ANIXTER INTERNATIONAL INC
Form 10-K
February 22, 2013

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 December 28, 2012

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 ¨ (Do not check if a smaller reporting company)	Smaller Reporting Company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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 $1,477,224,465 as of June 29, 2012.

At February 15, 2013, 32,315,455 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 2013 Annual Meeting of Stockholders of Anixter International Inc. are incorporated by reference into Part III.

TABLE OF CONTENTS

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), the Company is 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) from top suppliers to contractors and installers, and also to end users including manufacturers, natural resources companies, utilities and original equipment manufacturers who use the Company s products as a component in their end product.

The Company adds value to the distribution process by providing over 100,000 customers access to innovative inventory management programs, more than 450,000 products and over $1.0 billion in inventory, approximately 220 warehouses with 7 million square feet of space, and locations in over 250 cities in more than 50 countries. The Company is 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. These customers are international, national, regional and local companies that include end users, installers, integrators and resellers of the Company s products as well as OEMs who use the Company s products as a component of their end product. The Company s customers cover all industry groups including manufacturing, resource extraction, telecommunications, internet service providers, finance, education, healthcare, transportation, utilities, aerospace and defense and government as well as contractors, installers, system integrators, value-added resellers, architects, engineers and wholesale distributors. The Company s customer base is well-diversified with no single customer accounting for more than 3% of sales.

The Company s operating philosophy is built on the idea that its customers and the suppliers it represents in the marketplace value a partner with consistent global product offerings, technical product and application support and supply chain service offerings that are supported by a common operating system and business practices that ensure the same look, touch and feel to doing business with the Company wherever it supports them in the world.

The Company s growth strategy is built on a foundation of organic growth driven by constant refresh and expansion of its product offering 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 the Company sells. 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.

The Company looks to drive near-term growth through the execution of its three key strategic initiatives. First, the Company will continue to focus on product line expansion, especially in foreign markets, where there are opportunities to expand and localize the product offering to create larger addressable market opportunities. Second, the Company will work to drive international expansion through the development of sales locations in additional cities within countries where the Company has an established presence. Lastly, the Company will seek to expand the geographic footprint of its presence in the electrical and electronic wire & cable market and OEM supply market to include more countries where it has an established country presence in the enterprise cabling market. These efforts are anticipated to provide additional growth over and above the growth that is expected to come from a recovering global economy.

Business Segments and Products

For a number of years and through the end of the third quarter of 2012, the Company s reporting units were consistent with its operating segments of North America, Europe and Emerging Markets (Latin America and Asia Pacific). In the fourth quarter of 2012, the Company reorganized its business segments from geography to end market to reflect its 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 the Company s 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 and security, network and systems integrators or to end users directly. 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 Company s ECS segment includes more than 1,600 technically trained salespeople, approximately 60 Supply Chain Solutions specialists and 90 sales engineers.

Through a variety of supply chain value-added 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 the Company s 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 in this segment supplies products for the transmission of power and signals in industrial facilities to customers in key markets such as oil, gas and petrochemical, power generation and distribution, industrial, natural resource, water and wastewater treatment. It also sells through channels including electrical contractors, security and automation integrators, and engineering, procurement and construction firms. The OEM-focused sales force in this segment supplies products used in the manufacturing of products such as audio/video, automotive, industrial, medical, military and communications equipment; panel, cable and harness shops; and makers of consumer durable goods. 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 the Company 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, 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 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 and test them for quality adherence to required specifications. 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 the Company s 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

The Company sources products from thousands of suppliers. However, approximately 29% of Anixter s dollar volume purchases in 2012 were from its five largest suppliers. An important element of Anixter s overall business strategy is to develop and maintain close relationships with its 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, Anixter generally does not compete with its suppliers in product design or manufacturing activities. Anixter also generally does not sell private label products that carry the Anixter name or a brand name exclusive to Anixter.

The Company s 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 Anixter s customers.

Distribution and Service Platform

The Company cost-effectively serves its customers needs through its proprietary computer systems, which connect nearly all of its 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 Anixter s e-commerce platform, which the Company believes is one of the most comprehensive, user-friendly and secure websites in the industry.

The Company operates 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 its customers. Anixter has designated 17 warehouses as regional warehouses. Collectively these facilities store over 40% of Anixter s inventory. In certain cities, some smaller warehouses are also maintained to maximize transportation efficiency and to provide for the local needs of customers. The Company s network of regional warehouses, local distribution centers, service centers and sales offices consists of 152 locations in the United States, 17 in Canada, 33 in the United Kingdom, 37 in Continental Europe, 33 in Latin America, 15 in Asia and 5 in Australia/New Zealand.

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

Employees

At December 28, 2012, the Company employed approximately 8,300 people. Approximately 45% of the employees are engaged in sales or sales-related activities, 35% are engaged in warehousing and distribution operations and 20% are engaged in support activities, including inventory management, information services, finance, human resources and general management. The Company does not have any significant concentrations of employees subject to collective bargaining agreements within any of its geographic segments.

Competition

Given the Company s 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 the Company competes. The Company views 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, price and geographic proximity. The Company believes that it has a significant competitive advantage due to its comprehensive product and service offerings, highly-skilled workforce and global distribution network. The Company believes its global distribution platform provides a competitive advantage to serving multinational customers needs. The Company s operations and logistics platform gives it the ability to ship orders from inventory for delivery within 24 to 48 hours to all major global markets. In addition, the Company has common systems and processes throughout nearly all its operations in more than 50 countries that provide its customers and suppliers with global consistency.

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

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

Contract Sales and Backlog

The Company has a number of customers who purchase products under long-term (generally three to five year) contractual arrangements. 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 the Company, but would require that materials acquired by Anixter, as a result of joint material requirements planning between the Company 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. The Company s operations and logistics platform gives it 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

The Company maintains an Internet website at http://www.anixter.com which includes an Investor Relations section that links to the Company s 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 the Company s website. In addition, copies of the Company s reports will be made available, free of charge, upon written request.

The Company s Internet website also contains corporate governance information including corporate governance guidelines; audit, compensation and nominating and governance committee charters; nomination process for directors; and the Company s business ethics and conduct policy.

ITEM 1A. RISK FACTORS.

The following factors could materially adversely affect the Company s operating results and financial condition. Although the Company has 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 the Company cannot predict those risks or estimate the extent to which they may affect the Company s financial performance.

A change in sales strategy or financial viability of the Company s suppliers could adversely affect the Company s sales or earnings.

Most of the Company s agreements with suppliers are terminable by either party on short notice for any reason. The Company currently sources products from thousands of suppliers. However, approximately 29% of the Company s dollar volume purchases in 2012 were from its 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 the Company, sales and earnings could be adversely affected until the Company was able to establish relationships with suppliers of comparable products. Although the Company believes its 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 the Company s control, including a key supplier becoming financially distressed.

The Company has risks associated with the sale of nonconforming products and services.

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

The Company s foreign operations are subject to political, economic and currency risks.

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

The Company has risks associated with inventory.

The Company must identify the right product mix and maintain sufficient inventory on hand to meet customer orders. Failure to do so could adversely affect the Company s 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 the Company s inventory. To guard against inventory obsolescence, the Company has negotiated various return rights and price protection agreements with certain key suppliers. The Company also maintains an inventory valuation reserve account against diminution in the value or salability of the Company s inventory. However, there is no guaranty that these arrangements will be sufficient to avoid write-offs in excess of the Company s reserves in all circumstances.

The Company s operating results are affected by copper prices.

The Company s 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 the Company. As the Company s purchase costs with suppliers change to reflect the changing copper prices, its 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 levels 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.

The Company has risks associated with the integration of acquired businesses.

In connection with recent and future acquisitions, it is necessary for the Company 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 continue to be completed without disruption to the business, that the various actions can be completed in a short period of time or that anticipated improvements in operating performance can be achieved.

