		$8.6		$43.1		$10.8		$75.1	
Adjusted operating income, 2012	$169.3		$175.1		$13.2		$—		$357.6	
Adjusted Change %	(5.1	)%	(7.7	)%	145.7	%	nm		(0.8	)%
Less the % impact of:										
Foreign exchange	1.0	%	1.0	%	(1.9	)%	nm		0.9	%
Copper pricing	—		4.1	%	—		nm		2.0	%
Acquisition of Jorvex	—		(1.1	)%	—		nm		(0.5	)%
Organic *	(4.1	)%	(3.6	)%	143.7	%	nm		1.6	%

* Amounts may not sum due to rounding

** nm – percentages are not meaningful

(a) Prior to the change in segments, and in connection with our annual assessment of goodwill recoverability in the third quarter, we recorded a non-cash impairment charge to write-off the goodwill of $10.8 million associated with our former European reporting unit. For further information, see Note 4. "Impairment of Goodwill and Long-lived Assets".

2012 vs. 2011

(In millions)	ECS	W&C	OEM Supply	Corporate	Total
Operating income, 2012	$156.7	$166.5	$(29.9)	$(10.8)	$282.5
Operating income, 2011	184.8	161.2	16.8	—	362.8
$ Change	$(28.1)	$5.3	$(46.7)	$(10.8)	$(80.3)
% Change	(15.2)%	3.3%	nm	nm	(22.1)%
Add back unfavorable items impacting operating income in 2012	$12.6	$8.6	$43.1	$10.8	$75.1
Adjusted operating income, 2012	$169.3	$175.1	$13.2	$—	$357.6
Add back unfavorable items impacting operating income in 2011	$2.3	$0.8	$2.2	$—	$5.3
Adjusted operating income, 2011	$187.1	$162.0	$19.0	$—	$368.1
Adjusted Change %	(9.6)%	8.1%	(30.4)%	nm	(2.9)%
Less the % impact of:					
Foreign exchange	0.6%	(0.3)%	0.5%	nm	0.2%
Copper pricing	—	(6.1)%	—	nm	(2.7)%
Acquisition of Jorvex	—	3.2%	—	nm	1.4%
Organic *	(10.1)%	11.3%	(30.9)%	nm	(1.8)%

* Amounts may not sum due to rounding
** nm – percentages are not meaningful

ECS – Adjusted operating margin was 5.1% in 2013 compared to 5.2% in the previous year and 5.8% in 2011. The year-over-year decrease in 2013 was caused primarily by lower volume in Emerging Markets and Canada. The decline in 2012 was due to the persistent weakness in the European economy and a product mix shift as security became an increasing part of the overall sales mix. Over the past few years, this segment has also experienced a slowdown in the higher margin data center market and pricing pressure in some geographies.

W&C – Adjusted operating margin was 7.6% in 2013 compared to 8.3% in both 2012 and 2011. The year over year decrease in 2013 is largely a result of weaker geographic and product mix. The flat year-over-year results in 2012 was largely a result of a mix shift from OEM to Industrial products in North America and an increase in lower margin project activity outside of the U.S. which was offset by the lower operating expenses as a percentage of sales.

OEM Supply – Adjusted operating margin was 3.5% in 2013 compared to 1.5% and 2.0% in 2012 and 2011, respectively. The improvement in this segment in 2013 as compared to 2012 and 2011 was a result of our improved competitive position in the European region, which accounts for nearly 50% of OEM Supply segment revenues and higher production levels in the heavy truck market in North America.

Interest Expense and Other

Consolidated interest expense was $47.4 million, $59.7 million and $50.1 million in 2013, 2012, and 2011, respectively. Our average cost of debt was 5.3%, 6.1% and 5.1% in 2013, 2012, and 2011, respectively. The decrease in interest expense was driven by the retirement of convertible debt in the first quarter of 2013 and the change in the mix of lower-cost borrowings. Our average cost of debt increase in 2012 was due to the issuance of $350 million of Notes due 2019 to pre-fund the retirement of $300 million convertible notes due in February 2013 ("Notes due 2013").

