

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

or

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD from _____ to _____

For the quarterly period ended June 30, 2005

Commission file number 001-14989

WESCO International, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

25-1723342

(IRS Employer Identification No.)

225 West Station Square Drive
Suite 700

Pittsburgh, Pennsylvania 15219
(Address of principal executive offices)

(412) 454-2200

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

As of July 29, 2005, WESCO International, Inc. had 47,099,617 shares of common stock outstanding.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

[Condensed Consolidated Balance Sheets as of June 30, 2005 and December 31, 2004 \(unaudited\)](#)

2

[Condensed Consolidated Statements of Income for the three months and six months ended June 30, 2005 and 2004 \(unaudited\)](#)

3

[Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2005 and 2004 \(unaudited\)](#)

4

[Notes to Condensed Consolidated Financial Statements \(unaudited\)](#)

5

[Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations](#)

15

[Item 3. Quantitative and Qualitative Disclosures About Market Risk](#)

22

[Item 4. Controls and Procedures](#)

22

PART II — OTHER INFORMATION

[Item 1. Legal Proceedings](#)

23

[EX-31.1](#)

[EX-31.2](#)

[EX-32.1](#)

[EX-32.2](#)

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

<i>Dollars in thousands, except share data</i>	June 30 2005	December 31 2004
Assets		
Current Assets:		
Cash and cash equivalents	\$ 15,021	\$ 34,523
Trade accounts receivable, net of allowance for doubtful accounts of \$11,992 and \$12,481 in 2005 and 2004, respectively (Note 4)	335,428	383,364
Other accounts receivable	19,599	30,237
Inventories, net	390,099	387,339
Current deferred income taxes	5,299	3,920
Income taxes receivable	2,692	6,082
Prepaid expenses and other current assets	9,383	9,451
Total current assets	777,521	854,916
Property, buildings and equipment, net	94,963	94,742
Goodwill	401,575	401,610
Other assets	5,484	5,587
Total assets	\$1,279,543	\$1,356,855
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 494,156	\$ 455,821
Accrued payroll and benefit costs	26,707	43,350
Current portion of long-term debt (Note 5)	21,452	31,413
Deferred acquisition payable	1,013	1,014
Other current liabilities	30,144	32,647
Total current liabilities	573,472	564,245
Long-term debt (Note 5)	247,748	386,173
Long-term deferred acquisition payable	1,013	2,026
Other noncurrent liabilities	8,828	7,904
Deferred income taxes	42,739	42,954
Total liabilities	873,800	1,003,302
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, \$.01 par value; 20,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$.01 par value; 210,000,000 shares authorized, 51,145,889 and 50,483,970 shares issued in 2005 and 2004, respectively	511	505
Class B nonvoting convertible common stock, \$.01 par value; 20,000,000 shares authorized, 4,339,431 issued in 2005 and 2004; no shares outstanding	43	43
Additional capital	690,852	676,465
Retained earnings (deficit)	(233,075)	(271,858)
Treasury stock, at cost; 8,413,853 and 8,407,790 shares in 2005 and 2004, respectively	(61,630)	(61,449)
Accumulated other comprehensive income	9,042	9,847
Total stockholders' equity	405,743	353,553
Total liabilities and stockholders' equity	\$1,279,543	\$1,356,855

The accompanying notes are an integral part of the condensed consolidated financial statements.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

<i>In thousands, except share data</i>	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Net sales	\$1,062,060	\$931,020	\$2,052,931	\$1,778,814
Cost of goods sold (excluding depreciation and amortization below)	867,474	747,313	1,673,163	1,434,255
Gross profit	194,586	183,707	379,768	344,559
Selling, general and administrative expenses	141,987	136,181	284,668	265,768
Depreciation and amortization	3,684	4,655	7,623	9,661
Income from operations	48,915	42,871	87,477	69,130
Interest expense	6,849	10,148	15,974	19,988
Loss on debt extinguishment (Note 5)	—	1,625	10,051	1,625
Other expenses (Note 4)	3,004	1,292	5,019	2,507
Income before income taxes	39,062	29,806	56,433	45,010
Provision for income taxes	11,623	10,720	17,650	16,203
Net income	\$ 27,439	\$ 19,086	\$ 38,783	\$ 28,807
Earnings per share:				
Basis:	\$ 0.58	\$ 0.46	\$ 0.83	\$ 0.70
Diluted	\$ 0.56	\$ 0.44	\$ 0.79	\$ 0.67

The accompanying notes are an integral part of the condensed consolidated financial statements.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<i>In thousands</i>	Six Months Ended June 30	
	2005	2004
Operating Activities:		
Net income	\$ 38,783	\$ 28,807
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on debt extinguishment (excluding premium in 2005 of \$8,168)	1,883	1,625
Depreciation and amortization	7,623	9,661
Accretion of original issue and amortization of purchase discounts	683	1,402
Amortization of debt issuance costs	539	774
Deferred income taxes	(1,594)	(214)
Amortization of gain on interest rate swap	(456)	(456)
Stock option expense	3,128	726
(Gain) loss on the sale of property, buildings and equipment	(32)	15
Changes in assets and liabilities		
Change in receivables facility	122,000	75,000
Trade and other receivables	(64,582)	(78,751)
Inventories	(3,594)	(59,920)
Prepaid expenses and other current assets	9,285	14,924
Accounts payable	39,428	79,367
Accrued payroll and benefit costs	(16,643)	(2,918)
Other current and noncurrent liabilities	(1,204)	2,118
Net cash provided by operating activities	135,247	72,160
Investing Activities:		
Capital expenditures	(7,887)	(5,219)
Acquisition payments	(1,014)	(30,703)
Net cash used by investing activities	(8,901)	(35,922)
Financing Activities:		
Proceeds from issuance of long-term debt	147,400	165,800
Repayments of long-term debt	(297,331)	(203,439)
Redemption of stock options	—	(20,144)
Proceeds from the exercise of stock options	5,259	3,800
Debt issuance costs	(894)	—
Net cash used by financing activities	(145,566)	(53,983)
Effect of exchange rate changes on cash and cash equivalents	(282)	(331)
Net change in cash and cash equivalents	(19,502)	(18,076)
Cash and cash equivalents at the beginning of period	34,523	27,495
Cash and cash equivalents at the end of period	\$ 15,021	\$ 9,419
Supplemental disclosures:		
Non-cash financing activities:		
Decrease in fair value of outstanding interest rate swaps	\$ 228	\$ 1,498

The accompanying notes are an integral part of the condensed consolidated financial statements.

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. ORGANIZATION

WESCO International, Inc. and its subsidiaries (collectively, "WESCO"), headquartered in Pittsburgh, Pennsylvania, is a full-line distributor of electrical supplies and equipment and is a provider of integrated supply procurement services. WESCO currently operates approximately 350 branch locations and five distribution centers located in the United States, Canada, Mexico, Puerto Rico, Guam, the United Kingdom, Nigeria, United Arab Emirates and Singapore.