The Company s debt agreements could impose restrictions on its business.

The Company s debt agreements contain certain financial and operating covenants that limit its discretion with respect to certain business matters. These covenants restrict the Company s ability to incur additional indebtedness as well as limit the amount of dividends or share repurchases the Company may make. As a result of these restrictions, the Company is limited in how it may conduct business and may be unable to compete effectively or take advantage of new business opportunities.

The Company has risks associated with accounts receivable.

Although no single customer accounts for more than 3% of the Company s sales, a payment default by one of its larger customers could have a short-term impact on earnings. Given the current economic environment, constrained access to capital and general market contractions may heighten exposure to customer defaults.

A decline in project volume could adversely affect the Company s sales and earnings.

While most of the Company s 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 the Company s financial results.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The Company s distribution network consists of approximately 220 warehouses in more than 50 countries with approximately 7 million square feet. There are 17 regional distribution centers (100,000 575,000 square feet), 32 local distribution centers (35,000 100,000 square feet) and 166 service centers. Additionally, the Company has 77 sales offices throughout the world. All but two of these facilities are leased. No one facility is material to the overall operations of the Company, and the Company believes there is ample supply of alternative warehousing space available on similar terms and conditions in each of its 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 22, 2013, position, offices and certain other information with respect to the executive officers of the Company. The term of office of each executive officer will expire upon the appointment of his successor by the Board of Directors.

Robert J. Eck, 54	Director of the Company since 2008; President and Chief Executive Officer of the Company since July 2008; Executive Vice-President Chief Operating Officer of the Company from September 2007 to July 2008; Executive Vice-President Enterprise Cabling and Security Systems of Anixter from January 2004 to September 2007; Senior Vice-President Physical Security and Integrated Supply Solutions of Anixter from 2003 to 2004; Director of Ryder System, Inc. since 2011.
Theodore A. Dosch, 53	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; Corporate Vice President Global Productivity at Whirlpool Corporation from April 2008 to January 2009; CFO North America and Vice President Maytag Integration at Whirlpool Corporation from November 2006 to March 2008; Corporate Vice President Maytag Integration Team at Whirlpool Corporation from January 2006 to October 2006; Corporate Controller at Whirlpool Corporation from September 2004 to December 2005; CFO North America at Whirlpool Corporation from November 1999 to August 2004.
Justin C. Choi, 47	Vice President General Counsel & Corporate Secretary of the Company since June 2012; 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 also currently serves on the Board of Directors of Pulse Electronics Corporation.
Terrance A. Faber, 61	Vice-President Controller of the Company since October 2000.
Philip F. Meno, 53	Vice-President Taxes of the Company since May 1993.
Mary Kate Shashaguay, 40	Vice-President Internal Audit 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, 55	Vice-President Treasurer of the Company since July 1999.
Rodney A. Smith, 55	Vice-President Human Resources of the Company since August 2006; Vice-President Human Resources at UOP, LLC from July 2000 to August 2006.

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.

The following table provides information about the shares repurchased by the Company during the fourth quarter of fiscal year 2012:

Fiscal Reporting Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares That May Yet Be Purchased Under the Programs
Four week period ending October 26	44,000	$ 57.93	1,000,000	
Four week period ending November 23				
Five week period ending December 28				
Total	44,000	$ 57.93	1,000,000	

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 Anixter s common stock and each comparison index, assuming reinvestment of dividends. This graph reflects the comparison of shareholder return on the Company s common stock with that of a broad market index and a peer group index consistent with the prior year. The Company s Peer Group Index for 2012 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 the Company s determination that they are engaged in distribution businesses similar to that of the Company.

ITEM 6. SELECTED FINANCIAL DATA.

(In millions, except per share amounts)			Fiscal Year		
	2012	2011	2010	2009	2008
Selected Income Statement Data:					
Net sales	**$ 6,253.1**	$ 6,146.9	$ 5,274.5	$ 4,779.6	$ 5,891.0
Operating income	**282.5**	362.8	267.2	84.8	341.5
Interest expense and other, net	**(73.3)**	(59.3)	(55.1)	(85.3)	(87.0)
Net income (loss) from continuing operations	**124.6**	200.7	109.5	(41.4)	153.8
Income (loss) from discontinued operations, net	**0.2**	(12.5)	(1.0)	12.1	34.1
Net income (loss)	**$ 124.8**	$ 188.2	$ 108.5	$ (29.3)	$ 187.9
Diluted Income (Loss) Per Share:					
Continuing operations	**$ 3.69**	$ 5.71	$ 3.08	$ (1.17)	$ 3.98
Discontinued operations	**$**	$ (0.35)	$ (0.03)	$ 0.34	$ 0.89
Net income	**$ 3.69**	$ 5.36	$ 3.05	$ (0.83)	$ 4.87
Dividend declared per common share	**$ 4.50**	$	$ 3.25	$	$
Selected Balance Sheet Data:					
Total assets	**$ 3,089.6**	$ 3,034.0	$ 2,933.3	$ 2,671.7	$ 3,062.4
Total short-term debt	**$ 0.9**	$ 3.0	$ 203.4	$ 8.5	$ 249.3
Total long-term debt	**$ 982.2**	$ 806.8	$ 688.7	$ 821.1	$ 852.1
Stockholders equity	**$ 969.9**	$ 1,001.2	$ 1,010.8	$ 1,024.1	$ 1,072.8
Book value per diluted share	**$ 28.70**	$ 28.50	$ 28.45	$ 29.17	$ 27.77
Weighted-average diluted shares	**33.8**	35.1	35.5	35.1	38.6
Year-end outstanding shares	**32.5**	33.2	34.3	34.7	35.3
Other Financial Data:					
Working capital	**$ 1,482.8**	$ 1,376.0	$ 1,233.1	$ 1,381.0	$ 1,350.9
Capital expenditures	**$ 34.2**	$ 26.4	$ 19.6	$ 21.9	$ 32.4
Depreciation and amortization of intangibles	**$ 32.5**	$ 33.5	$ 33.8	$ 37.1	$ 34.6

Items Impacting Comparability of Results

Over the last five years, the Company has 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		
	December 28, 2012	December 30, 2011	December 31, 2010	January 1, 2010	January 2, 2009
	(a)	(b)		(c)	(c)
Net sales	$ 62.8	$ 120.1	$	$ 109.8	$ 87.7
Operating profit	5.2	2.6		(2.4)	3.1

(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, the Company sold its 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 paid by the Company for legal and advisory fees. In 2010, the Company 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:

(In millions)				Years Ended		
Income Statement	**December 28, 2012**	**December 30, 2011**	**December 31, 2010**	**January 1, 2010**	**January 2, 2009**
Items impacting comparability of results:					
Items impacting operating profit:					
Impairment of goodwill and long-lived assets	$ 48.5	$	$	$ 100.0	$
Pension-related charge	15.3				
Restructuring	10.1	5.3		5.7	8.1
Inventory lower-of-cost-or-market adjustment	1.2			4.2	2.0
Receivable losses from customer bankruptcies					24.1
Stock-based compensation modification					4.2
Total of items impacting operating income	**$ 75.1**	**$ 5.3**	**$**	**$ 109.9**	**$ 38.4**
Items impacting other expenses:					
Penalty from prior year tax liabilities	1.7				
Loss on retirement of debt			31.9	1.1	
Foreign exchange (gain) loss			(2.1)	13.8	18.0
Interest rate swap settlement loss				2.1	
Cash surrender value of life insurance loss					6.5
Total of items impacting other expenses	**$ 1.7**	**$**	**$ 29.8**	**$ 17.0**	**$ 24.5**
Total of items impacting pre-tax income	**$ 76.8**	**$ 5.3**	**$ 29.8**	**$ 126.9**	**$ 62.9**
Items impacting income taxes:					
Tax benefit of items above impacting pre-tax income	(10.0)	(2.0)	(10.8)	(11.9)	(21.5)
Reversal of deferred income tax valuation allowances/other	(9.7)	(10.8)		(4.8)	(1.6)
Reversal of prior year foreign tax			(1.3)		
Total of items impacting income taxes	**$ (19.7)**	**$ (12.8)**	**$ (12.1)**	**$ (16.7)**	**$ (23.1)**
Net income impact of these items	**$ 57.1**	**$ (7.5)**	**$ 17.7**	**$ 110.2**	**$ 39.8**
Diluted EPS impact of these items	**$ 1.73**	**$ (0.22)**	**$ 0.50**	**$ 3.16**	**$ 1.03**

** The dilutive EPS impact of these items is derived in the quarterly period in which the item occurred based on the dilutive weighted-average shares outstanding during that period. Therefore, the full year net income impact of these items divided by the dilutive weighted-average shares outstanding for the full year will not equal the diluted EPS impact of the items above. The difference is due to the change in the quarterly dilutive share count and full year dilutive share count.*

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, the Company s reporting units were consistent with its operating segments of North America, Europe and Emerging Markets (Latin America and Asia Pacific). In the fourth quarter of 2012, the Company reorganized its business segments from geography to end market to reflect its 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.