Due to the strengthening of the U.S. dollar against certain foreign currencies, primarily in our Europe and Latin America regions, we recorded a foreign exchange loss of $10.9 million in 2013, $11.7 million in 2012 and $7.1 million in 2011. In February 2013, the Venezuela government announced a devaluation of the bolivar from the rate of 4.30 bolivars to one U.S. dollar to 6.30 bolivars to one U.S. dollar. As a result, we recorded a foreign exchange loss of $1.1 million in the first quarter of 2013. The combined effect of changes in both the equity and bond markets in each

of the last three fiscal years resulted in changes in the cash surrender value of our company owned life insurance policies associated with our sponsored deferred compensation program. We recorded gains on the cash surrender value in 2013 and 2012 of $0.2 million and $0.5 million, respectively. In 2011, we recorded a loss of $0.9 million.

Income Taxes

The tax provision on continuing operations for 2013 was $95.6 million compared to $84.6 million in the prior year and $102.8 million in 2011. During the third quarter of 2013, we recorded net benefits of $4.7 million primarily related to closing prior tax years. This net benefit includes related interest income of $0.7 million which is included in "Other, net" ($0.5 million, net of tax). During the first quarter of 2012, we recorded a tax benefit of $9.7 million primarily related to the reversal of deferred income tax valuation allowances in certain foreign jurisdictions. The 2011 results included a net tax benefit of $10.8 million primarily related to the reversal of deferred income tax valuation allowances. As a result, our effective tax rate for 2013 was 32.3% as compared to 40.5% in the prior year and 33.9% in 2011. Excluding the impact of these items as well as the other items impacting the comparability of results discussed above, the adjusted tax rate in 2013 was 33.7% compared to 36.5% in the prior year and 37.4% in 2011. The declining adjusted tax rate from 2011 is due to the favorable mix of taxable income and changes to the capital structure in several countries.

Net Income from Continuing Operations

As a result of the discussion herein, adjusted net income from continuing operations in 2013 was $195.7 million and $181.7 million in 2012. Adjusted net income from continuing operations in 2011 was $193.2 million.

Financial Liquidity and Capital Resources

Cash Flow

As a distributor, our use of capital is largely for working capital to support our revenue growth. Capital commitments for property, plant and equipment are limited to information technology assets, warehouse equipment, office furniture and fixtures and leasehold improvements, since we operate almost entirely from leased facilities. Therefore, in any given reporting period, the amount of cash consumed or generated by operations other than from net earnings will primarily be due to changes in working capital as a result of the rate of increases or decreases in sales.

In periods when sales are increasing, the expanded working capital needs will be funded first by cash from operations, then from additional borrowings and lastly from additional equity offerings. In periods when sales are decreasing, we will have improved cash flows due to reduced working capital requirements. During such periods, we will use the expanded cash flow to reduce the amount of leverage in our capital structure until such time as the outlook for improved economic conditions and growth is clear. We will also from time to time issue or retire borrowings or equity in an effort to maintain a cost-effective capital structure consistent with our anticipated capital requirements.

Net cash provided by operations was $334.5 million in 2013 which compares to $142.9 million of cash provided by operations in 2012. Excluding the $34.0 million contribution to the pension plan to fund the majority of the lump-sum payment option offered to terminated vested participants, cash flow provided by operations in 2012 was $176.9 million. The $334.5 million in 2013 represented an increase of $157.6 million compared to 2012, excluding the $34.0 million pension plan contribution. The increase in cash flow provided by operations is a result of improved earnings and our continued focus on improving working capital efficiency combined with the effects of slower sales growth in the business. Net cash provided by operating activities in 2012 compares to $145.8 million in 2011.

Consolidated net cash used in investing activities was $32.2 million. This compares to net cash used in investing activities of $89.5 million in 2012, which included $55.3 million for the acquisition of Jorvex and $34.2 million for capital expenditures. In 2012, we paid $55.3 million, net of cash acquired, and assumed approximately $12.7 million in debt to acquire Jorvex. This compares to net cash provided by investing activities of $118.8 million in 2011, which included $143.6 million from the sale of our Aerospace business offset by $26.4 million in capital expenditures. Capital expenditures of $32.2 million in fiscal 2013 compared to $34.2 million and $26.4 million in 2012 and 2011, respectively. Capital expenditures are expected to be approximately $40 - $45 million in 2014 as we continue to invest in the warehouse equipment, information system upgrades and new software to support our infrastructure.

Net cash used in financing activities was $324.1 million in 2013 compared to $68.8 million and $235.5 million in 2012 and 2011, respectively. During 2013, our Notes due 2013 matured and, pursuant to the terms of the indenture, we settled our conversion obligations up to the $300 million principal amount of the Notes due 2013 in cash. Available borrowings under our accounts receivable securitization facility and long-term revolving credit facility were

used to retire the Notes due 2013. In 2012, we issued $350 million principal amount of Notes due 2019 and repaid $209.3 million of borrowings under revolving credit facilities. This compares to repayments of borrowings of $49.4 million in 2011. Over the last three fiscal years, we have returned over $480 million of excess capital to shareholders through the repurchase of common stock and special dividends.

