WESCO INTERNATIONAL

WESCO INTERNATIONAL, INC.

2003

Annual Report & Form 10-K

Corporate Profile

WESCO International, Inc. [NYSE: WCC] is a leading distributor of electrical construction products and electrical and industrial maintenance, repair and operating (MRO) supplies, as well as the nation's largest provider of integrated supply services. Headquartered in Pittsburgh, Pennsylvania, the company employs approximately 5,200 people, maintains relationships with 24,000 suppliers, and serves more than 100,000 customers worldwide. Major markets include commercial and industrial firms, contractors, governmental agencies, educational institutions, telecommunications businesses and utilities. WESCO operates five fully automated distribution centers and 350 full-service branches in North America and selected international markets, providing a local presence for area customers and a global network to serve multi-location businesses and multi-national corporations.

Financial Highlights

Year Ended December 31 *(Dollars in millions)*	2003	2002	2001	2000	1999
Net sales	$ **3,286.8**	$ 3,325.8	$ 3,658.0	$ 3,881.1	$ 3,423.9
Gross profit	**610.1**	590.8	643.5	684.1	616.6
Income from operations	**86.1**	76.6	95.3	125.4	125.0
Interest and other expenses	**47.0**	50.7	62.0	68.7	66.5
Net income	**30.0**	23.1	20.2	33.4	24.6
Working capital	**176.6**	178.6	188.6	229.8	199.0
Long-term debt (including current portion)	**422.2**	418.0	452.0	483.3	426.4
Stockholders' equity	**167.7**	169.3	144.7	125.0	117.3
Return on Equity	**17.9%**	13.6%	14.0%	26.7%	21.0%

To Our Shareholders, Friends and Employees

2003 was a year marked by meaningful change and notable improvements in operating and financial performance. In spite of a continuing weak economy and considerable deterioration in several of our key market segments, WESCO achieved a 30% increase in net income and a 33% increase in earnings per share. This significant improvement over prior year results was achieved even though company-wide sales declined 1.2% to $3.3 billion.

continued on next page...

Improved financial performance was the result of disciplined operational execution by thousands of WESCO employees in all areas of the Company. Major initiatives in sales and service activities brought expanded product offerings and new customer relationships. This new business was instrumental in offsetting general market declines in many industrial segments, utility markets, and large construction projects. WESCO's leading position in integrated supply and national accounts marketing programs was enhanced by increasing sales to new and existing customers, producing further market share gains. The value and effectiveness of our sales and service programs are continuously being reconfirmed by additions to our high-quality customer base.

Systems improvements and refinements in contract administration, pricing, and procurement contributed to gross profit gains, notwithstanding the highly competitive sales environment, an increasing number of reverse auctions, and the renewal of major agreements with existing customers. The full-year gross margin rate of 18.6% was a record for the Company, and further gains are expected as a result of continuous improvement activities.

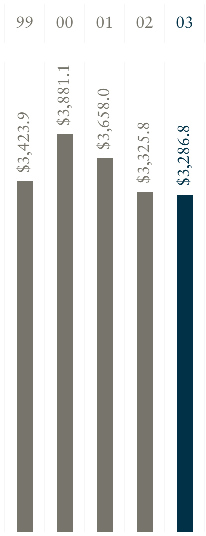
Productivity Improvement Initiatives

Last year, we reported that we were exploring the potential for applying productivity improvement concepts similar to those employed by leading industrial firms. During the second half of 2003, we launched a series of major productivity initiatives utilizing concepts and techniques drawn from LEAN manufacturing methodologies and adapted to a sales, service, and logistics environment. Our approach to LEAN was developed and piloted in one branch, then refined and extended to full implementation in approximately 100 branches. More than 1,500 employees have now participated in various aspects of nearly 500 LEAN improvement events. As a result of this effort, WESCO has established a broad-based continuous improvement program that will help drive gains in service levels and operational productivity for years to come.