2. ACCOUNTING POLICIES

Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of WESCO and all of its subsidiaries and have been prepared in accordance with Rule 10-01 of Regulation S-X of the Securities and Exchange Commission. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in WESCO's 2004 Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC").

The unaudited condensed consolidated balance sheet as of June 30, 2005, the unaudited condensed consolidated statements of income for the three months and six months ended June 30, 2005 and June 30, 2004, respectively, and the unaudited condensed consolidated statements of cash flows for the six months ended June 30, 2005 and June 30, 2004, respectively, in the opinion of management, have been prepared on the same basis as the audited consolidated financial statements and include all adjustments necessary for the fair presentation of the results of the interim periods. All adjustments reflected in the unaudited condensed consolidated financial statements are of a normal recurring nature unless indicated. Results for the interim periods presented are not necessarily indicative of the results to be expected for the full year.

Gross Profit

Our calculation of gross profit is net sales less cost of goods sold. Cost of goods sold include our cost of the products sold and excludes cost for selling, general and administrative expenses and depreciation and amortization, which are reported separately in the statement of income.

Stock-Based Compensation

During the year ended December 31, 2003, WESCO adopted the measurement provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*. This change in accounting method was applied on a prospective basis in accordance with SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of SFAS No. 123*. Stock options awarded prior to 2003 are accounted for under the intrinsic value method under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. The Company recognized \$1.5 million and \$3.1 million of compensation expense for the three months and six months ended June 30, 2005, respectively. The Company recognized \$0.4 million and \$0.7 million of compensation expense for the three months and six months ended June 30, 2004, respectively. There were no options granted during the six months ended June 30, 2005 and June 30, 2004.

[Table of Contents](#)

The following table presents the pro forma results as if the fair-value based method of accounting for stock-based awards had been applied to all outstanding options:

<i>Dollars in thousands, except share data</i>	Three months Ended June 30		Six months Ended June 30	
	2005	2004	2005	2004
Net income, as reported	\$27,439	\$19,086	\$38,783	\$28,807
Add: Stock-based employee compensation expense included in reported net income, net of related tax	1,002	236	2,045	472
Deduct: Stock-based employee compensation expense determined under SFAS No. 123 for all awards, net of related tax	1,093	429	2,262	858
Pro forma net income	\$27,348	\$18,893	\$38,566	\$28,421
Earnings per share:				
Basic as reported	\$ 0.58	\$ 0.46	\$ 0.83	\$ 0.70
Basic pro forma	\$ 0.58	\$ 0.45	\$ 0.82	\$ 0.69
Diluted as reported	\$ 0.56	\$ 0.44	\$ 0.79	\$ 0.67
Diluted pro forma	\$ 0.56	\$ 0.43	\$ 0.79	\$ 0.66

Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board issued SFAS No. 154, *Accounting Changes and Error Corrections*, which changes the requirements for the accounting and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle as well as to changes required by an accounting pronouncement that does not include specific transition provisions. SFAS No. 154 eliminates the requirement to include the cumulative effect of changes in accounting principle in the income statement and instead requires that changes in accounting principle be retroactively applied. A change in accounting estimate continues to be accounted for in the period of change and future periods if necessary. A correction of an error continues to be reported by restating prior period financial statements. SFAS No. 154 is effective for WESCO for accounting changes and correction of errors made on or after January 1, 2006.

In December 2004, the FASB issued SFAS No. 123R, *Share—Based Payment*. This statement is a revision of SFAS Statement No. 123, *Accounting for Stock-Based Compensation* and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related implementation guidance. SFAS No. 123R addresses all forms of share based payment (“SBP”) awards, including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. Under SFAS No.123R, SBP awards result in a cost that will be measured at fair value on the awards’ grant date, based on the estimated number of awards that are expected to vest and will be reflected as compensation expense in the financial statements. In addition, this statement will apply to unvested options granted prior to the effective date. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107) regarding the SEC Staff’s interpretation of SFAS No. 123R and provides the Staff’s view regarding interaction between SFAS No. 123R and certain SEC rules and regulations and provides interpretation of the valuation of SBP for public companies. In April 2005, the SEC approved a rule that delays the effective date of SFAS No. 123R for annual, rather than interim, reporting periods that begin after June 15, 2005. WESCO is currently evaluating the effect that implementation of SFAS 123R and SAB 107 will have on its financial position, results of operations, and cash flows.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs — an amendment of Accounting Research Bulletin (ARB) No. 43, Chapter 4*. This Statement amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for normal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). This statement becomes effective for fiscal years beginning after June 15, 2005. It is expected that this statement will not have a material effect on our financial statements.

In May 2004, the FASB issued FASB Staff Position (FSP) No. FAS 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004* (FSP 109-2) which provides guidance under SFAS No. 109, *Accounting for Income Taxes*, with respect to recording the potential impact of the repatriation provisions of the American Jobs Creation Act of 2004 (the Jobs Act) on enterprises’ income tax expense and deferred tax liability. The Jobs Act was enacted on October 22, 2004. FSP 109-2 states that an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the effect of the Jobs Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying SFAS No. 109. We have no plans to make an election under this act to repatriate foreign earnings. Accordingly, as provided for in FSP 109-2, we have not adjusted our tax expense or deferred tax liability to reflect the repatriation provisions of the Jobs Act.

[Table of Contents](#)

3. EARNINGS PER SHARE

The following table sets forth the details of basic and diluted earnings per share:

	Three Months Ended June 30	
	2005	2004
Net income, as reported	\$ 27,439	\$ 19,086
Weighted average common shares outstanding used in computing basic earnings per share	46,982,017	41,562,343
Common shares issuable upon exercise of dilutive stock options	2,192,608	2,158,108
Weighted average common shares outstanding and common share equivalents used in computing diluted earnings per share	49,174,625	43,720,451
Earnings per share:		
Basic	\$ 0.58	\$ 0.46
Diluted	\$ 0.56	\$ 0.44

Dollars in thousands, except per share amounts

	Six Months Ended June 30	
	2005	2004
Net income, as reported	\$ 38,783	\$ 28,807
Weighted average common shares outstanding used in computing basic earnings per share	46,839,115	41,354,040
Common shares issuable upon exercise of dilutive stock options	2,254,776	1,950,382
Weighted average common shares outstanding and common share equivalents used in computing diluted earnings per share	49,093,891	43,304,422
Earnings per share:		
Basic	\$ 0.83	\$ 0.70
Diluted	\$ 0.79	\$ 0.67

Equity awards to purchase 0.8 million shares of common stock at an exercise price of \$24.02 per share that were outstanding as of June 30, 2005 were not included in the computation of diluted earnings per share because to do so would have been antidilutive for the three and six month periods ending June 30, 2005.