Liquidity and Capital Resources

We maintain the flexibility to utilize future cash flows to invest in the growth of the business, and we believe that the current leverage on the balance sheet positions us to effectively capitalize on the current economic environment as well as additional acquisition opportunities when they become available. We will continue to balance our focus on sales and earnings growth with continuing efforts in cost control and working capital management. Maintaining a strong and flexible financial position continues to be vital to funding investment in strategic long-term growth initiatives.

At the end of the fiscal 2013, we had approximately $323.9 million in available, committed, unused credit lines with financial institutions that have investment-grade credit ratings, as well as $145.0 million of outstanding borrowings under our $300 million accounts receivable securitization facility, also with financial institutions with investment grade credit ratings, resulting in $478.9 million of available borrowings at the end of 2013. With a year-end cash balance of $57.3 million, along with available committed credit facilities, we will continue to evaluate the optimal use of these funds. Our debt-to-total capitalization was 44.9%, 50.3% and 44.7% at the end of fiscal years 2013, 2012 and 2011, respectively.

We are in compliance with all of our covenant ratios and believe that there is adequate margin between the covenant ratios and the actual ratios given the current trends of the business. As of January 3, 2014, all of our available borrowings would be permitted. For further information, including information regarding our credit arrangements, see Note 5. "Debt" in the Notes to the Consolidated Financial Statements.

Contractual Cash Obligations and Commitments

At the end of fiscal 2013, we have various contractual cash obligations and commitments and the following table represents the associated payments due by period. The amounts due by period will not necessarily correlate to amounts reflected as short-term and long-term liabilities on our Consolidated Balance Sheets at the end of any given period. This is due to the difference in the recognition of liabilities of non-cancellable obligations for accounting purposes at the end of a given period as well giving consideration to our intent and ability to settle such contractual commitments that might be considered short term.

	Payments due by period						
	2014	2015	2016	2017	2018	Beyond 2018	Total
	(In millions)						
Debt [a]	$39.7	$345.0	$—	$—	$101.5	$350.0	$836.2
Contractual Interest [b]	41.9	32.2	24.0	24.0	20.9	6.6	149.6
Purchase Obligations [c]	524.4	10.0	5.0	—	—	—	539.4
Operating Leases	57.8	45.5	34.1	23.1	18.3	43.2	222.0
Deferred Compensation Liability [d]	3.0	3.8	3.9	3.6	3.1	28.7	46.1
Pension Plans [e]	15.1	—	—	—	—	—	15.1
Total Obligations	$681.9	$436.5	$67.0	$50.7	$143.8	$428.5	$1,808.4

Liabilities related to unrecognized tax benefits of $4.4 million were excluded from the table above, as we cannot reasonably estimate the timing of cash settlements with taxing authorities. Various of our foreign subsidiaries had aggregate cumulative net operating loss (“NOL”) carryforwards for foreign income tax purposes of approximately $115.0 million at January 3, 2014, which are subject to various provisions of each respective country. Approximately $21.6 million of this amount expires between 2014 and 2023, and $93.4 million of the amount has an indefinite life. See Note 7. "Income Taxes" in the notes to the Consolidated Financial Statements for further information related to unrecognized tax benefits.

(a) The $145.0 million outstanding under the accounts receivable securitization facility will mature in 2015. The book value of the Notes due 2014 was $32.1 million at January 3, 2014 and will accrete to $32.3 million when contractually due in 2014. Other borrowings of $7.4 million are contractually due in 2014 Borrowings under our long-term revolving credit facilities of $101.5 million mature in 2018. The Notes due 2015 and the Notes due 2019 are $200.0 million and $350.0 million, respectively.

(b) Interest payments on debt outstanding at January 3, 2014 through maturity. For variable rate debt, we computed contractual interest payments based on the borrowing rate at January 3, 2014.

(c) Purchase obligations primarily consist of purchase orders for products sourced from unaffiliated third party suppliers, in addition to commitments related to various capital expenditures. Many of these obligations may be canceled with limited or no financial penalties.