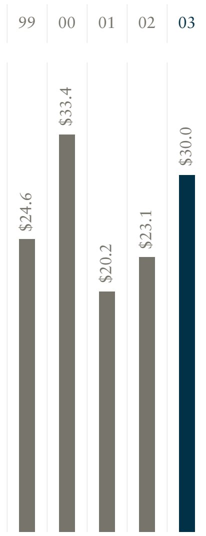
Our initial focus for LEAN implementation was branch operations, where we concentrated on warehousing, purchasing, inventory control, back office administrative functions, and sales. We have identified more than $10 million in profit improvement and working capital opportunities in the first 100 branches participating in this program. In addition to cost savings, we are significantly improving order service levels, and reducing both cycle times and the incidence of processing delays. We have launched the largest training initiative ever attempted by the Company for branch sales and administrative personnel with an emphasis on streamlining and increasing the efficiency of order handling, and reducing the frequency of special processing, errors, and rework. WESCO's LEAN initiative has also provided a highly effective mechanism for training warehousing personnel, achieving workflow efficiencies and space reduction, and upgrading delivery and service quality.

As a result of our initial LEAN projects, we expect to realize significant benefits in 2004 and extend the program to another group of 100 or more branches. We have also begun to implement LEAN improvement initiatives in major administrative departments that support branch operations. In addition, we have

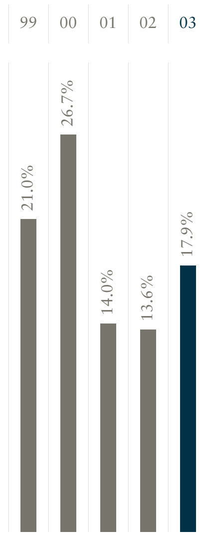
Improved financial performance
was the result of *disciplined operational execution*
by thousands of WESCO employees



NET SALES
(in millions)



NET INCOME
(in millions)



RETURN ON EQUITY

found that major customers and suppliers are quite interested in working on joint LEAN initiatives that can increase both the size and operational effectiveness of our business relationships.

Sales and Marketing Emphasis

In 2003, WESCO also enhanced its sales and marketing programs and related support activities. An ongoing program of traveling product trade shows is helping to strengthen WESCO's position as a primary source for customer information on new products and innovative applications and product solutions. During the past year, we completed two different trade show efforts targeting energy management and safety solutions, and launched a new program featuring tools, testers, and instrumentation. To date, we have completed 87 shows featuring products and solutions from 45 suppliers and drawing customer attendance and participation of nearly 6,000. These programs provide significant sales benefits through increased hands-on product-related training, higher levels of supplier participation and technical assistance, and stronger overall customer and supplier relationships.

In addition to our successful Trade Show program, we have expanded our use of advanced information systems technology to drive sales and marketing programs. Over the past several years, WESCO has developed extensive data warehousing and data mining capabilities, and during 2003, we began a continuous program of targeted direct mail information campaigns and focused product promotions. Through careful analysis of millions of sales transactions that have occurred over the past four years, we have been systematically refining our data mining capabilities to target specific products and market segments. Based on documented successes in multiple product categories, direct mail programs are being significantly expanded in 2004.

Also in 2003, WESCO expanded its product offering and produced new general line and product-specific catalogs and periodic supplements that feature promotional specials and catalog additions. Comprehensive new product catalogs were developed for utility-oriented operating and consumable supplies and for the full line of Craftsman branded tools. Additionally, supplemental customized editions of the completely upgraded Electrical Buyers Guide® were produced for certain WESCO branch operating groups.

2003 Operating Results

WESCO's management and "extra effort" employees once again demonstrated the strength inherent in our basic business model. Even in a period of weak end-market demand and declining sales, we improved

Operating income increased 12% to $86 million, and net income improved 30% to $30 million. Earnings per share increased from $0.49 to $0.65.

gross margins, controlled operating costs, generated significant free cash flow, paid down debt, and improved the overall quality of our working capital and financial structure.

Sales revenue for 2003 was $3.29 billion, a 1.2% decline from 2002 levels. However, operating income increased 12% to $86 million, and net income improved 30% to $30 million. Earnings per share increased from $0.49 to $0.65.