4. ACCOUNTS RECEIVABLE SECURITIZATION

WESCO maintains an accounts receivable securitization program ("Receivables Facility") that had a total purchase commitment of \$350 million and \$325 million as of June 30, 2005 and December 31, 2004, respectively. On May 11, 2005, the facility was amended to increase the total purchase commitment from \$325 million to \$350 million with a term of three years. Under the Receivables Facility, WESCO sells, on a continuous basis, an undivided interest in all domestic accounts receivable to WESCO Receivables Corporation, a wholly owned, special purpose entity ("SPC"). The SPC sells without recourse to a third-party conduit all the eligible receivables while maintaining a subordinated interest, in the form of overcollateralization, in a portion of the receivables. WESCO has agreed to continue servicing the sold receivables for the financial institution at market rates; accordingly, no servicing asset or liability has been recorded.

As of June 30, 2005 and December 31, 2004, accounts receivable eligible for securitization totaled approximately \$456 million and \$420 million, respectively, of which the subordinated retained interest was approximately \$126 million and \$212 million, respectively. Accordingly, \$330.0 million and \$208.0 million of accounts receivable balances were removed from the consolidated balance sheets at June 30, 2005 and December 31, 2004, respectively. Costs associated with the Receivables Facility totaled \$3.0 million and \$1.3 million for the three months ended June 30, 2005 and June 30, 2004, respectively. Costs associated with the Receivables Facility totaled \$5.0 million and \$2.5 million for the six months ended June 30, 2005 and June 30, 2004, respectively. These amounts are recorded as other expenses in the consolidated statements of income and are primarily related to the discount and loss on the sale of accounts receivables, partially offset by related servicing revenue.

[Table of Contents](#)

The key economic assumptions used to measure the retained interest at the date of the securitization for securitizations completed in 2005 were a discount rate of 3.0% and an estimated life of 1.5 months. At June 30, 2005, an immediate adverse change in the discount rate or estimated life of 10% and 20% would result in a reduction in the fair value of the retained interest of \$0.2 million and \$0.3 million, respectively. These sensitivities are hypothetical and should be used with caution. Changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this example, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another.

5. LONG-TERM DEBT

On March 1, 2005, we redeemed \$123.8 million in aggregate principal amount of our senior subordinated notes at a loss of \$10.1 million resulting from the payment of the call premium and the write-off of the unamortized original issue discount and debt issuance costs. As of June 30, 2005, we had remaining \$199.7 million in principal amount of the 9 1/8% Senior Subordinated Notes due 2008 that were issued June 1998.

In June 2005, we increased the size of the revolving credit facility to \$250 million and amended the maturity date to June 17, 2010. During the six months ended June 30, 2005 borrowings and repayments were each \$147.4 million.

In June 2005, we paid \$30 million pursuant to the Bruckner note payable.

6. COMPREHENSIVE INCOME

The following table sets forth comprehensive income and its components:

<i>In thousands</i>	Three Months Ended June 30	
	2005	2004
Net income	\$27,439	\$19,086
Foreign currency translation adjustment	(249)	(1,658)
Comprehensive income	\$27,190	\$17,428

<i>In thousands</i>	Six Months Ended June 30	
	2005	2004
Net income	\$38,783	\$28,807
Foreign currency translation adjustment	(805)	(2,018)
Comprehensive income	\$37,978	\$26,789

7. INCOME TAXES

The following table sets forth the reconciliation between the federal statutory income tax rate and the effective rate:

	Three Months Ended June 30	
	2005	2004
Federal statutory rate	35.0%	35.0%
State taxes, net of federal tax benefit	1.3	1.5
Nondeductible expenses	0.7	1.0
Domestic tax benefit from foreign operations	(1.9)	(1.2)
Foreign tax rate differences ⁽¹⁾	(2.8)	(0.4)
Federal tax credits ⁽²⁾	(2.5)	—
Other	—	0.1
	29.8%	36.0%

Table of Contents

	Six Months Ended	
	June 30	
	2005	2004
Federal statutory rate	35.0%	35.0%
State taxes, net of federal tax benefit	1.5	1.2
Nondeductible expenses	0.7	1.2
Domestic tax benefit from foreign operations	(1.4)	(0.8)
Foreign tax rate differences ⁽¹⁾	(2.8)	(0.6)
Federal tax credits ⁽²⁾	(1.7)	—
	<u>31.3%</u>	<u>36.0%</u>

(1) Includes a benefit of \$1.1 million for the three months ended June 30, 2005 and \$1.6 million for the six months ended June 30, 2005, from the recapitalization of our Canadian operations.

(2) Represents a benefit of \$1 million for the three and six months ended June 30, 2005 from research and development credits.

8 . OTHER FINANCIAL INFORMATION (Unaudited)

WESCO Distribution, Inc. has issued \$400 million of 9 1/8% Senior Subordinated Notes due 2008. As of June 30, 2005, \$200.3 million of the aggregate principal amount has been redeemed by WESCO. The senior subordinated notes are fully and unconditionally guaranteed by WESCO International, Inc. on a subordinated basis to all existing and future senior indebtedness of WESCO International, Inc. Condensed consolidating financial information for WESCO International, Inc., WESCO Distribution, Inc. and the non-guarantor subsidiaries are as follows:

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS

	June 30, 2005				
	(In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Cash and cash equivalents	\$ 3	\$ 5,646	\$ 9,372	\$ —	\$ 15,021
Trade accounts receivable	—	17,673	317,755	—	335,428
Inventories	—	325,427	64,672	—	390,099
Other current assets	—	20,358	30,346	(13,731)	36,973
Total current assets	3	369,104	422,145	(13,731)	777,521
Intercompany receivables, net	—	112,383	102,661	(215,044)	—
Property, buildings and equipment, net	—	27,777	67,186	—	94,963
Goodwill	—	363,045	38,530	—	401,575
Investments in affiliates and other noncurrent assets	620,784	484,361	3,109	(1,102,770)	5,484
Total assets	\$620,787	\$1,356,670	\$633,631	\$(1,331,545)	\$1,279,543
Accounts payable	\$ —	\$ 413,008	\$ 81,148	\$ —	\$ 494,156
Other current liabilities	—	75,147	17,900	(13,731)	79,316
Total current liabilities	—	488,155	99,048	(13,731)	573,472
Intercompany payables, net	215,044	—	—	(215,044)	—
Long-term debt	—	198,949	48,799	—	247,748
Other noncurrent liabilities	—	48,782	3,798	—	52,580
Stockholders' equity	405,743	620,784	481,986	(1,102,770)	405,743
Total liabilities and stockholders' equity	\$620,787	\$1,356,670	\$633,631	\$(1,331,545)	\$1,279,543
	December 31, 2004				
	(In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Cash and cash equivalents	\$ 1	\$ 15,974	\$ 18,548	\$ —	\$ 34,523
Trade accounts receivable	—	18,077	365,287	—	383,364
Inventories	—	326,194	61,145	—	387,339
Other current assets	—	31,152	27,313	(8,775)	49,690
Total current assets	1	391,397	472,293	(8,775)	854,916
Intercompany receivables, net	—	210,406	26,729	(237,135)	—
Property, buildings and equipment, net	—	26,403	68,339	—	94,742
Goodwill	—	363,045	38,565	—	401,610
Investments in affiliates and other noncurrent assets	590,687	463,489	2,971	(1,051,560)	5,587
Total assets	\$590,688	\$1,454,740	\$608,897	\$(1,297,470)	\$1,356,855
Accounts payable	\$ —	\$ 376,932	\$ 78,889	\$ —	\$ 455,821
Other current liabilities	—	101,989	15,210	(8,775)	108,424
Total current liabilities	—	478,921	94,099	(8,775)	564,245
Intercompany payables, net	237,135	—	—	(237,135)	—
Long-term debt	—	336,782	49,391	—	386,173
Other noncurrent liabilities	—	48,350	4,534	—	52,884
Stockholders' equity	353,553	590,687	460,873	(1,051,560)	353,553
Total liabilities and stockholders' equity	\$590,688	\$1,454,740	\$608,897	\$(1,297,470)	\$1,356,855

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF INCOME

	Three Months Ended June 30, 2005				
	(In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net sales	\$ —	\$896,323	\$165,737	\$ —	\$1,062,060
Cost of goods sold	—	733,515	133,959	—	867,474
Selling, general and administrative expenses	2	122,648	19,337	—	141,987
Depreciation and amortization	—	3,006	678	—	3,684
Results of affiliates' operations	23,001	6,874	—	(29,875)	—
Interest expense (income), net	(5,699)	10,347	2,201	—	6,849
Other (income) expense	—	8,832	(5,828)	—	3,004
Provision for income taxes	1,259	1,848	8,516	—	11,623
Net income (loss)	\$27,439	\$ 23,001	\$ 6,874	\$(29,875)	\$ 27,439

	Three Months Ended June 30, 2004				
	(In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net sales	\$ —	\$796,419	\$134,601	\$ —	\$931,020
Cost of goods sold	—	642,012	105,301	—	747,313
Selling, general and administrative expenses	—	118,549	17,632	—	136,181
Depreciation and amortization	—	3,867	788	—	4,655
Results of affiliates' operations	17,227	11,297	—	(28,524)	—
Interest expense (income), net	(2,862)	14,114	(1,104)	—	10,148
Other (income) expense	—	6,714	(3,797)	—	2,917
Provision for income taxes	1,003	5,233	4,484	—	10,720
Net income (loss)	\$19,086	\$ 17,227	\$ 11,297	\$(28,524)	\$ 19,086

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF INCOME

	Six Months Ended June 30, 2005				
	(In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net sales	\$ —	\$1,732,732	\$320,199	\$ —	\$2,052,931
Cost of goods sold	—	1,415,452	257,711	—	1,673,163
Selling, general and administrative expenses	3	245,848	38,817	—	284,668
Depreciation and amortization	—	6,257	1,366	—	7,623
Results of affiliates' operations	30,902	21,113	—	(52,015)	—
Interest expense (income), net	(10,998)	22,547	4,425	—	15,974
Loss on debt extinguishment	—	10,051	—	—	10,051
Other (income) expense	—	17,556	(12,537)	—	5,019
Provision for income taxes	3,114	5,232	9,304	—	17,650
Net income (loss)	\$ 38,783	\$ 30,902	\$ 21,113	\$(52,015)	\$ 38,783
	Six Months Ended June 30, 2004				
	(In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net sales	\$ —	\$1,524,190	\$254,624	\$ —	\$1,778,814
Cost of goods sold	—	1,232,506	201,749	—	1,434,255
Selling, general and administrative expenses	—	230,069	35,699	—	265,768
Depreciation and amortization	—	8,068	1,593	—	9,661
Results of affiliates' operations	25,066	18,451	—	(43,517)	—
Interest expense (income), net	(5,753)	27,928	(2,187)	—	19,988
Other (income) expense	—	12,790	(8,658)	—	4,132
Provision for income taxes	2,012	6,214	7,977	—	16,203
Net income (loss)	\$28,807	\$ 25,066	\$ 18,451	\$(43,517)	\$ 28,807

WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2005				
	(In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net cash (used) provided by operating activities	\$ 16,834	\$ 125,985	\$ (7,572)	\$—	\$ 135,247
Investing activities:					
Capital expenditures	—	(7,547)	(340)	—	(7,887)
Acquisition payments	—	(1,014)	—	—	(1,014)
Net cash used by investing activities	—	(8,561)	(340)	—	(8,901)
Financing activities:					
Net borrowings (repayments)	(22,091)	(127,246)	(594)	—	(149,931)
Equity transactions	5,259	—	—	—	5,259
Debt issuance costs	—	(506)	(388)	—	(894)
Net cash provided (used) by financing activities	(16,832)	(127,752)	(982)	—	(145,566)
Effect of exchange rate changes on cash and cash equivalents	—	—	(282)	—	(282)
Net change in cash and cash equivalents	2	(10,328)	(9,176)	—	(19,502)
Cash and cash equivalents at the beginning of year	1	15,974	18,548	—	34,523
Cash and cash equivalents at the end of period	\$ 3	\$ 5,646	\$ 9,372	\$—	\$ 15,021
	Six Months Ended June 30, 2004				
	(In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net cash provided (used) by operating activities	\$ 27,016	\$ 49,719	\$ (4,573)	\$ (2)	\$ 72,160
Investing activities:					
Capital expenditures	—	(4,932)	(287)	—	(5,219)
Acquisition payments	—	(30,703)	—	—	(30,703)
Net cash used by investing activities	—	(35,635)	(287)	—	(35,922)
Financing activities:					
Net borrowings (repayments)	(10,673)	(26,417)	(549)	—	(37,639)
Redemption of stock options	(20,144)	—	—	—	(20,144)
Equity transactions	3,800	—	—	—	3,800
Net cash provided (used) by financing activities	(27,017)	(26,417)	(549)	—	(53,983)
Effect of exchange rate changes on cash and cash equivalents	—	—	(331)	—	(331)
Net change in cash and cash equivalents	(1)	(12,333)	(5,740)	(2)	(18,076)
Cash and cash equivalents at the beginning of year	1	16,421	11,073	—	27,495
Cash and cash equivalents at the end of period	\$ —	\$ 4,088	\$ 5,333	\$ (2)	\$ 9,419

9 . SUBSEQUENT EVENTS

On July 1, 2005, WESCO granted 884,500 stock-settled stock appreciation rights at an exercise price of \$31.65.