While 2012 was challenging from a macro economic perspective, which is reflected in lower sales in the OEM Supply segment, the Company s continuing implementation of its strategic growth initiatives, combined with strong day-to-day execution, enabled it to report record sales and improve its competitive position across all segments. In addition to achieving record annual and fourth quarter sales, other highlights of the year included:

The mid-year acquisition of Jorvex, a Peruvian wire & cable distributor, which has performed well to date and added $62.8 million of sales for the year;

The Company s joint venture in Saudi Arabia which is performing ahead of expectations. Importantly, this project illustrates the Company s global capabilities that differentiate it from key competitors and highlights the importance of the Company s targeted Europe and Middle East strategy;

Continued growth in supply chain solutions with expanded capabilities and penetration;

In fiscal 2012, the Company generated cash flow from operations of $141.6 million, which along with the Company s strong balance sheet position, allowed it to:

- fund the Jorvex acquisition;
- fund a contribution to the U.S. pension plan that lowers long term pension obligations and costs; and
- return $209.8 million to shareholders through a combination of share repurchases and special dividends.

Finally, the Company took aggressive and disciplined actions in 2012 to restructure its business to align its cost structure with current views of the markets in which the Company operates. With these actions, the Company reduced its two largest areas of operating expense, personnel and facility costs, and better positioned it for 2013 and beyond.

The Company s exposure to customers in a diverse range of industries provided it with some pockets of solid sales particularly in natural resource extraction and power generation. Driven by strong sales in those markets and the acquisition of Jorvex, the Wire and Cable segment achieved a record fourth quarter. The Company also achieved a significant milestone in its security solutions business, exceeding $1 billion in annual sales for the first time.

The Company s outlook for 2013 is for low-to-mid single-digit organic revenue growth for the first half of the year improving to mid-single-digit growth in the second half which the Company believes should drive mid-to-high single-digit incremental operating profit leverage. The Company continues to be well positioned to leverage its global supply chain platform through economic cycles. While global markets are difficult to predict, the Company s strategic growth initiatives position it well to expand its leadership position within its segments. In this more uncertain environment, the Company has continued to manage expenses and working capital carefully, while pursuing strategic investments to expand its business. Finally, the Company believes that in more challenging economic environments, the Company s business model, which is based on helping the Company s customers lower their supply chain costs and reduce execution risk, delivers the greatest value to its customers.

The Company expects to grow through a combination of the following:

- adding new products to its portfolio;
- developing a presence in Electrical and Electronic Wire and Cable and OEM Supply in countries where the Company s current presence is large but limited primarily to the Enterprise Cabling and Security Solutions end market; and
- selectively expanding the Company s geographic presence.

The aggressive and disciplined actions taken in 2012 to manage and restructure the Company s cost structure and to lower long-term pension costs are expected to result in approximately $20 million of annual savings. Coming off a year where the Company faced ongoing uncertainty from the global macro environment, it is anticipated that some of the headwinds of 2012, most specifically the delays in enterprise spending and the investment in growth of the Wire and Cable business, may become tailwinds as the Company progresses through 2013.

Consolidated Results of Operations

(In millions, except per share amounts)		**Years Ended**	
	December 28, 2012	**December 30, 2011**	**December 31, 2010**
Net sales	**$ 6,253.1**	**$ 6,146.9**	**$ 5,274.5**
Gross profit	**1,408.7**	**1,407.4**	**1,207.6**
Operating expenses	1,077.7	1,044.6	940.4
Impairment of goodwill and long-lived assets	48.5		
Operating income	**282.5**	**362.8**	**267.2**
Other expense:			
Interest expense	(59.7)	(50.1)	(53.6)
Net loss on retirement of debt			(31.9)
Other, net	(13.6)	(9.2)	(1.5)
Income from continuing operations before income taxes	209.2	303.5	180.2
Income tax expense	84.6	102.8	70.7
Net income from continuing operations	**124.6**	**200.7**	**109.5**
Income (loss) from discontinued operations, net of tax	0.2	(12.5)	(1.0)
Net income	**$ 124.8**	**$ 188.2**	**$ 108.5**
Diluted income per share:			
Continuing operations	$ 3.69	$ 5.71	$ 3.08
Discontinued operations	$	$ (0.35)	$ (0.03)
Net income	$ 3.69	$ 5.36	$ 3.05

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 (SEC). Specifically, net sales comparisons to the prior corresponding period, both worldwide and in relevant segments, are discussed in this report both on a GAAP basis and excluding acquisitions and foreign exchange and copper price effects (non-GAAP). The Company believes that by reporting organic growth which excludes the impact of acquisitions, foreign exchange and copper prices, both management and investors are provided with meaningful supplemental sales information to understand and analyze the Company s underlying trends and other aspects of its financial performance. From time to time, the Company may also exclude other items from reported financial results (e.g., impairment charges, inventory adjustments, restructuring charges, etc.) so that both management and financial statement users can use these non-GAAP financial measures to better understand and evaluate the Company s performance period over period and to analyze the underlying trends of the Company s 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-financial measures as reported by the Company 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 herein in this report. Management does not use these non-GAAP financial measures for any purpose other than the reasons stated above.

The following reflects various items that impact the comparability of the results for the last three fiscal years:

(In millions)		**Years Ended**	
Items impacting comparability of results:	**December 28, 2012**	**December 30, 2011**	**December 31, 2010**
Items impacting operating income:			
Impairment of goodwill and long-lived assets	$ 48.5	$	$
Pension-related charge	15.3		
Restructuring	10.1	5.3	
Inventory lower-of-cost-or-market adjustment	1.2		
Total of items impacting operating income	**$ 75.1**	**$ 5.3**	**$**
Items impacting other expenses:			
Penalty from prior year tax liabilities	1.7		
Net loss on retirement of debt			31.9
Foreign exchange gain			(2.1)
Total of items impacting other expenses	**$ 1.7**	**$**	**$ 29.8**
Total of items impacting pre-tax income	**$ 76.8**	**$ 5.3**	**$ 29.8**
Items impacting income taxes:			
Tax benefit on these items impacting pre-tax income	(10.0)	(2.0)	(10.8)
Reversal of deferred income tax valuation allowances/other	(9.7)	(10.8)	
Reversal of prior year foreign tax			(1.3)
Total of items impacting income taxes	**$ (19.7)**	**$ (12.8)**	**$ (12.1)**
Net income impact of these items	**$ 57.1**	**$ (7.5)**	**$ 17.7**
Dilutive EPS impact of these items	**$ 1.73**	**$ (0.22)**	**$ 0.50**

The items impacting operating income by segment are reflected in the table below (in millions). All other items impacted consolidated results only and were not allocated to segments.