The combination of earnings, improved working capital performance, and disciplined investment spending in 2003 resulted in operating cash flow of $36 million (in addition to a $68 million reduction in our accounts receivable securitization). Over the past three years, WESCO has generated over $215 million of operating cash flow (in addition to a $150 million reduction in our accounts receivable securitization), which is a clear indication of a highly effective business model.

Balance Sheet Strength

The actions taken over the past two years by our Treasury department have significantly strengthened our financial position and established a significant reserve of funding capacity that is available to respond to future opportunities. During 2003 we improved asset quality and working capital turnover, and we made great improvements in overall corporate capitalization. Early in the year, we took advantage of favorable long-term rates to successfully complete $51 million of mortgage financing of certain owned facilities. We also renewed our most efficient and lowest cost funding facility – our accounts receivables securitization program – incorporating a three-year term component for 45% of this $300 million facility. During the second half of the year, we repurchased some higher cost debt and completed two equity purchase transactions. Taken together, these transactions created additional financing flexibility, lengthened the average term of outstanding debt, and locked in favorable interest rates.

By most measures, WESCO had excellent overall performance in 2003. We thank our employess for their dedication, and we extend our gratitude to WESCO's customers, supplier partners, and shareholders for their continued support.

Roy W. Haley
Chairman and Chief Executive Officer

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

FORM 10-K

(Mark One)

[X] Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2003

or

[ ] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission file number 001-14989

WESCO INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**25-1723342**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
225 West Station Square Drive **Suite 700** **Pittsburgh, Pennsylvania**	**15219**
(Address of principal executive offices)	(Zip Code)

(412) 454-2200

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of Class	Name of Exchange on which registered
Common Stock, par value $.01 per share	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

None

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 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 an accelerated filer (as defined in Rule 12b-2 of the Act). Yes X No __

The registrant estimates that the aggregate market value of the voting shares held by non-affiliates of the registrant was approximately $109.0 million as of June 30, 2003, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price on the New York Stock Exchange for such stock.

As of February 27, 2004, 41,186,011 shares of Common Stock, par value $.01 per share of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III of this Form 10-K incorporates by reference portions of the registrant's Proxy Statement for its 2004 Annual Meeting of Stockholders.

Table of Contents

ITEM 1	Business	7
ITEM 2	Properties	22
ITEM 3	Legal Proceedings	22
ITEM 4	Submission of Matters to a Vote of Security Holders	22
ITEM 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	23
ITEM 6	Selected Financial Data	24
ITEM 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
ITEM 7A	Quantitative and Qualitative Disclosures about Market Risks	35
ITEM 8	Financial Statements and Supplementary Data	35
ITEM 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	63
ITEM 9A	Controls and Procedures	63
ITEM 10	Directors and Executive Officers of the Registrant	64
ITEM 11	Executive Compensation	64
ITEM 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	65
ITEM 13	Certain Relationships and Related Transactions	65
ITEM 14	Principal Accountant Fees and Services	65
ITEM 15	Exhibits, Financial Statement Schedules and Reports on Form 8-K	66
	Signatures	70

PART I ITEM I Business

In this Annual Report on Form 10-K, "WESCO" refers to WESCO International, Inc., and its subsidiaries and its predecessors unless the context otherwise requires. References to "we," "us," "our" and the "Company" refer to WESCO and its subsidiaries. Our subsidiaries include WESCO Distribution, Inc. ("WESCO Distribution") and WESCO Distribution Canada, Inc. ("WESCO Canada"), both of which are wholly owned by WESCO.

The Company

With sales of approximately $3.3 billion in 2003, we are a leading North American provider of electrical construction products and electrical and industrial maintenance, repair and operating supplies, commonly referred to as "MRO." We are the second largest distributor in the estimated $74 billion U.S. electrical distribution industry, and the largest provider of integrated supply services. Our integrated supply solutions and outsourcing services are designed to fulfill a customer's industrial MRO procurement needs through a highly automated, proprietary electronic procurement and inventory replenishment system. This allows our customers to consolidate suppliers and reduce their procurement and operating costs. We have approximately 350 branches and five distribution centers located in 48 states, nine Canadian provinces, Puerto Rico, Mexico, Guam, the United Kingdom, Nigeria 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. Our leading market positions, experienced workforce, extensive geographic reach, broad product and service offerings and acquisition program have enabled us to compete effectively against the companies in our industry.