On July 29, WESCO acquired the assets and business of Fastec Industrial Corp. (Fastec). Fastec is a nationwide importer and distributor of industrial fasteners, cabinet hardware, and locking and latching products and has annual sales of approximately \$55 million and employs 145 people. The acquisition was funded under our existing financing arrangements.

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

The following discussion should be read in conjunction with the information in the unaudited condensed consolidated financial statements and notes thereto included herein and WESCO International Inc.'s Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in its 2004 Annual Report on Form 10-K.

Company Overview

WESCO is a full-line distributor of electrical supplies and equipment and is a provider of integrated supply procurement services. WESCO currently operates approximately 350 full service branches and five distribution centers located in the United States, Canada, Mexico, Puerto Rico, Guam, the United Kingdom, Nigeria, United Arab Emirates and Singapore. We serve over 100,000 customers worldwide, offering over 1,000,000 products from over 24,000 suppliers. Our diverse customer base includes a wide variety of industrial companies; contractors for industrial, commercial and residential projects; utility companies, and commercial, institutional and governmental customers. Approximately 87% of our net sales are generated from operations in the U.S., 11% from Canada and the remainder from other countries.

Sales growth, along with positive impact from our cost improvement initiatives contributed to improved financial results for the first six months of 2005. Sales increased 15.4% over the same period last year and the gross margin of 18.5% compares to 2004 gross margin of 19.4% with the decline primarily due to favorable commodity pricing in 2004, which increased the gross margin percentage in 2004, but was not as significant in 2005 and contributed to a lower gross margin percentage for the period and partially due to a mix shift to lower gross margin sales in 2005. Operating income improved by 26.5% compared with last year's comparable period and the year to date net income was \$38.8 million versus \$28.8 million in last year's comparable period. Operating income improvement was driven by cost control and improved leverage on the sales growth.

Cash Flow

We generated \$135.2 million in operating cash flow for the first six months of 2005. Included in this amount was a \$122.0 million cash inflow from an increase in our Receivables Facility. During the six month period ended June 30, 2005 we redeemed \$123.8 million of our senior subordinated notes at a pretax loss of \$10.1 million, paid \$30 million pursuant to the Bruckner note payable and paid \$1.0 million pursuant to the terms of an acquisition purchase agreement.

Financing Availability

As of June 30, 2005, we had approximately \$204 million in available borrowing capacity under our revolving credit facility.

Outlook

Improvements in operations and our capital structure made in 2004 have positioned us well for 2005. Though we continue to see improvements in the macroeconomic data that reflect activity levels in our major end markets, capital spending in the manufacturing and construction markets we serve are still somewhat below the levels experienced in 2000 and 2001. Although we are seeing signs of improvement, we anticipate a lag before we see a broad-based increase in capital spending. Accordingly, we continue to focus on selling and marketing initiatives to increase market share, margin expansion and cost containment as we drive to improve our operating performance for the rest of 2005.

Critical Accounting Policies and Estimates

During the six-month period ended June 30, 2005, there were no significant changes to our Critical Accounting Policies and Estimates referenced in the 2004 Annual Report on Form 10-K.

Gross Profit

Our calculation of gross profit is net sales less cost of goods sold. Cost of goods sold include our cost of the products sold and excludes cost for selling, general and administrative expenses and depreciation and amortization which are reported separately in the statement of income.

Results of Operations

Second Quarter of 2005 versus Second Quarter of 2004

The following table sets forth the percentage relationship to net sales of certain items in our condensed consolidated statements of income for the periods presented:

	Three Months Ended June 30	
	2005	2004
Net sales	100.0%	100.0%
Gross profit	18.3	19.7
Selling, general and administrative expenses	13.4	14.6
Depreciation and amortization	0.3	0.5
Income from operations	4.6	4.6
Interest expense	0.6	1.1
Loss on debt extinguishment	—	0.1
Other expense	0.3	0.1
Income before income taxes	3.7	3.3
Provision for income taxes	1.1	1.2
Net income	2.6%	2.1%

Net sales in the second quarter of 2005 totaled \$1,062.1 million versus \$931.0 million in the comparable period for 2004, a 14.1% increase. Approximately 12.8% of the increase in sales was attributable to increased volume. The remaining portion of the increase was due to improved pricing on commodity products of 0.4% and 0.9% from the strength of the Canadian dollar.

Gross profit for the second quarter of 2005 was \$194.6 million versus \$183.7 million for the 2004 second quarter, and gross margin percentage of net sales was 18.3% versus 19.7% last year. The gross margin percentage decline was primarily due to a favorable commodity pricing in 2004, which increased the gross margin percentage in 2004, but was not as significant in 2005 and contributed to a lower gross margin percentage for the period and partially due to a mix shift to lower gross margin sales in 2005.

Selling, general and administrative (“SG&A”) expenses in the second quarter of 2005 totaled \$142.0 million versus \$136.2 million in last year’s comparable quarter. Total payroll expense increased approximately \$2.3 million over last year’s second quarter principally from increased salaries and commissions of \$3.2 million, decreased health care and benefits costs of \$0.7 million, decreased variable incentive compensation costs of \$1.2 million and increased stock option expense of \$1.2 million. Shipping and handling expense included in SG&A was \$11.2 million in the second quarter of 2005 compared with \$9.2 million in last year’s second quarter. As a percentage of net sales, SG&A expenses decreased to 13.4% from 14.6% in last year’s second quarter reflecting the leverage of higher sales volume and the continuous improvements resulting from the implementation of our LEAN initiatives.

Depreciation and amortization for the second quarter of 2005 was \$3.7 million versus \$4.7 million in last year’s second quarter. Depreciation in the second quarter decreased \$1.0 million in 2005 compared to 2004 as a result of a reduction in capital spending over each of the last four years.

Interest expense totaled \$6.8 million for the second quarter of 2005 versus \$10.1 million in last year’s second quarter, a decrease of 32.5%. The decline was due to a lower amount of average indebtedness outstanding during the current quarter as compared to the first quarter of 2004 offset somewhat by a slightly higher consolidated effective interest rate.

Other expense during the second quarter of 2005 increased to \$3.0 million versus \$1.3 million in 2004, reflecting costs associated with the Receivables Facility. This increase is due to the increase in the average of the accounts receivable sold for the second quarter of 2005 to \$317.4 million versus \$260.0 million in last year’s comparable quarter and an increase in the average interest rate in 2005 of 3.8% versus 2004 of 1.8%.