Items impacting comparability of results by Segment:	**ECS**	**W&C**	**OEM Supply**	**Corporate (a)**	**Total**
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	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 the Company s annual assessment of goodwill recoverability in the third quarter, the Company recorded a non-cash impairment charge to write-off the goodwill of $10.8 million associated with its former European reporting unit. For further information, see Note 4. Impairment of Goodwill and Long-Lived Assets.

At the end of the second quarter of 2012, the Company acquired all of the outstanding shares of Jorvex, S.A. (Jorvex), an electrical wire and cable distributor based in Lima, Peru. The Company 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 2012 as compared to the prior year by $62.8 million and $5.2 million, respectively.

At the end of the fourth quarter of 2010, the Company acquired all the outstanding shares of Clark Security Products, Inc. and the assets and operations of General Lock, LLC (collectively Clark). Clark, based in San Diego, California, is a distributor of security products and locksmith supplies to commercial, industrial and government entities throughout the United States, with major distribution centers in San Diego, California; Dallas, Texas; Sacramento, California; Denver, Colorado; Lexington, Kentucky; Silver Spring, Maryland; Phoenix, Arizona; and Kent, Washington. Clark s broad array of products includes locking hardware, access control devices, closed circuit television systems, along with various technical support services. The Company paid approximately $36.4 million for the two companies in 2010 (offset in 2011 by $1.6 million which was returned to the Company as a result of net working capital adjustments). As a result of the acquisition of Clark, sales and operating income were favorably affected in 2011 as compared to 2010 by $120.1 million and $2.6 million, respectively.

The acquisitions were accounted for as purchases and the respective results of operations are included in the consolidated financial statements from the date of acquisitions. Had the acquisitions occurred at the beginning of the year of the acquisitions, the Company s operating results would not have been significantly different.

The Company s operating results can be affected by changes in prices of commodities, primarily copper, which are components in some of the products sold. Generally, as the costs of inventory purchases increase due to higher commodity prices, the Company s 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 quarter, each of which has various factors involved in the individual pricing decisions. Therefore, all references to the effect of copper prices are estimates.

Sales

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 The Company believes the overall data infrastructure market in North America declined in the high-single to low-double digit range but that the Company s segment gained share in the addressable data infrastructure market in 2012. In Europe, the recessionary pressure caused the market to decline as well. In the Emerging Markets the results were mixed. The Company s ECS segment continued to benefit from strong global trends in security, with the ECS security sales growing by 9.5% in 2012 accounting for 26.6% of segment sales.

W&C The Company s strength in Wire and Cable was global, 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. The initiative to expand into industrial automation continued to build momentum with additional products and an expanded vendor base during 2012.

OEM Supply The sales decline in 2012 reflects 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 continues 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, reflecting the broader and more persistent weakness in the European region.

2011 vs. 2010

(In millions)	ECS	W&C	OEM Supply	Total
Net sales, 2011	$ 3,245.3	$ 1,949.9	$ 951.7	$ 6,146.9
Net sales, 2010	2,914.5	1,600.9	759.1	5,274.5
$ Change	$ 330.8	$ 349.0	$ 192.6	$ 872.4
% Change	**11.3%**	**21.8%**	**25.4%**	**16.5%**
Less the % Impact of:				
Foreign exchange	1.5%	2.0%	2.7%	1.8%
Copper pricing	%	6.5%	%	2.0%
Acquisition of Clark	4.1%	%	%	2.3%
Organic	**5.7%**	**13.2%**	**22.7%**	**10.4%**

* *Amounts may not sum due to rounding*

ECS Continuing with the very strong trends of recent years, total ECS security sales grew 36.5% compared to 2010 and 14.6% on an organic basis. The strategic addition of Clark accounted for approximately one-third of the segment s sales growth. Geographically, organic sales growth was 5.2% in North America, a decline of 1.5% in Europe and growth of 13.2% in the Emerging Markets as compared to the prior year. This segment experienced a lower growth rate as compared to OEM Supply due to both a challenging comparison to the prior year period and a slowdown in billings due to project delays.

W&C The on-going investments in Emerging Markets contributed solid growth. Sales increased in this region over 80% as compared to the prior year, as project business remained strong while the day-to-day business continued to grow as well. Sales in this segment were influenced by strong growth in Canada where project business remains very healthy. This segment experienced a lower growth rate as compared to OEM Supply, especially in Europe, due to both a challenging comparison to the prior year period and a slowdown in billings due to project delays.

OEM Supply Organic sales in North America increased 19.8% year-on-year, while Europe was up 23.1% and Emerging Markets was up 43.2%. The global OEM Supply business continued to benefit from improving demand for capital industrial goods and durable consumer goods combined with market share gains through the addition of new customers and new part sets to existing customers.

Gross Margin

Gross margin decreased in 2012 to 22.5% as compared to 22.9% in the prior two fiscal years. During 2012, the Company 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 lower margin in 2012 versus the prior two years was driven by the Wire and Cable segment which had the biggest impact on total gross margin, with two major drivers:

- First a product mix shift from its OEM vertical market to the industrial market. The Company experienced a mix shift reflecting production declines at its OEM customers which is a higher margin market;
- Secondly, within the U.S. and Canada industrial business, the Company experienced a doubling in the number of projects. Similarly, the segment achieved sizeable growth in large projects in Latin America and Europe. While this mix shift was dilutive to margins in the year, the Company believes this is an important opportunity to drive margins going forward as the segment increases the supply chain solutions it can offer on its project business.

Operating Expenses

Operating expenses increased from $940.4 million in 2010 to $1,044.6 million in 2011 and to $1,077.7 million in 2012. Operating expenses in 2011 include an incremental $33.7 million related to the Clark acquisition, $20.6 million due to changes in foreign exchange rates as compared to 2010 and a $5.3 million restructuring charge. 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 $13.8 million as compared to 2011. The current year increase in operating expenses include pension and restructuring costs of $25.4 million which are more fully described in the Notes to the Consolidated Financial Statements.

Operating Income

2012 vs. 2011

(In millions)	**ECS**	**W&C**	**OEM Supply**	**Corporate (a)**	**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)%**
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
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)%
Acquisitions		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*

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

2011 vs. 2010

(In millions)	**ECS**	**W&C**	**OEM Supply**	**Corporate**	**Total**
Operating income, 2011	$ 184.8	$ 161.2	$ 16.8	$	$ 362.8
Operating income, 2010	160.7	103.1	3.4		267.2
$ Change	$ 24.1	$ 58.1	$ 13.4	$	$ 95.6
% Change	**15.0%**	**56.4%**	**nm**	**nm**	**35.8%**
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 % (a)	**16.4%**	**57.2%**	**nm**	**nm**	**37.8%**
Less the % impact of:					
Foreign exchange	0.3%	1.0%	(7.1)%	nm	0.5%
Copper pricing		20.6%		nm	7.9%
Acquisitions	1.6%			nm	1.0%

Organic	**14.4%**	**35.6%**	**nm**	**nm**	**28.3%**

* *Amounts may not sum due to rounding*

** *nm percentages are not meaningful*

(a) No items impacted 2010 operating income significantly to affect the comparability of the results.

ECS Adjusted operating margin was 5.2% in 2012 compared to 5.8% in the previous year and 5.5% in 2010. Persistent weakness in the European economy and a product mix shift as security became an increasing part of the overall sales mix were the primary drivers of the margin decline versus the previous periods. This segment has also experienced what it believes to be a temporary slowdown in the datacenter market and some pricing pressure in its U.S. business.

W&C Adjusted operating margin was 8.3% in both 2012 and 2011 but 6.4% in 2010. The flat year over year results are 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 has been offset by the lower operating expenses as a percentage of sales. Results since 2010 have improved due to the strong growth in this segment and the success that has been achieved in the Emerging Markets, including the acquisition of Jorvex.