Industry Overview

The electrical distribution industry serves customers in a number of markets including the industrial, electrical contractors, utilities, government and institutional markets. Electrical distributors, such as we are, provide logistical and technical services for customers by bundling a wide range of products typically required for the construction and maintenance of electrical supply networks, including wire, lighting, distribution and control equipment and a wide variety of electrical supplies. This distribution channel enables customers to efficiently access a broad range of products and has the capacity to deliver value-added services. Customers are increasingly demanding that distributors provide a broader and more complex package of services as they seek to outsource non-core functions and achieve documented cost savings in purchasing, inventory and supply chain management.

Electrical Distribution. The U.S. electrical distribution industry had sales of approximately $74 billion in 2003. While overall weakness in the current economic environment has contributed to static sales since 2000, industry growth has averaged 5% per year from 1985 to 2003. This long-term expansion has been driven by general economic growth, increased use of electrical products in businesses and industries, new products and technologies, and customers who are seeking to more efficiently purchase a broad range of products and services from a single point of contact, thereby eliminating the costs and expenses of purchasing directly from manufacturers or multiple sources. The U.S. electrical distribution industry is highly fragmented. The four national distributors, including WESCO, account for approximately 17% of estimated total industry sales.

Integrated Supply. The market for integrated supply services has more than doubled from $5 billion in 1997 to over $12 billion in 2001, an increase of 25% per year. Industry projections estimate that the integrated supply market will reach $26 billion by 2005. Growth is being driven by the desire of large industrial companies to reduce operating expenses by implementing comprehensive third-party programs, which outsource the cost-intensive procurement, stocking and administrative functions associated with the purchase and consumption of MRO supplies. For our customers, these costs can account for over 50% of the total costs for MRO products and services. The total potential in the United States for integrated supply services, measured as all purchases of industrial MRO supplies and services, is currently estimated to be approximately $260 billion.

Competitive Strengths

Market Leadership. Our ability to manage large construction projects and complex multi-site plant maintenance programs and procurement projects that require special sourcing, technical advice, logistical support and locally based service has enabled us to establish leadership positions in our principal markets. We have utilized these skills to generate significant revenues in industries with intensive use of electrical and MRO products, including electrical contracting, utilities, original equipment manufacturing, process manufacturing and other commercial, institutional and governmental entities. We also have extended our position within these industries to expand our customer base.

Value-added Services. We are a leader in providing a wide range of services and procurement solutions that draw on our product knowledge, supply and logistics expertise and systems capabilities, enabling our customers to reduce supply chain costs and improve efficiency. These programs include:

- *National Accounts* – we coordinate product supply and materials management activities for MRO supplies, project needs and direct material for customers with multiple locations who seek purchasing leverage through a single electrical products provider;
- *Integrated Supply* – we design and implement programs that enable our customers to significantly reduce the number of MRO suppliers they use through services that include highly automated, proprietary electronic procurement and inventory replenishment systems and on-site materials management and logistics services; and
- *Construction National Accounts* – we have a dedicated team of experienced construction sales management personnel to service the needs of the regional and national contractors. Top engineering and construction firms which specialize in major projects such as airport expansions, power plants and oil and gas facilities are also a focus group.

Broad Product Offering. We provide our customers with a broad product selection consisting of over 1,000,000 electrical, industrial and data communications products sourced from over 24,000 suppliers. Our broad product offering enables us to meet virtually all of a customer's electrical product and other MRO requirements.

Extensive Distribution Network. Our distribution network consists of approximately 350 branches and five distribution centers located in 48 states, nine Canadian provinces, Mexico, the United Kingdom, Singapore, Puerto Rico, Nigeria and Guam. This extensive network, which would be extremely difficult and expensive to duplicate, allows us to:

- maintain local sourcing of customer service, technical support and sales coverage;
- tailor branch products and services to local customer needs;
- offer multi-site distribution capabilities to large customers and national accounts; and
- provide same-day deliveries.