(d) A non-qualified deferred compensation plan was implemented on January 1, 1995. The plan provides for benefit payments upon retirement, death, disability, termination or other scheduled dates determined by the participant. At January 3, 2014, the deferred compensation liability was $46.1 million. In an effort to ensure that adequate resources are available to fund the deferred compensation liability, we have purchased variable, separate account life insurance policies on the plan participants with benefits accruing to us. At January 3, 2014, the cash surrender value of these company-owned life insurance policies was $34.6 million.

(e) The majority of our various pension plans are non-contributory and cover substantially all full-time domestic employees and certain employees in other countries. Retirement benefits are provided based on compensation as defined in the plans. Our policy is to fund these plans as required by the Employee Retirement Income Security Act, the Internal Revenue Service and local statutory law. At January 3, 2014 the current portion of our net pension liability of $31.1 million was $0.8 million. We currently estimate that we will contribute $15.1 million to our

foreign and domestic pension plans in 2014, which includes $0.8 million of benefit payments directly to participants of our two domestic unfunded non-qualified pension plans. Due to the future impact of various market conditions, rates of return and changes in plan participants, we cannot provide a meaningful estimate of our future contributions beyond 2014.

Critical Accounting Policies and Estimates

We believe that the following are critical areas of accounting that either require significant judgment by management or may be affected by changes in general market conditions outside the control of management. As a result, changes in estimates and general market conditions could cause actual results to differ materially from future expected results. Historically, with the exception of the goodwill and related long-lived asset impairment charges in 2009 and 2012, our estimates in these critical areas have not differed materially from actual results.

Allowance for Doubtful Accounts

At January 3, 2014 and December 28, 2012, we reported net accounts receivable of $1,182.8 million and $1,225.5 million, respectively. We carry our accounts receivable at their face amounts less an allowance for doubtful accounts which was $16.8 million and $21.4 million at the end of 2013 and 2012, respectively. On a regular basis, we evaluate our accounts receivable and establish the allowance for doubtful accounts based on a combination of specific customer circumstances, as well as credit conditions and history of write-offs and collections. Each quarter we segregate the doubtful receivable balances into the following major categories and determine the bad debt reserve required as outlined below:

- Customers that are no longer paying their balances are reserved based on the historical write-off percentages;
- Risk accounts are individually reviewed and the reserve is based on the probability of potential default. We continually monitor payment patterns of customers, investigate past due accounts to assess the likelihood of collection and monitor industry and economic trends to estimate required allowances; and
- The outstanding balance for customers who have declared bankruptcy is reserved at the outstanding balance less the estimated net realizable value.

If circumstances related to the above factors change, our estimates of the recoverability of amounts due to us could be reduced or increased by a material amount.

Inventory Obsolescence

At January 3, 2014 and December 28, 2012, we reported inventory of $959.8 million and $1,060.9 million, respectively (net of inventory reserves of $57.0 million and $61.5 million, respectively). Each quarter we review for excess inventories and make an assessment of the net realizable value. There are many factors that management considers in determining whether or not the amount by which a reserve should be established. These factors include the following:

- Return or rotation privileges with vendors
- Price protection from vendors
- Expected future usage
- Whether or not a customer is obligated by contract to purchase the inventory
- Current market pricing
- Historical consumption experience
- Risk of obsolescence

If circumstances related to the above factors change, there could be a material impact on the net realizable value of the inventories.

Pension Expense

Accounting rules related to pensions and the policies we use generally reduce the recognition of actuarial gains and losses in the net benefit cost, as any significant actuarial gains/losses are amortized over the remaining service lives of the plan participants. These actuarial gains and losses are mainly attributable to the return on plan assets that differ from that assumed and differences in the obligation due to changes in the discount rate, plan demographic changes and other assumptions.

A significant element in determining our net periodic benefit cost in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") is the expected return on plan assets. For 2013, we had assumed that the weighted-average expected long-term rate of return on plan assets would be 5.86%. This expected return on plan assets is included in the net periodic benefit cost for the fiscal year ended 2013. As a result of the combined effect of valuation changes in both the equity and bond markets, the plan assets produced an actual gain of approximately 11.9% in 2013 as compared to a gain of 9.3% in 2012. As a result, the fair value of plan assets is $436.7 million at the end of fiscal 2013, compared to $385.7 million at the end of fiscal 2012. When the difference between the expected return and the actual return on plan assets is significant, the difference is amortized into expense over the service lives of the plan participants. These amounts are reflected on the balance sheet through charges to "Accumulated other comprehensive loss," a component of "Stockholders' Equity" in the Consolidated Balance Sheets.