OEM Supply Adjusted operating margin was 1.5% in 2012 compared to 2.0% and 0.4% in 2011 and 2010, respectively. The weakness in this segment was a result of its exposure to the heavy truck market in the U.S. as well as its significant exposure to manufacturing in the Europe region which accounts for nearly 50% of the OEM Supply business. In 2010, this segment was negatively impacted by cost pressures in the Company s European OEM Supply business due to significant unilateral cost increases from European-based fastener manufacturers resulting from the European Union imposition of anti-dumping duties on fasteners imported from China.

Interest Expense and Other

Consolidated interest expense was $59.7 million, $50.1 million and $53.6 million in 2012, 2011, and 2010, respectively. The increase in interest expense is driven by the $12.9 million incremental interest expense associated with the issuance of the Notes due 2019. The Company s average cost of debt was 6.1%, 5.1% and 6.3% in 2012, 2011, and 2010, respectively. The Company s average cost of debt increase in 2012 is 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. Due to the strengthening of the U.S. dollar against certain foreign currencies, primarily in Latin America where there are few cost-effective means of hedging, the Company recorded a foreign exchange loss of $11.7 million in 2012 and $7.1 million in 2011. In 2010, the Company recorded foreign exchange losses of $4.6 million. These losses were offset by a foreign exchange gain of $2.1 million which was associated with the remeasurement of Venezuela s bolivar-denominated monetary assets on the Venezuelan balance sheet at the parallel exchange rate. 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 Company-owned life insurance policies associated with the Company-sponsored deferred compensation program. The Company recorded gains on the cash surrender value in 2012 and 2010 of $0.5 million and $3.0 million, respectively. In 2011, the Company recorded a loss of $0.9 million. As a result of the retirement of debt in 2010, the Company recognized a pre-tax loss of $31.9 million.

Income Taxes

The tax provision on continuing operations for 2012 was $84.6 million compared to $102.8 million in the prior year and $70.7 million in 2010. During the first quarter of 2012, the Company recorded a tax benefit of $9.7 million primarily related to the reversal of deferred income tax valuation allowances in certain foreign jurisdictions. The prior year results included a net tax benefit of $10.8 million primarily related to the reversal of deferred income tax valuation allowances. The 2010 provision includes a reversal of $1.3 million for prior years foreign taxes. As a result, the Company s effective tax rate for 2012 was 40.5% as compared to 33.9% in the prior year and 39.2% in 2010. Excluding the impact of these items as well as the other items impacting the comparability of results discussed above, the adjusted tax rate in 2012 was 36.5% compared to 37.4% in the prior year and 39.5% in 2010. The declining adjusted tax rate from 2010 is due to the favorable mix of taxable income and changes to the capital structure in several countries.

Net Income from Continuing Operations

(In millions)	Years Ended December 28, 2012	December 30, 2011	December 31, 2010
Reconciliation to most directly comparable GAAP financial measure:			
Net income from continuing operations, net of tax, before items impacting income	$ 181.7	$ 193.2	$ 127.2
Items impacting expense (income), net of tax	57.1	(7.5)	17.7
Reported net income from continuing operations, net of tax	$ 124.6	$ 200.7	$ 109.5
Diluted EPS before items impacting expense (income)	$ 5.42	$ 5.49	$ 3.58
Dilutive EPS impact of these items	1.73	(0.22)	0.50
Dilutive EPS - GAAP	$ 3.69	$ 5.71	$ 3.08

Financial Liquidity and Capital Resources

Cash Flow

As a distributor, the Company s use of capital is largely for working capital to support its 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 the Company operates 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, the Company will have improved cash flows due to reduced working capital requirements. During such periods, the Company will use the expanded cash flow to reduce the amount of leverage in its capital structure until such time as the outlook for improved economic conditions and growth is clear. Also, the Company will, from time to time, issue or retire borrowings or equity in an effort to maintain a cost-effective capital structure consistent with its anticipated capital requirements.

Net cash provided by operations was $141.6 million in 2012 which compares to $144.4 million of cash provided by operations in 2011. 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 was $175.6 million representing an increase of $31.2 million. The increase in cash flow provided by operations was due to an improvement in working capital as a percentage of sales. Net cash provided by operating activities in 2011 compares to $195.2 million in 2010. The decrease in 2011 was due to a change in working capital requirements to support organic sales growth.

Consolidated net cash used in investing activities was $89.5 million. This compares to net cash provided by investing activities of $118.8 million in 2011, which included $143.6 million from the sale of the Company s Aerospace business offset by $26.4 million in capital expenditures. This compares to net cash used in investing activities during 2010 of $56.0 million for the acquisition of Clark and capital expenditures. In 2012, the Company paid $55.3 million, net of cash acquired, and assumed approximately $12.7 million in debt to acquire Jorvex. Capital expenditures increased to $34.2 million in fiscal 2012 from $26.4 million and $19.6 million in 2011 and 2010, respectively. Capital expenditures are expected to be approximately $45 million in 2013 as the Company continues to invest in the consolidation of certain acquired facilities in North America and Europe, warehouse equipment, information system upgrades and new software to support its infrastructure.

Net cash used in financing activities was $68.8 million in 2012 compared to $235.5 million and $172.3 million in 2011 and 2010, respectively. In the first half of 2012, the Company 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 the prior year period. Using available borrowings under the Company s long-term revolving credit facility, the Company retired the remainder of its 3.25% zero coupon convertible Notes due 2033 (Notes due 2033) for $213.4 million over the course of 2011 and 2010. Over the last three fiscal years, the Company has returned approximately $470 million of excess capital to shareholders through the repurchase of common stock and special dividends.

Liquidity and Capital Resources

The Company may from time to time repurchase additional amounts of the Company s outstanding shares or outstanding debt obligations. The Company maintains the flexibility to utilize future cash flows to invest in the growth of the business, and it believes that the current leverage on the balance sheet positions the Company to effectively capitalize on the improved economic environment as well as additional acquisition opportunities when they become available. The Company will continue to balance its 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 fiscal 2012, the Company had approximately $422.0 million in available, committed, unused credit lines with financial institutions that have investment-grade credit ratings as well as $82.0 million of outstanding borrowings under its $300.0 million accounts receivable securitization facility, resulting in over $640 million of available liquidity at the end of 2012. With a year-end cash balance of $89.4 million and available committed credit facilities, the Company will continue to evaluate the optimal use of these funds. The Company s debt-to-total capitalization was 50.3%, 44.7% and 46.9% at the end of fiscal years 2012, 2011 and 2010, respectively.

The Company is in compliance with all of its covenant ratios and believes that there is adequate margin between the covenant ratios and the actual ratios given the current trends of the business. As of December 28, 2012, the total availability of all revolving lines of credit at Anixter Inc. would be permitted to be borrowed. For further information, including information regarding the Company s credit arrangements, see Note 5. Debt in the Notes to the Consolidated Financial Statements.

Contractual Cash Obligations and Commitments

At the end of fiscal 2012, the Company has 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 the Company s 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 the Company s intent and ability to settle such contractual commitments that might be considered short term.

	Payments due by period						
	2013	2014	2015	2016	2017	Beyond 2017	Total
				(In millions)			
Debt [a]	$ 303.1	$ 32.3	$ 282.0	$ 18.6	$	$ 350.0	$ 986.0
Contractual Interest [b]	41.1	37.7	29.9	23.3	23.2	30.9	186.1
Purchase Obligations [c]	505.9	4.7	5.4				516.0
Operating Leases	62.3	49.7	38.7	29.8	19.4	53.5	253.4
Deferred Compensation Liability [d]	3.2	3.5	1.9	2.7	2.7	31.5	45.5
Pension Plans [e]	20.4						20.4
Total Obligations	$ 936.0	$ 127.9	$ 357.9	$ 74.4	$ 45.3	$ 465.9	$ 2,007.4

Liabilities related to unrecognized tax benefits of $4.3 million were excluded from the table above, as we cannot reasonably estimate the timing of cash settlements with taxing authorities. Various foreign subsidiaries of the Company had aggregate cumulative net operating loss (NOL) carryforwards for foreign income tax purposes of approximately $130.1 million at December 28, 2012, which are subject to various provisions of each respective country. Approximately $19.4 million of this amount expires between 2013 and 2022, and $110.7 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 $82.0 million outstanding under the accounts receivable securitization facility will mature in 2015. The book value of the Notes due 2013 was $297.8 million at December 28, 2012 and will accrete to $300.0 million through maturity on February 15, 2013. The book value of the Notes due 2014 was $31.6 million at December 28, 2012 and will accrete to $32.3 million in 2014. Borrowings under the Company s long-term revolving credit facilities of $18.7 million mature in 2016. 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 December 28, 2012 through maturity. For variable rate debt, the Company computed contractual interest payments based on the borrowing rate at December 28, 2012.