Low Cost Operator. Our competitive position has been enhanced by our low cost position, which is based on:

- extensive use of automation and technology;
- centralization of functions such as purchasing, accounting and information systems;
- strategically located distribution centers;
- purchasing economies of scale; and
- incentive programs that increase productivity and encourage entrepreneurship.

Our low cost position enables us to generate a significant amount of net cash flow as the capital investment required to maintain our business is low. This cash flow is available for debt reduction, continued investment in the growth of the business and strategic acquisitions.

Business Strategy

Our objective is to be the leading provider of electrical products and other MRO supplies and services to companies in North America and selected international markets. In achieving this leadership position, our goal is to grow earnings at a faster rate than sales by focusing on margin enhancement and continuous productivity improvement. Our growth strategy leverages our existing strengths and focuses on developing new initiatives and programs.

Enhance Our Leadership Position in Electrical Distribution. We will continue to leverage our extensive market presence and brand equity in the WESCO name to further our leadership position in electrical distribution. We are focusing our sales and marketing on existing industries where we are expanding our product and service offerings as well as targeting new clients, both within industries we currently serve and in new markets which provide significant growth opportunities. Markets where we believe such opportunities exist include retail, education, financial services and health care. We are the second largest electrical distributor in the United States and, through our value-added products and services, we believe we have become the industry leader in serving several important and growing markets including:

- industrial customers with large, complex plant maintenance operations, many of which require a national multi-site service solution for their electrical product needs;
- large contractors for major industrial and commercial construction projects;
- the electric utility industry; and
- manufacturers of factory-built homes, recreational vehicles and other modular structures.

Grow National Accounts Programs. From 1994 through 2003, revenue from our national accounts program increased 10% annually. We will continue to invest in the expansion of this program. Through our national accounts program, we coordinate electrical MRO procurement and purchasing activities primarily for large industrial and commercial companies across multiple locations. We have well-established relationships with over 250 companies, providing us with a recurring base of revenue through multi-year agreements. Our objective is to continue to increase revenue generated through our national accounts program by:

- offering existing national account customers new products and services and serving additional locations;
- extending certain established national account relationships to include integrated supply; and
- expanding our customer base by leveraging our existing industry expertise in markets we currently serve as well as entering into new markets.

Focus on Construction National Accounts. We are increasing our focus on large construction, renovation and institutional projects. We seek to secure new major project contracts through:

- active national marketing of our demonstrated project management capabilities;
- further development of relationships with leading regional and national contractors and engineering firms;
- close coordination with national account customers on their major project requirements; and
- offering an integrated supply service approach to contractors for major projects.

Extend Our Leadership Position in Integrated Supply. We are the largest provider of integrated supply services for MRO goods and services in the United States. We provide a full complement of outsourcing solutions, focusing on improving the supply chain management process for our customers' indirect purchases. Our integrated supply programs replace the traditional multi-vendor, resource-intensive procurement process with a single, outsourced, fully automated process capable of managing all MRO and related service requirements. Our solutions range from timely product delivery to assuming full responsibility for the entire procurement function.

Our customers include some of the largest industrial companies in the United States. We will continue to expand our leadership position as the largest integrated supply service provider by:

- continuing to tailor our proven and profitable business model to the scale and scope of our customers' operations;
- maximizing the use of our highly automated proprietary information systems;
- leveraging established relationships with our large industrial customer base, especially among existing national account customers who could benefit from our integrated supply model; and
- being a low-cost provider of integrated supply services.

We intend to utilize these competitive strengths to increase our integrated supply sales to both new and existing customers, including our existing national account customers.