Income tax expense totaled \$11.6 million and the effective tax rate was 29.8% for the second quarter of 2005 compared to an income tax expense of \$10.7 million and an effective tax rate 36.0% for the comparable quarter of 2004. The current quarter’s effective tax rate differed from the statutory rate primarily as a result of a decrease in foreign taxes resulting from the recapitalization of the Canadian operations and a decrease in federal taxes due to research and development (R&D) tax credits.

[Table of Contents](#)

For the second quarter of 2005, net income increased by \$8.4 million to \$27.4 million, or \$0.56 per diluted share, compared with \$19.1 million and \$0.44 per diluted share, in the second quarter of 2004. The increase in net income was primarily attributable to increased sales and decreases in selling, general and administrative expenses as a percent of net sales, depreciation and amortization, and interest expense offset by increases in other expense and income tax expense.

Six Months Ended June 30, 2005 versus Six Months Ended June 30, 2004

The following table sets forth the percentage relationship to net sales of certain items in WESCO's condensed consolidated statements of operations for the periods presented:

	Six Months Ended June 30	
	2005	2004
Net sales	100.0%	100.0%
Gross profit	18.5	19.4
Selling, general and administrative expenses	13.9	14.9
Depreciation and amortization	0.4	0.6
Income from operations	4.2	3.9
Interest expense	0.8	1.1
Loss on debt extinguishment	0.5	0.1
Other expense	0.2	0.1
Income before income taxes	2.7	2.6
Provision for income taxes	0.8	0.9
Net income	1.9%	1.7%

Net sales in the six months ended June 30, 2005 totaled \$2,052.9 million versus \$1,778.8 million in the comparable 2004 period, a 15.4% increase. Approximately 13.4% of the increase in sales was attributable to increased volume. The remaining portion of the increase was split between improved pricing on commodity products of approximately 1.1% and the strength of the Canadian dollar of 0.9%.

Gross profit for the six months ended June 30, 2005 of \$379.8 million versus \$344.6 million for last year's comparable period, and gross margin percentage of net sales was 18.5% versus 19.4% last year. The gross margin percentage decline was primarily due to a favorable commodity pricing in 2004, which increased the gross margin percentage in 2004, but was not as significant in 2005 and contributed to a lower gross margin percentage for the period and partially due to a mix shift to lower gross margin sales in 2005.

SG&A expenses during the six months ended June 30, 2005 totaled \$284.7 million versus \$265.8 million in last year's comparable period. Total payroll expense increased approximately \$13.1 million over last year's first half principally from increased salaries and commissions of \$8.6 million, increased variable incentive compensation costs of \$0.7 million, increased health care and benefits costs of \$3.0 million and increased stock option expense of \$2.5 million offset by decreases in other payroll related expenses of \$1.7 million. Shipping and handling expense included in SG&A was \$21.0 million and \$17.8 million for the six months ending June 30, 2005 and 2004, respectively. As a percentage of net sales, SG&A expenses decreased to 13.9% compared with 14.9% in last year's six-month period reflecting the leverage of higher sales volume and the continuous improvements resulting from the implementation of our LEAN initiatives.

Depreciation and amortization was \$7.6 million in the first six months of 2005 versus \$9.7 million in last year's comparable period. The decrease of \$2.1 million in 2005 compared to 2004 as a result of a reduction in capital expenditures over each of the last four years.

Interest expense totaled \$16.0 million for the six months ended June 30, 2005 versus \$20.0 million in last year's comparable period. The decline was due to a lower amount of indebtedness outstanding during the current period offset somewhat by a slightly higher consolidated effective interest rate.

Loss on debt extinguishments of \$10.1 million and \$1.6 million for the six months ended June 30, 2005 and 2004, respectively, represented the loss on the repurchase of our senior subordinated notes during those periods.

Other expense for the six months ended June 30, 2005 increased to \$5.0 million versus \$2.5 million in 2004, reflecting costs associated with the Receivables Facility. This increase is due to the increase in the average of the accounts receivable sold for this six month period of 2005 to \$289.2 million versus \$243.6 million in last year's comparable six month period and an increase in the in the average interest rate in 2005 of 3.5% versus 2004 of 1.8%.

Table of Contents

For the six months ended June 30, 2005, income tax expense totaled \$17.7 million and the effective tax rate was 31.3%. Income tax expense totaled \$16.2 million in last year's comparable period and the effective tax rate was 36.0%. The effective tax rate for the six months ended June 30, 2005 differed from the statutory rate primarily as a result of a decrease in foreign taxes resulting from the recapitalization of the Canadian operations and a decrease in federal taxes due to R&D tax credits.

For the six months ended June 30, 2005, net income totaled \$38.8 million, or \$0.79 per diluted share, versus \$28.8 million, or \$0.67 per diluted share, in last year's comparable period. The increase in net income was primarily attributable to increased sales and decreases in selling, general and administrative expenses as a percent of net sales, depreciation and amortization and interest expense offset by increases in loss from debt extinguishment, other expense and income tax expense.

Liquidity and Capital Resources

Total assets were \$1.3 billion and \$1.4 billion at June 30, 2005 and December 31, 2004, respectively. During the first six months of 2005, total liabilities decreased \$129.5 million to \$873.8 million. This net decrease was primarily due to a decrease in accrued payroll and benefit costs of \$16.6 million from the payment in 2005 related to 2004 management incentive compensation and a decrease of \$138.4 million in long-term debt primarily from the repurchase of \$123.8 million of the Company's senior subordinated notes, partially offset by an increase of \$38.3 million in accounts payable due to higher sales volume.

Our liquidity needs arise from seasonal working capital requirements, capital expenditures, acquisitions and debt service obligations. In addition, certain of our acquisition agreements contain earn-out provisions based principally on future earnings targets, only one of which could require a significant payment. Management estimates these payments could range up to \$17 million and could be made in multiple payments between 2006 and 2010.

We finance our operating and investing needs, as follows:

Revolving Credit Facility

In March 2002, WESCO Distribution, Inc. entered into a \$290 million revolving credit agreement that is collateralized by substantially all inventory owned by WESCO and also by the accounts receivable of WESCO Distribution Canada LP. We reduced the size of this revolving credit facility to \$200 million in September 2003. In June 2005, we increased the size of the facility to \$250 million and amended the maturity date to June 17, 2010. Availability under the facility is limited to the amount of U.S. and Canadian eligible inventory and Canadian receivables applied against certain advance rates. Depending upon the amount of excess availability under the facility, interest is calculated at LIBOR plus a margin that ranges between 1.0% to 1.75% or at the Index Rate (prime rate published by The Wall Street Journal) plus a margin that ranges between (0.25%) to 0.50%. As long as the average daily excess availability for both the preceding and projected succeeding 90-day period is greater than \$50 million, then we would be permitted to make acquisitions and repurchase outstanding public stock and bonds.