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The measurement date for all of our plans is December 31st. Accordingly, at the end of each fiscal year, we determine the discount rate to be used to discount the plan liabilities to their present value. The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate at the end of 2013 and 2012, we reviewed rates of return on relevant market indices (i.e., the Citigroup pension liability index). These rates are adjusted to match the duration of the liabilities associated with the pension plans. At January 3, 2014 and December 28, 2012, we determined the consolidated weighted-average rate of all plans to be 4.64% and 4.08%, respectively, and used this rate to measure the projected benefit obligation at the end of each respective fiscal year end. The increase in the discount rate and the strengthening of the U.S. dollar has decreased the projected benefit obligation. The decrease in the projected benefit obligation is also due to the pension plan changes outlined below. As a result, the projected benefit obligation decreased to $467.8 million at the end of fiscal 2013 from $481.1 at the end of fiscal 2012. Our consolidated net pension liability was $31.1 million at the end of fiscal 2013 compared to $95.4 million at the end of 2012.

In the fourth quarter of 2012, we took two actions related to the Anixter Inc. Pension Plan in the United States that will reduce future expenses and contributions. First, we offered a one-time lump sum payment option to terminated vested participants that resulted in $34.0 million of additional contributions we made to fund $36.2 million of payments. This resulted in a settlement charge of $15.3 million related to the immediate recognition of actuarial losses accumulated in other comprehensive income, a component of stockholders' equity. The additional contributions of $34.0 million were made using excess cash from operations, positively influencing the funded status of the plan. Second, we made changes to our existing U.S. defined benefit plan which were effective as of December 31, 2013 that froze benefits provided to employees hired on or before June 1, 2004. This change resulted in a remeasurement of the projected benefit obligation, resulting in a reduction of the balance by $44.6 million in the fourth quarter of 2012. These employees are covered under the personal retirement account pension formula described more fully in Note 8. "Pension Plans, Post-Retirement Benefits and Other Benefits" in the Notes to the Consolidated Financial Statements.

We recognized net periodic cost of $16.7 million in 2013, down from $41.0 million in 2012. Excluding the settlement charge in 2012, our 2013 net periodic costs decreased approximately 35%. The decline in pension cost is primarily due to the amendments to the U.S. pension plan described above which more than offset the impact of the decline in the consolidated weighted average discount rate from 4.56% in 2012 to 4.08% in 2013.

Due to its long duration, the pension liability is very sensitive to changes in the discount rate. As a sensitivity measure, the effect of a 50-basis-point decline in the assumed discount rate would result in an increase in the 2014 pension expense of approximately $2.6 million and an increase in the projected benefit obligations at January 3, 2014 of $39.3 million. A 50-basis-point decline in the assumed rate of return on assets would result in an increase in the 2014 expense of approximately $2.2 million.

Goodwill and Indefinite-Lived Intangible Assets

In September 2011, the FASB issued new guidance related to testing goodwill for impairment, giving companies the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount and, in some cases, skip the two-step impairment test. The qualitative assessment considers specific factors, based on the weight of evidence, and the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Beginning in 2012, we utilized the qualitative assessment approach to test goodwill for impairment during the annual assessment performed in the third quarter for three of our four reporting units. In addition to the qualitative approach, we also performed a combination of the quantitative evaluation of the income and market approach to determine the fair value of our former European reporting unit, during the third quarter of 2012. As a result of the change in segments in the fourth quarter of 2012 and in accordance with ASC 350 related to Goodwill and Intangibles, we reassigned the carrying amount of goodwill to our new reporting units based on the relative fair value assigned as of the effective date of our change in segment reporting. We performed an interim assessment of the recoverability of goodwill assigned to the reporting units as a result of this change. In connection with our fourth quarter interim assessment to test for goodwill impairment, we performed a quantitative test for all reporting units and utilized a combination of the income and market approach, both of which are broadly defined below. For further information,

see Note 4. "Impairment of Goodwill and Long-lived Assets".

The income approach is a quantitative evaluation to determine the fair value of the reporting unit. Under the income approach we determine the fair value based on estimated future cash flows discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of the reporting unit and the rate of return a market participant would expect to earn. The inputs used for the income approach were significant unobservable inputs, or Level 3 inputs, as described in the accounting fair value hierarchy. Estimated future cash flows were based on our internal projection models, industry projections and other assumptions deemed reasonable by management.