Gain Share in Key Local Markets. Significant opportunities exist to gain market share in the highly fragmented local markets. We intend to increase our market share in key geographic markets through a combination of increased sales and marketing efforts at existing branches, acquisitions that expand our product and customer base and new branch openings. We will continue to leverage our existing relationships with preferred suppliers to increase sales of their products in local markets through various initiatives, including sales promotions, cooperative marketing efforts, direct participation by suppliers in national accounts implementation, dedicated sales forces and product exclusivity. To promote growth, we have instituted a compensation system for branch managers that encourages our branch managers to increase sales and optimize business activities in their local markets, including managing the sales force, configuring inventories, targeting potential customers for marketing efforts and tailoring local service options.

LEAN. Our LEAN initiative was launched in the first half of 2003 and was implemented in approximately 100 branches by the end of the year. LEAN is an organized series of continuous improvement events focusing on simplification, elimination of waste and achieving significant improvement throughout the business enterprise. Although LEAN is most often associated with manufacturing operations, we are applying LEAN thinking to all of our processes, activities and systems. Our focus is in seven key areas: sales, margin, warehouse operations, purchasing, inventory, accounts receivable and accounts payable. Our objective is to have most branches exposed to some or all of the LEAN activities by the end of 2004 and to continuously develop improvement processes for all operations.

Pursue Strategic Acquisitions. Since 1995, we have completed and successfully integrated 25 acquisitions, which represented in 2003 annual sales of approximately $1.4 billion. We believe that the highly fragmented nature of the electrical and industrial MRO distribution industry will continue to provide us with acquisition opportunities. Our most recent acquisition was completed in March 2001. We have not been as active in pursuing acquisition candidates given the weak economy in recent years and the uncertainty of future earnings streams of potential acquisition candidates. We would expect our acquisition activities to increase as the economy improves. We expect that any future acquisitions will be financed out of available internally generated funds, additional debt and/or the issuance of equity securities. However, our ability to make acquisitions will be subject to our compliance with certain conditions under the terms of our revolving credit facility. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources," for a further description of the revolving credit facility.

Expand Product and Service Offerings. We continue to build on our demonstrated ability to introduce new products and services to meet existing customer demands and capitalize on new market opportunities. In addition, we have the platform to sell integrated lighting control and power distribution equipment in a single package for multi-site specialty retailers, restaurant chains and department stores. These are strong growth markets where our national accounts strategies and logistics infrastructure provide significant benefits for our customers.

Leverage Our E-Commerce and Information System Capabilities. Our transaction volume via electronic business means continues to increase year over year. Sales volume generated via the Internet has doubled year over year for the last four years. We remain focused on our commitment to "E-enable" our existing customers and to promote our e-commerce capabilities to all potential customers. We continue to invest in information technology to streamline the supply chain for customer and supplier alike, and maximize our efficiencies.

Expand Our International Operations. Our international sales, the majority of which are in Canada, accounted for approximately 13% of total sales in 2003. We believe that there is significant additional demand for our products and services outside the United States and Canada. Many of our multinational domestic customers are seeking distribution, integrated supply and project management solutions globally. Our approach to international operations is consistent with our domestic philosophy. We follow our established customers and pursue business that we believe utilizes and extends our existing capabilities. This strategy of working through well-developed customer and supplier relationships significantly reduces risks and provides the opportunity to establish a profitable business. We have five locations in Mexico, headquartered in Tlalnepantla, that serve all of metropolitan Mexico City and the Federal District and the states of Mexico, Morelos and Hidalgo. We continue to pursue growth opportunities in existing locations such as Aberdeen, Scotland and London, England, which support our sales efforts in Europe and the former Soviet Union. We have an operation in Nigeria to serve West Africa and an office in Singapore to support our sales to customers in Asia. We are working toward forming strategic alliances in critical markets, where appropriate.

Products and Services

Products

Our network of branches and distribution centers stocks over 215,000 product stock keeping units ("SKUs"). Each branch tailors its inventory to meet the needs of the customers in its local market, typically stocking approximately 4,000 to 8,000 SKUs. Our integrated supply business allows our customers to access over 1,000,000 products for direct shipment.