The above permitted transactions would also be allowed if such excess availability is between \$25 million and \$50 million and our fixed charge coverage ratio, as defined by the agreement, is at least 1.25 to 1.0 after taking into consideration the permitted transaction. Additionally, if excess availability under the agreement is less than \$50 million, then we must maintain a fixed charge coverage ratio of 1.1 to 1.0. At June 30, 2005, the interest rate was 4.3%. We were in compliance with all such covenants as of June 30, 2005. During the six months ending June 30, 2005, borrowings and repayments were each \$147.4 million. At June 30, 2005 there was no outstanding balance and approximately \$227 million in availability.

Senior Notes

On March 1, 2005, we redeemed \$123.8 million in aggregate principal amount of our senior subordinated notes at a loss of \$10.1 million resulting from the payment of the call premium and the write-off of the unamortized original issue discount and debt issue costs. As of June 30, 2005, we had remaining \$199.7 million in principal amount of the 9 1/8% Senior Subordinated Notes due 2008 that were issued in June 1998.

Mortgage Financing Facility

In February 2003, WESCO finalized a \$51 million mortgage financing facility, \$48.8 million of which was outstanding as of June 30, 2005. Borrowings under the mortgage financing are collateralized by 75 domestic properties and are subject to a 22-year amortization schedule with a balloon payment due at the end of the 10 year term. Interest rates on borrowings under this facility are fixed at 6.5%.

[Table of Contents](#)

Bruckner Note Payable

In June 2005, we paid \$30 million pursuant to the Bruckner note payable.

Interest Rate Swap Agreements

In September 2003, we entered into a \$50 million interest rate swap agreement and in December 2003, we entered into two additional \$25 million interest rate swap agreements. These agreements have terms expiring concurrently with the maturity of our 9 1/8% senior subordinated notes and were entered into with the intent of converting \$100 million of the senior subordinated notes from a fixed-to-floating rate. Pursuant to these agreements, we receive semi-annual fixed interest payments at the rate of 9.125% commencing December 1, 2003 and make semi-annual variable interest rate payments at six-month LIBOR rates plus a premium in arrears. The LIBOR rates in the agreements reset every six months. Therefore, the effective interest rate at June 30, 2005, ranged from 7.4% to 7.6%. The agreements can be terminated by the counterparty in accordance with a redemption schedule that is consistent with the redemption schedule for the senior subordinated notes.

We enter into interest rate swap agreements as a means to hedge our interest rate exposure and maintain certain amounts of variable rate and fixed rate debt. Since the swaps have been designated as hedging instruments, their fair values are reflected in our Consolidated Balance Sheets. Net amounts to be received or paid under the swap agreements are reflected as adjustments to interest expense.

Cash Flow

Operating Activities. Cash provided by operating activities during the first six months of 2005 totaled \$135.2 million compared to \$72.2 million in the prior year. Cash provided by operating activities during the first six months of 2005 and for the same period in 2004, included cash inflows of \$122.0 million and \$75.0 million, respectively, associated with changes related to our Receivables Facility. Cash generated by net income of \$38.8 million adjusted for non cash items of \$11.8 million for the six months ending June 30, 2005 totaled \$50.6 million. Cash generated by net income of \$28.8 million and adjustments for non cash items of \$13.5 million for the comparable six months of 2004 totaled \$42.3 million. During the six months ending June 30, 2005 and 2004, cash inflows from increases in accounts payable of \$39.4 million and \$79.4 million, respectively, were offset by a use of cash for increased accounts receivable of \$64.6 million and \$78.8 million, respectively. During the six months ending June 30, 2005 and 2004, the combined changes in inventories, prepaid expenses, accrued payroll and benefits and other current and noncurrent liabilities resulted in a use of cash of \$12.2 million and cash inflows of \$45.8 million, respectively.

Investing Activities. Net cash used in investing activities for the first six months of 2005 and 2004 was \$8.9 million and \$35.9 million respectively. Capital expenditures were \$7.9 million and \$5.2 million for the six months ending June 30, 2005 and 2004, respectively. Expenditures made pursuant to the terms of acquisition purchase agreements during the first six months of 2005 and 2004 were \$1.0 million and \$30.7 million, respectively.

Financing Activities. Net cash used by financing activities for the first six months of 2005 and 2004 was \$145.6 million and \$54.0 million, respectively. During the first six months of 2005, the Company redeemed \$123.8 million in aggregate principal amount of senior subordinated notes. Proceeds and repayments from long-term debt, inclusive of the redemption of the senior subordinated notes during the first six months of 2005, were \$147.4 million and \$297.3 million, respectively, and \$165.8 million and \$203.4 million during the first six months of 2004. During the first six months of 2004, \$20.1 million in cash payments were made to certain employees for the redemption of stock options. During the first six months of 2005 and 2004, the proceeds from the redemption of stock options were \$5.3 million and \$3.8 million, respectively. During the first six months of 2005, expenditures of \$0.9 million were made in conjunction with the amendments to the revolving credit facility and the receivables facility.

Contractual Cash Obligations and Other Commercial Commitments

There have not been any material changes in our contractual obligations and other commercial commitments that would require an update to the disclosure provided in our Form 10-K for the year-ended December 31, 2004.

Off-Balance Sheet Arrangements

Accounts Receivable Securitization Program

Our accounts receivable securitization facility was amended on May 11, 2005 and provides for a \$350 million purchase commitment with a three year term expiring May 9, 2008. Under the Receivables Facility, WESCO sells, on a continuous basis, to WESCO Receivables Corporation, a wholly owned special purpose company (“SPC”), an undivided interest in all domestic accounts receivable. The SPC sells without recourse to a third-party conduit, all the eligible receivables while maintaining a subordinated interest, in the form of overcollateralization, in a portion of the receivables. We have agreed to continue servicing the sold receivables for the financial institution at market rates; accordingly, no servicing asset or liability has been recorded. As of June 30, 2005, \$330.0 million in funding was outstanding under the Receivables Facility with \$20.0 million in availability.

Inflation

The rate of inflation, as measured by changes in the consumer price index, did not have a material effect on the sales or operating results of the Company during the periods presented. However, inflation in the future could affect the Company’s operating costs. Price changes from suppliers have historically been consistent with inflation and have not had a material impact on the Company’s results of operations.

Seasonality

The Company’s operating results are affected by certain seasonal factors. Sales are typically at their lowest during the first quarter due to a reduced level of activity during the winter months of January and February. Sales increase beginning in March with slight fluctuations per month through December. As a result, the Company reports sales and earnings in the first quarter that are generally lower than that of the remaining quarters.