(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 cancelled 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 December 28, 2012, the deferred compensation liability was $45.5 million. In an effort to ensure that adequate resources are available to fund the deferred compensation liability, the Company has purchased variable, separate account life insurance policies on the plan participants with benefits accruing to the Company. At December 28, 2012, the cash surrender value of these company life insurance policies was $34.4 million.

(e) The majority of the Company s 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. The Company s policy is to fund these plans as required by the Employee Retirement Income Security Act, the Internal Revenue Service and local statutory law. At December 28, 2012, the current portion of the Company s net pension liability of $95.4 million was $0.8 million. The Company currently estimates that it will be required to contribute $20.4 million to its foreign and domestic pension plans in 2013. Due to the future impact of various market conditions, rates of return and changes in plan participants, the Company cannot provide a meaningful estimate of its future contributions beyond 2013.

Critical Accounting Policies and Estimates

The Company believes 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 long-lived asset impairment charges in 2009 and 2012, the Company s estimates in these critical areas have not differed materially from actual results.

Allowance for Doubtful Accounts

At December 28, 2012 and December 30, 2011, the Company reported net accounts receivable of $1,225.5 million and $1,151.0 million, respectively. The Company carries its accounts receivable at their face amounts less an allowance for doubtful accounts which was $21.4 million and $19.5 million at the end of 2012 and 2011, respectively. On a regular basis, the Company evaluates its accounts receivable and establishes 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 the Company segregates the doubtful receivable balances into the following major categories and determines 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. The Company continually monitors payment patterns of customers, investigates past due accounts to assess the likelihood of collection and monitors 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, the Company s estimates of the recoverability of amounts due to the Company could be reduced or increased by a material amount.

Inventory Obsolescence

At December 28, 2012 and December 30, 2011, the Company reported inventory of $1,060.9 million and $1,070.7 million, respectively (net of inventory reserves of $61.5 million and $61.2 million, respectively). Each quarter the Company reviews for excess inventories and makes 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 used by the Company 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 the Company s net periodic benefit cost in accordance with Generally Accepted Accounting Principles (U.S. GAAP) is the expected return on plan assets. For 2012, the Company had assumed that the weighted-average expected long-term rate of return on plan assets would be 6.10%. This expected return on plan assets is included in the net periodic benefit cost for the fiscal year ended 2012. 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 9.3% in 2012 as compared to a gain of 4.6% in 2011. As a result, the fair value of plan assets is $385.7 million at the end of fiscal 2012, compared to $335.1 million at the end of fiscal 2011. 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 Income (Loss), a component of Stockholders Equity in the Consolidated Balance Sheets.

The measurement date for all plans of the Company is December 31st. Accordingly, at the end of each fiscal year, the Company determines 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 2012 and 2011, the Company 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 December 28, 2012 and December 30, 2011, the Company determined the consolidated weighted-average rate of all plans to be 4.08% and 4.56%, respectively, and used this rate to measure the projected benefit obligation at the end of each respective fiscal year end. The decrease in the discount rate and the weakening of the U.S. dollar has increased the projected benefit obligation. Partially offsetting this increase are the pension plan changes outlined below. As a result, the projected benefit obligation increased to $481.1 million at the end of fiscal 2012 from $480.5 at the end of fiscal 2011. The Company s consolidated net pension liability was $95.4 million at the end of fiscal 2012 compared to $145.4 million at the end of 2011.

In the fourth quarter of 2012, the Company took two actions related to the Anixter Inc. Pension Plan in the United States that will reduce future expenses and contributions. First, the Company offered a one-time lump sum payment option to terminated vested participants that resulted in $34.0 million of additional contributions by the Company 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, the company made changes to its existing U.S. defined benefit plan which are effective as of December 31, 2013 that freeze 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 will be 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.

Due to the settlement charge in the fourth quarter of 2012, and a decline in the consolidated weighted-average discount rate from 5.49% in 2011 to 4.56% in 2012, the Company recognized a consolidated pre-tax net periodic cost of $41.0 million in 2012, up from $16.4 million in 2011. Excluding the settlement charge, the Company estimates its 2013 net periodic cost to decrease approximately 30% to 35% primarily due to the amendment described above. The combination of these changes to the pension plan and the restructuring actions outlined in Note 3. Restructuring Charge will drive approximately $20 million in annual costs savings beginning immediately.

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 2013 pension expense of approximately $3.8 million and an increase in the projected benefit obligations at December 28, 2012 of $38.1 million. A 50-basis-point decline in the assumed rate of return on assets would result in an increase in the 2013 expense of approximately $1.7 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.

The Company utilized the qualitative assessment approach to test goodwill for impairment during the annual assessment performed in the third quarter. In addition to the qualitative approach, the Company also performed a combination of the quantitative evaluation of the income and market approach to determine the fair value of the Company s former European segment. 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, the Company was required to reassign the carrying amount of goodwill to its new reporting units based on the relative fair value assigned as of the effective date of the Company s change in segment reporting in the fourth quarter of 2012. An interim assessment of the recoverability of goodwill assigned to the reporting units was necessitated as a result of this change. In connection with the Company s fourth quarter interim assessment to test for goodwill impairment, the Company 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 the Company determined 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 the Company s 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, the Company performs 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 fair 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, the Company does not have any material indefinite-lived intangible assets. The Company s long-lived assets consists 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. The Company continually evaluates whether events or circumstances have occurred that would indicate the remaining estimated useful lives of its long-lived assets warrant revision or that the remaining balance of such assets may not be recoverable. If impairment indicators are present, the Company assesses 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, the Company then measures an impairment loss for the amount that carrying value exceeds fair value of the assets.

At the end of fiscal 2012, the Company expects the carrying amount of goodwill, allocated to each of its segments, and its long-lived assets to be fully recoverable.

Deferred Tax Assets

At December 28, 2012 and December 30, 2011, the Company s allowance for deferred tax assets was $22.2 million and $20.3 million, respectively. The Company maintains 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 the Company s 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, the Company is audited by federal, state and foreign tax authorities, and is 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 the Company s tax positions comply with applicable tax law and the Company intends to defend its positions. The Company recognizes 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. The Company s effective tax rate in a given period could be impacted if, upon final resolution with taxing authorities, the Company prevailed in positions for which reserves have been established, or was required to pay amounts in excess of established reserves.

As of December 28, 2012, the aggregate amount of global uncertain tax position liabilities and related interest and penalties recorded was approximately $4.3 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.

The Company is exposed to the impact of fluctuations in foreign currencies and interest rate changes, as well as changes in the market value of its financial instruments. The Company periodically enters into derivatives in order to minimize these risks, but not for trading purposes. The Company s strategy is to negotiate terms for its 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). The Company s counterparties to its derivative contracts have investment-grade credit ratings. The Company expects the creditworthiness of its counterparties to remain intact through the term of the transactions. The Company regularly monitors the creditworthiness of its 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 the Company s Consolidated Statements of Income. During periods of volatility in foreign exchange rates, the Company can be subject to significant foreign exchange gains and losses since there is a time lag between when the Company incurs the foreign exchange exposure and when the Company has the information to properly hedge the exposure.