Representative products that we sell include:

- *Electrical Supplies.* Fuses, terminals, connectors, boxes, fittings, tools, lugs, tape and other MRO supplies;
- *Industrial Supplies.* Cutting and other tools, abrasives, filters and safety equipment;
- *Power Distribution.* Circuit breakers, transformers, switchboards, panelboards and busway;
- *Lighting.* Lamps, fixtures and ballasts;
- *Wire and Conduit.* Wire, cable and metallic and non-metallic conduit;
- *Control, Automation and Motors.* Motor control devices, drives, programmable logic controllers, pushbuttons and operator interfaces; and
- *Data Communications.* Premise wiring, patch panels, terminals and connectors.

We purchase products from a diverse group of over 24,000 suppliers. In 2003, our ten largest suppliers accounted for approximately 32% of our purchases. The largest of these was Eaton Corporation, through its Eaton Electrical division, accounting for approximately 13% of total purchases. No other supplier accounted for more than 5% of total purchases.

Our supplier relationships are important to us, providing access to a wide range of products, technical training and sales and marketing support. We have preferred supplier agreements with over 200 of our suppliers and purchase over 50% of our stock inventory pursuant to these agreements. Consistent with industry practice, most of our agreements with suppliers, including both distribution agreements and preferred supplier agreements, are terminable by either party on 60 days' notice or less.

Services

In conjunction with product sales, we offer customers a wide range of services and procurement solutions that draw on our product and supply management expertise and systems capabilities. These services include national accounts programs, integrated supply programs and major project programs. We are responding to the needs of our customers, particularly those in processing and manufacturing industries. To more efficiently manage the MRO process on behalf of our customers, we offer a range of supply management services, including:

- outsourcing of the entire MRO purchasing process;
- providing technical support for manufacturing process improvements using state-of-the-art automated solutions;
- implementing inventory optimization programs;
- participating in joint cost savings teams;
- assigning our employees as on-site support personnel;
- recommending energy-efficient product upgrades; and
- offering safety and product training for customer employees.

National Accounts Programs. The typical national account customer is a Fortune 500 industrial company, a large utility or other major customer, in each case with multiple locations. Our national accounts programs are designed to provide customers with total supply chain cost reductions by coordinating purchasing activity for MRO supplies across multiple locations. Comprehensive implementation plans establish jointly managed teams at the local and national level to prioritize activities, identify key performance measures and track progress against objectives. We involve our preferred suppliers early in the implementation process, where they can contribute expertise and product knowledge to accelerate program implementation and the achievement of cost savings and process improvements.

Integrated Supply Programs. Our integrated supply programs offer customers a variety of services to support their objectives for improved supply chain management. We integrate our personnel, product and distribution expertise, electronic technologies and service capabilities with the customer's own internal resources to meet particular service requirements. Each integrated supply program is uniquely configured to deliver a significant reduction in the number of MRO suppliers, reduce total procurement costs, improve operating controls and lower administrative expenses. Our solutions range from just-in-time fulfillment to assuming full responsibility for the entire procurement function for all indirect purchases. We believe that customers will increasingly seek to utilize us as an "integrator," responsible for selecting and managing the supply of a wide range of MRO and original equipment manufacturers ("OEMs") products.

Construction National Accounts. We have a construction national accounts group, comprised of our most experienced construction management personnel, which focuses on serving the complex needs of North America's largest engineering and construction firms and the top 50 U.S. electrical contractors on a multi-regional basis. These contractors typically specialize in building industrial sites, water treatment plants, airport expansions, healthcare facilities, correctional institutions, sports stadiums and convention centers.

Markets and Customers

We have a large base of approximately 100,000 customers diversified across our principal markets. One customer accounted for over 4% of 2003 sales and another customer accounted for 2% of 2003 sales. Except for these two customers, no other customer accounted for more than 2% of 2003 sales.

Industrial Customers. Sales to industrial customers, which include numerous manufacturing and process industries, and OEMs accounted for approximately 41% of our sales in 2003.

MRO products are needed to maintain and upgrade the electrical and communications networks at industrial sites. Expenditures are greatest in the heavy process industries, such as food processing, metals, pulp and paper and petrochemical. Typically, electrical MRO is the first or second ranked product category by purchase value for total MRO requirements for an industrial site. Other MRO product categories include, among others, lubricants, pipe, valves and fittings, fasteners, cutting tools and power transmission products.