Impact of Recently Issued Accounting Standards

In May 2005, the Financial Accounting Standards Board issued SFAS No. 154, *Accounting Changes and Error Corrections*, which changes the requirements for the accounting and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle as well as to changes required by an accounting pronouncement that does not include specific transition provisions. SFAS No. 154 eliminates the requirement to include the cumulative effect of changes in accounting principle in the income statement and instead requires that changes in accounting principle be retroactively applied. A change in accounting estimate continues to be accounted for in the period of change and future periods if necessary. A correction of an error continues to be reported by restating prior period financial statements. SFAS No. 154 is effective for WESCO for accounting changes and correction of errors made on or after January 1, 2006.

In December 2004, the FASB issued Statement of Financial Accounting Standard (“SFAS”) No. 123R, *Share- Based Payment*. This statement is a revision of SFAS Statement No. 123, *Accounting for Stock-Based Compensation* and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related implementation guidance. SFAS No. 123R addresses all forms of share based payment (“SBP”) awards including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. Under SFAS No.123R, SBP awards result in a cost that will be measured at fair value on the awards’ grant date, based on the estimated number of awards that are expected to vest and will be reflected as compensation expense in the financial statements. In addition, this statement will apply to unvested options granted prior to the effective date. This new standard is effective for annual reporting periods that begin after June 15, 2005. WESCO is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs — an amendment of Accounting Research Bulletin (ARB) No. 43, Chapter 4*. This Statement amends the guidance in ARB No. 43, Chapter 4, *Inventory Pricing*, to clarify the accounting for normal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). This statement becomes effective for fiscal years beginning after June 15, 2005. It is expected that this statement will not have a material effect on our financial statements.

In May 2004, the FASB issued FASB Staff Position (FSP) No. FAS 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004* (FSP 109-2) which provides guidance under SFAS No. 109, *Accounting for Income Taxes*, with respect to recording the potential impact of the repatriation provisions of the American Jobs Creation Act of 2004 (the Jobs Act) on enterprises’ income tax expense and deferred tax liability. The Jobs Act was enacted on October 22, 2004. FSP 109-2 states that an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the effect of the Jobs Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying SFAS No. 109. We have no plans to make an election under this act to repatriate foreign earnings. Accordingly, as provided for in FSP 109-2, we have not adjusted our tax expense or deferred tax liability to reflect the repatriation provisions of the Jobs Act.

Forward-Looking Statements

From time to time in this report and in other written reports and oral statements, references are made to expectations regarding our future performance. When used in this context, the words “anticipates,” “plans,” “believes,” “estimates,” “intends,” “expects,” “projects,” “will” and similar expressions may identify forward-looking statements, although not all forward-looking statements contain such words. Such statements including, but not limited to, our statements regarding our business strategy, growth strategy, productivity and profitability enhancement, new product and service introductions and liquidity and capital resources are based on management’s beliefs, as well as on assumptions made by, and information currently available to, management, and involve various risks and uncertainties, certain of which are beyond our control. Our actual results could differ materially from those expressed in any forward-looking statement made by or on our behalf. In light of these risks and uncertainties there can be no assurance that the forward-looking information will in fact prove to be accurate. Factors that might cause actual results to differ from such forward-looking statements include, but are not limited to, an increase in competition, the amount of outstanding indebtedness, the availability of appropriate acquisition opportunities, availability of key products, functionality of information systems, international operating environments and other risks that are described in our Annual Report on Form 10-K for the year ended December 31, 2004 which are incorporated by reference herein or other documents subsequently filed with the Securities and Exchange Commission. We have undertaken no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

There have not been any material changes to our exposures to market risk during the six months ended June 30, 2005 that would require an update to the disclosures provided in our Form 10-K for the year-ended December 31, 2004.

At June 30, 2005 the net fair value of interest-rate-related derivatives designated as fair value hedges of debt was a liability of \$0.7 million.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by WESCO in reports that it files under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and to timely alert them to any material information relating to the registrant and its consolidated subsidiaries that is required to be included in our periodic reports. There have been no significant changes in internal control over financial reporting that occurred during the second quarter, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II — Other Information

Item 1. Legal Proceedings

From time to time, a number of lawsuits and claims have been or may be asserted against WESCO relating to the conduct of its business, including routine litigation relating to commercial and employment matters. The outcomes of litigation cannot be predicted with certainty, and some lawsuits, including the matters specified below, may be determined adversely to WESCO. However, management does not believe that the ultimate outcome is likely to have a material adverse effect on WESCO's financial condition or liquidity, although the resolution in any fiscal quarter of one or more of these matters may have a material adverse effect on WESCO's results of operations for that period.

WESCO is a defendant in a lawsuit in a state court in Florida in which a former supplier alleges that WESCO failed to fulfill its commercial obligations to purchase product and seeks substantial monetary damages. WESCO believes that it has meritorious defenses. Discovery is ongoing. The court had scheduled the case for trial in August 2005, but has granted a motion for continuance to a date to be determined.

WESCO is a defendant in a suit filed in federal district court in northern California alleging antitrust, contract and other claims. Plaintiff, a contractor, alleges that WESCO has monopolized the sale and distribution of certain electrical products in a regulated utility services market. Plaintiff seeks economic and treble damages as well as punitive damages and injunctive relief. WESCO believes that it has meritorious defenses and has asserted counterclaims for breach of contract. Discovery has been extended until late 2005.

Item 5. Other Information

As discussed in our previous SEC Form 8-K filings on June 15, 2005 and August 3, 2005, during the three month period ended June 30, 2005, Cypress Group LLC (Cypress) sold 4.0 million shares of common stock of WESCO International and on August 3, 2005, Cypress sold their remaining 9.1 million shares of common stock of WESCO International. WESCO did not receive any proceeds from the sale of these securities.

Item 6. Exhibits

(a) Exhibits

- 31.1 Certification of Chief Executive Officer pursuant to Rules 13a-14(a) promulgated under the Exchange Act.
- 31.2 Certification of Chief Financial Officer pursuant to Rules 13a-14(a) promulgated under the Exchange Act.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 4, 2005

WESCO International, Inc.

/s/ Stephen A. Van Oss

Stephen A. Van Oss
Senior Vice President, Chief Financial and
Administrative Officer

CERTIFICATION

I, Roy W. Haley, Chairman and Chief Executive Officer of WESCO International, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of WESCO International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2005

By: /s/ Roy W. Haley
Roy W. Haley
Chairman and Chief Executive Officer

CERTIFICATION

I, Stephen A. Van Oss, Senior Vice President and Chief Financial and Administrative Officer of WESCO International, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of WESCO International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2005

By: /s/ Stephen A. Van Oss

Stephen A. Van Oss
Senior Vice President and Chief Financial
and Administrative Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of WESCO International, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: August 4, 2005

By: /s/ Roy W. Haley
Roy W. Haley
Chairman and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of WESCO International, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: August 4, 2005

By: /s/ Stephen A. Van Oss
Stephen A. Van Oss
Senior Vice President and Chief Financial
and Administrative Officer