Foreign Exchange Risk

The Company s foreign currency-denominated sales were 34% in 2012, 35% in 2011 and 35% in 2010. The Company s exposure to currency rate fluctuations primarily relate to Europe (Euro and British Pound) and Canada (Canadian dollar). The Company also has exposure to currency rate fluctuations related to more volatile markets such as Argentina (Peso), Australia (Dollar), Brazil (Real), Chile (Peso), Colombia (Peso), Mexico (Peso) and Venezuela (Bolivar).

The Company s investments in several subsidiaries are recorded in currencies other than the U.S. dollar. As these foreign currency denominated investments are translated at the end of each period during consolidation using period-end exchange rates, fluctuations of exchange rates between the foreign currency and the U.S. dollar increase or decrease the value of those investments. These fluctuations and the results of operations for foreign subsidiaries, where the functional currency is not the U.S. dollar, are translated into U.S. dollars using the average exchange rates during the year, while the assets and liabilities are translated using period end exchange rates. The assets and liabilities-related translation adjustments are recorded as a separate component of Stockholders Equity, Foreign currency translation, which is a component of accumulated other comprehensive income/loss in the Company s Consolidated Balance Sheets. In addition, as the Company s subsidiaries maintain investments denominated in currencies other than local currencies, exchange rate fluctuations will occur. Borrowings are raised in certain foreign currencies to minimize the exchange rate translation adjustment risk.

Several of the Company s subsidiaries conduct business in a currency other than the legal entity s functional currency. Transactions may produce receivables or payables that are fixed in terms of the amount of foreign currency that will be received or paid. A change in exchange rates between the functional currency and the currency in which a transaction is denominated increases or decreases the expected amount of functional currency cash flows upon settlement of the transaction. That increase or decrease in expected functional currency cash flows is a foreign exchange transaction gain or loss that is included in Other, net in the Consolidated Statements of Income.

The Company purchases foreign currency forward contracts to minimize the effect of fluctuating foreign currency-denominated accounts on its reported income. The foreign currency forward contracts are not designated as hedges for accounting purposes. At December 28, 2012 and December 30, 2011, the notional amount of the foreign currency forward contracts outstanding was approximately $346.9 million and $161.3 million, respectively. The Company prepared sensitivity analyses of its foreign currency forward contracts assuming a 10% adverse change in the value of foreign currency contracts outstanding. The hypothetical adverse changes would have resulted in the Company recording a $37.1 million and $15.8 million loss in fiscal 2012 and 2011, respectively. However, as these forward contracts are intended to be perfectly effective economic hedges, the Company would record offsetting gains as a result of the remeasurement of the underlying foreign currency denominated monetary accounts being hedged.

Venezuela Foreign Exchange

The Company s functional currency for financial reporting purposes in Venezuela is the U.S. dollar (USD). Inventory is sourced from vendors in the United States (including the parent company of the Venezuelan subsidiary, Anixter Inc.) and paid for in USD. Sales to customers are invoiced in the local bolivar currency and bolivars are collected from customers to settle outstanding receivables. Since 2009, local government restrictions have made it increasingly difficult to transfer cash out of Venezuela.

Historically, the Company utilized the parallel market (which involves using bolivars to purchase Venezuelan securities and then swapping those securities for USD denominated investments) to obtain USD to settle USD liabilities, which resulted in unfavorable foreign exchange rates as compared with the official rate in Venezuela. As a result of the factors that led to increased usage of the parallel market, including cash remittance to the parent, the Company re-evaluated its historical practice of remeasuring bolivar-denominated monetary assets (primarily cash and accounts receivable) into USD using the official exchange rate for financial reporting purposes. As a result of this re-evaluation, the Company concluded that the use of the parallel rate for remeasurement purposes was most appropriate.

In 2010, the Venezuelan government suspended trading in the parallel market and replaced it with a system called Transaction System for Foreign Currency Denominated Securities (SITME), under the control of the Central Bank of Venezuela. Under the new regulations, the Company is limited to converting the Venezuelan bolivar to USD at a rate of $50,000 per day, up to a maximum of $350,000 per month, as permitted by the Central Bank of Venezuela. The bolivar to USD exchange rate under SITME was adjusted to 5.3 bolivars to one USD in the second quarter of 2010, resulting in a pre-tax foreign exchange gain of $2.1 million. The bolivar to USD exchange rate was 5.53 bolivars to one USD at the end of 2012, 2011 and 2010.

Through the end of fiscal 2012, the rate at which the Company obtained permission to repatriate cash through SITME varied and was determined by the Central Bank. The rate reflected in the Company s consolidated financial statements has been the average exchange rate obtained during the reporting period for transactions that the Company executes through SITME. The Company received small approval amounts from the regulatory authority in Venezuela at rates of 4.30; however, the Company has not historically considered this representative of the rate at which it can repatriate significant cash in a consistent manner. Therefore, the Company has not used the official rate for U.S. GAAP accounting.

In February 2013, the Venezuela government announced a devaluation of the bolivar from the rate of 4.30 bolivars to one USD to 6.30 bolivars to one USD. In addition, Venezuelan officials announced that they would be discontinuing the SITME system. The Company believes that the new official rate of 6.30 bolivars to one USD will be the rate that the Company will be allowed to use to repatriate cash from Venezuela. The Company is currently evaluating the potential impact of this change but it is not expected to have a material impact on the Company s consolidated financial statements. For further information, see Note 13. Subsequent Events in the Notes to the Consolidated Financial Statements.

Interest Rate Risk

At December 28, 2012, the Company had no outstanding interest rate swap agreements. As of December 30, 2011, the Company had GBP 15 million of notional amount outstanding in an interest rate swap agreement. The Company used the interest rate swap agreements to reduce its exposure to fluctuations in interest rates with the objective of converting variable interest to fixed interest associated with forecasted interest payments resulting from revolving borrowings in the U.K. and were designated as hedging instruments. The Company does not enter into interest rate swaps for speculative purposes. The fair value of the interest rate swap was determined by means of a mathematical model that calculated the present value of the anticipated cash flows from the transaction using mid-market prices and other economic data and assumptions, or by means of pricing indications from one or more other dealers selected at the discretion of the respective banks. These inputs would be considered Level 2 in the fair value hierarchy described in accounting guidance on fair value measurements. At December 30, 2011, the interest rate swap was revalued at then current interest rates, with the changes in valuation reflected directly in Accumulated Other Comprehensive Income (Loss) in the Company s

Consolidated Balance Sheets. The fair market value of the Company s previous interest rate agreement, which was the estimated exit price that the Company would pay to cancel the interest rate agreement, was not significant at December 30, 2011.

Fair Market Value of Debt Instruments

The fair value of the Company s debt instruments is measured using observable market information which would be considered Level 2 in the fair value hierarchy described in recently issued accounting guidance on fair value measurements.

The carrying value of the Company s nonconvertible fixed-rate debt (specifically, Notes due 2019, Notes due 2015 and Notes due 2014) was $581.6 million and $231.1 million at December 28, 2012 and December 30, 2011, respectively. The fair value of the nonconvertible fixed-rate debt instruments was $622.7 million and $240.4 million at December 28, 2012 and December 30, 2011, respectively. The Company s Notes due 2019, Notes due 2014 and Notes due 2015 bear interest at a fixed rate of 5.625%, 10.0% and 5.95%, respectively. Therefore, changes in interest rates do not affect interest expense incurred on the nonconvertible fixed-rate debt but interest rates do affect the fair value. If interest rates were to increase by 10.0%, the fair market value of the nonconvertible fixed-rate debt would decrease by 1.6% and 1.4% at December 28, 2012 and December 30, 2011, respectively. If interest rates were to decrease by 10.0%, the fair market value of the fixed-rate debt would increase by 1.6% and 1.4% at December 28, 2012 and December 30, 2011, respectively.