The market approach measures the fair value of a reporting unit through the analysis of recent sales, offerings, and financial multiples (sales or EBITDA) of comparable businesses. Consideration is given to the financial conditions and operating performance of the reporting unit being valued relative to those publicly-traded companies operating in the same or similar lines of business.

If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount using the qualitative assessment, we perform the two-step impairment test. The first step of the impairment test is to identify a potential impairment by comparing the fair value of a reporting unit with its carrying amount. The estimates of fair value of a reporting unit are determined using the income approach and/or the market approach as described above. If step one of the test indicates a carrying value above the estimated fair value, the second step of the goodwill impairment test is performed by comparing the implied residual value of the reporting unit's goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination.

Other than goodwill, we do not have any material indefinite-lived intangible assets. Our long-lived assets consist of definite-lived intangible assets which are primarily related to customer relationships, as well as property and equipment which consists of office furniture and equipment, computer software and hardware, warehouse equipment and leasehold improvements. We continually evaluate whether events or circumstances have occurred that would indicate the remaining estimated useful lives of our long-lived assets warrant revision or that the remaining balance of such assets may not be recoverable. If impairment indicators are present, we assess whether the future estimated undiscounted cash flows attributable to the assets in question are greater than their carrying amounts. If these future estimated cash flows are less than carrying value, we then measure an impairment loss for the amount that carrying value exceeds fair value of the assets.

At the end of fiscal 2013, we expect the carrying amount of goodwill, allocated to each of our segments, and our long-lived assets to be fully recoverable.

Deferred Tax Assets

At January 3, 2014 and December 28, 2012, our allowance for deferred tax assets was $21.9 million and $22.2 million, respectively. We maintain valuation allowances to reduce deferred tax assets if it is more likely than not that some portion or all of the deferred tax asset will not be realized. Changes in valuation allowances are included in our tax provision in the period of change. In determining whether a valuation allowance is warranted, management evaluates factors such as prior earnings history, expected future earnings, carryback and carryforward periods and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset. Assessments are made at each balance sheet date to determine how much of each deferred tax asset is realizable. These estimates are subject to change in the future, particularly if earnings of a particular subsidiary are significantly higher or lower than expected, or if management takes operational or tax planning actions that could impact the future taxable earnings of a subsidiary.

Uncertain Tax Positions

In the normal course of business, we are audited by federal, state and foreign tax authorities, and are periodically challenged regarding the amount of taxes due. These challenges relate to the timing and amount of deductions and the allocation of income among various tax jurisdictions. Management believes our tax positions comply with applicable tax law and we intend to defend our positions. We recognize the benefit of tax positions when a benefit is more likely than not (i.e., greater than 50% likely) to be sustained on its technical merits. Recognized tax benefits are measured at the largest amount that is more likely than not to be sustained, based on cumulative probability, in final settlement of the position. Our effective tax rate in a given period could be impacted if, upon final resolution with taxing authorities, we prevailed in positions for which reserves have been established, or were required to pay amounts in excess of established reserves.

As of January 3, 2014, the aggregate amount of global uncertain tax position liabilities and related interest and penalties recorded was approximately $4.4 million. The uncertain tax positions cover a range of issues, including intercompany charges and withholding taxes, and involve numerous different taxing jurisdictions.

New Accounting Pronouncements

For information about recently issued accounting pronouncements, see Note 1. "Summary of Significant Accounting Policies" in the Notes to the Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to the impact of fluctuations in foreign currencies and interest rate changes, as well as changes in the market value of our financial instruments. We periodically enter into derivatives in order to minimize these risks, but not for trading purposes. Our strategy is to negotiate terms for our derivatives and other financial instruments to be highly effective, such that the change in the value of the derivative perfectly offsets the impact of the underlying hedged item (e.g., various foreign currency denominated accounts). Our counterparties to our derivative contracts have investment-grade credit ratings. We expect the creditworthiness of our counterparties to remain intact through the term of the transactions. We regularly monitor the creditworthiness of our counterparties to ensure no issues exist which could affect the value of the derivatives. Any resulting gains or losses from hedge ineffectiveness are reflected directly in “Other, net” in our Consolidated Statements of Income. During periods of volatility in foreign exchange rates, we can be subject to significant foreign exchange gains and losses since there is a time lag between when we incur the foreign exchange exposure and when we have the information to properly hedge the exposure.

Foreign Exchange Risk

Our foreign currency-denominated sales were 34% in 2013, 34% in 2012 and 35%