The carrying value of the Company s outstanding convertible fixed-rate debt (specifically, Notes due 2013) was $297.8 million at December 28, 2012 and $280.3 million at December 30, 2011. During 2011, the Company retired its Notes due 2033 as a result of repurchases and bondholder conversions. As the Company s outstanding convertible fixed-rate debt may be converted into the Company s common stock, the price of the Company s common stock may affect the fair value of the Company s convertible debt. The estimated fair value of the Company s outstanding convertible debt decreased to $338.5 million at December 28, 2012 from $342.8 million at December 30, 2011. The decline in the estimated fair value of the Company s convertible debt is primarily due to the stock price during fiscal 2012. A hypothetical 10.0% increase in the price of the Company s common stock from the price at December 28, 2012 and December 30, 2011 would have increased the fair value of its then outstanding convertible debt by $33.8 million and $34.3 million, respectively.

Changes in the fair market value of the Company s debt do not affect the reported results of operations unless the Company is retiring such obligations prior to their maturity. This analysis did not consider the effects of a changed level of economic activity that could exist in such an environment and certain other factors. Further, in the event of a change of this magnitude, management would likely take actions to further mitigate its exposure to possible changes. However, due to the uncertainty of the specific actions that would be taken and their possible effects, this sensitivity analysis assumes no changes in the Company s financial structure.

See Note 1. Summary of Significant Accounting Policies (Interest rate agreements and Foreign currency translation) and Note 5. Debt in th Notes to the Consolidated Financial Statements for further detail on interest rate agreements and outstanding debt obligations.

FORWARD-LOOKING INFORMATION

The Management s Discussion and Analysis of Financial Condition and Results of Operations may contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements can be identified by the use of forward-looking terminology such as believe, expect, intend, anticipate, contempl estimate, plan, project, should, may, will, or the negative thereof or other variations thereon or comparable terminology indicating the Co expectations or beliefs concerning future events. The Company cautions that such statements are qualified by important factors that could cause actual results to differ materially from those in the forward-looking statements, a number of which are identified in this report under Item 1A. Risk Factors. The information contained in this financial review should be read in conjunction with the consolidated financial statements, including the notes thereto, on pages 39 to 79 of this Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Anixter International Inc.:

We have audited the accompanying consolidated balance sheets of Anixter International Inc. as of December 28, 2012 and December 30, 2011 and the related consolidated statements of income, comprehensive income, stockholders equity and cash flows for each of the three years in the period ended December 28, 2012. Our audits also included the financial statement schedules listed in the Index at Item 15(a)(2). These financial statements and schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Anixter International Inc. at December 28, 2012 and December 30, 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 28, 2012, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Anixter International Inc. s internal control over financial reporting as of December 28, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2013 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Chicago, Illinois
February 22, 2013

ANIXTER INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share amounts)

	Years Ended December 28, 2012	Years Ended December 30, 2011	Years Ended December 31, 2010
Net sales	**$ 6,253.1**	**$ 6,146.9**	**$ 5,274.5**
Cost of goods sold	4,844.4	4,739.5	4,066.9
Gross profit	**1,408.7**	**1,407.4**	**1,207.6**
Operating expenses	1,077.7	1,044.6	940.4
Impairment of goodwill and long-lived assets	48.5		
Operating income	**282.5**	**362.8**	**267.2**
Other expense:			
Interest expense	(59.7)	(50.1)	(53.6)
Net loss on retirement of debt			(31.9)
Other, net	(13.6)	(9.2)	(1.5)
Income from continuing operations before income taxes	209.2	303.5	180.2
Income tax expense	84.6	102.8	70.7
Net income from continuing operations	**124.6**	**200.7**	**109.5**
Income (loss) from discontinued operations, net of tax	0.2	(12.5)	(1.0)
Net income	**$ 124.8**	**$ 188.2**	**$ 108.5**
Income per share:			
Basic:			
Continuing operations	$ 3.76	$ 5.87	$ 3.21
Discontinued operations	$ 0.01	$ (0.37)	$ (0.03)
Net income	$ 3.77	$ 5.50	$ 3.18
Diluted:			
Continuing operations	$ 3.69	$ 5.71	$ 3.08
Discontinued operations	$	$ (0.35)	$ (0.03)
Net income	$ 3.69	$ 5.36	$ 3.05
Basic weighted-average common shares outstanding	33.1	34.2	34.1
Effect of dilutive securities:			
Stock options and units	0.3	0.4	0.5
Convertible notes due 2013	0.4	0.3	
Convertible notes due 2033		0.2	0.9
Diluted weighted-average common shares outstanding	33.8	35.1	35.5
Dividend declared per common share	**$ 4.50**	**$**	**$ 3.25**

See accompanying notes to the consolidated financial statements.

ANIXTER INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	**Years Ended**		
	December 28, 2012	**December 30, 2011**	**December 31, 2010**
Net income	**$ 124.8**	**$ 188.2**	**$ 108.5**
Other comprehensive income (loss):			
Changes in unrealized pension cost, net of tax	17.9	(41.4)	12.9
Foreign currency translation	15.9	(18.3)	13.4
Foreign currency translation recognized in net income		1.0	
Changes in fair market value of derivatives, net of tax	(0.1)	1.0	1.2
Other comprehensive income (loss)	33.7	(57.7)	27.5
Comprehensive income	**$ 158.5**	**$ 130.5**	**$ 136.0**

See accompanying notes to the consolidated financial statements.

ANIXTER INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

ASSETS	December 28, 2012	December 30, 2011
Current assets:		
Cash and cash equivalents	$ 89.4	$ 106.1
Accounts receivable (Includes $527.2 and $524.6 at December 28, 2012 and December 30, 2011, respectively, associated with securitization facility)	1,225.5	1,151.0
Inventories	1,060.9	1,070.7
Deferred income taxes	40.7	37.7
Other current assets	33.6	37.4
Total current assets	2,450.1	2,402.9
Property and equipment, at cost	314.4	291.0
Accumulated depreciation	(218.5)	(202.7)
Net property and equipment	95.9	88.3
Goodwill	342.0	351.7
Other assets	201.6	191.1
Total Assets	**$ 3,089.6**	**$ 3,034.0**

LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 716.9	$ 706.5
Accrued expenses	249.5	317.4
Short-term debt	0.9	3.0
Total current liabilities	967.3	1,026.9
Long-term debt (Includes $82.0 and $175.0 at December 28, 2012 and December 30, 2011, respectively, associated with securitization facility)	982.2	806.8
Other liabilities	170.2	199.1
Total liabilities	2,119.7	2,032.8
Stockholders equity:		
Common stock $1.00 par value, 100,000,000 shares authorized, 32,537,986 and 33,228,049 shares issued and outstanding as of December 28, 2012 and December 30, 2011, respectively	32.5	33.2
Capital surplus	218.6	196.5
Retained earnings	770.6	857.0
Accumulated other comprehensive loss:		
Foreign currency translation	15.4	(0.5)
Unrecognized pension liability, net	(67.4)	(85.3)
Unrealized loss on derivatives, net	0.2	0.3
Total accumulated other comprehensive loss	(51.8)	(85.5)
Total stockholders equity	**969.9**	**1,001.2**
Total liabilities and stockholders equity	**$ 3,089.6**	**$ 3,034.0**

See accompanying notes to the consolidated financial statements.

ANIXTER INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Years Ended		
	December 28, 2012	December 30, 2011	December 31, 2010
Operating activities:			
Net income	$ 124.8	$ 188.2	$ 108.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Impairment of goodwill and long-lived assets	48.5		
Loss on sale of business		22.6	
Net loss on retirement of debt			31.9
Depreciation	22.5	22.1	22.5
Accretion of debt discount	17.9	17.1	18.8
Stock-based compensation	14.6	11.1	16.7
Amortization of intangible assets	10.0		