OEM customers incorporate electrical components and assemblies into their own products. OEMs typically require a reliable, high-volume supply of a narrow range of electrical items. Customers in this segment are particularly service and price sensitive due to the volume and the critical nature of the product used, and they also expect value-added services such as design and technical support, just-in-time supply and electronic commerce.

Electrical Contractors. Sales to electrical contractors accounted for approximately 36% of our sales in 2003. These customers range from large contractors for major industrial and commercial projects, the customer types we principally serve, to small residential contractors, which represent a small portion of our sales. Electrical products purchased by electrical subcontractors typically account for approximately 40% to 50% of their installed project cost, and, therefore, accurate cost estimates and competitive material costs are critical to a contractor's success in obtaining profitable projects.

Utilities. Sales to utilities accounted for approximately 16% of our sales in 2003. This market includes large investor-owned utilities, rural electric cooperatives and municipal power authorities. We provide our utility customers with transmission and distribution products and an extensive range of supplies to meet their MRO and capital projects needs. Full materials management and procurement outsourcing arrangements are also important in this market as cost pressures and deregulation cause utility customers to streamline purchasing and inventory control practices.

Commercial, Institutional and Governmental Customers ("CIG"). Sales to CIG customers accounted for approximately 6% of our sales in 2003. This fragmented market includes schools, hospitals, property management firms, retailers and government agencies of all types. Through our WR Controls Branch, we have a platform to sell integrated lighting control and distribution equipment in a single package for multi-site specialty retailers, restaurant chains and department stores.

Distribution Network

Branch Network. We have approximately 350 branches, of which approximately 290 are located in the United States, approximately 50 are located in Canada and the remainder are located in Mexico, the United Kingdom, Singapore, Puerto Rico, Nigeria and Guam. Over the last three years, we have opened on average seven branches per year, principally to service national account customers. In addition to consolidations in connection with acquisitions, we occasionally close or consolidate existing branch locations to improve operating efficiency.

Distribution Centers. To support our branch network, we have five distribution centers located in the United States and Canada, including facilities located near Pittsburgh, Pennsylvania, serving the Northeast and Midwest United States; near Reno, Nevada, serving the Western United States; near Memphis, Tennessee, serving the Southeast and Central United States; near Montreal, Quebec, serving Eastern and Central Canada; and near Vancouver, British Columbia, serving Western Canada.

Our distribution centers add value for our branches, suppliers and customers through the combination of a broad and deep selection of inventory, on-line ordering, same day shipment and central order handling and fulfillment. Our distribution center network reduces the lead-time and improves the reliability of our supply chain, giving us a distinct competitive advantage in customer service. Additionally, the distribution centers reduce the time and cost of supply chain activities through automated replenishment and warehouse management systems, and economies of scale in purchasing, inventory management, administration and transportation.

Sales Organization

Sales Force. Our general sales force is based at the local branches and comprises approximately 2,000 of our employees, almost half of whom are outside sales representatives and the remainder are inside sales personnel. Outside sales representatives are paid under a compensation structure which is primarily weighted towards commissions. They are responsible for making direct customer calls, performing on-site technical support, generating new customer relations and developing existing territories. The inside sales force is a key point of contact for responding to routine customer inquiries such as price and availability requests and for entering and tracking orders.

National Accounts. Our national accounts sales force is comprised of an experienced group of sales executives who negotiate and administer contracts, coordinate branch participation and identify sales and service opportunities. National accounts managers' efforts target specific customer industries, including automotive, pulp and paper, petrochemical, steel, mining and food processing.

Data Communications. Sales of premise cable, connectors, hardware, network electronics and outside plant products are generated by our general sales force with support from a group of outside and inside data communications sales representatives. They are supported by customer service representatives and additional resources in product management, purchasing, inventory control and sales management.

Construction National Accounts. We have a sales management group, comprised of our most experienced construction management personnel, which focuses on serving the complex needs of North America's largest engineering and construction firms and the top regional and national electrical contractors. These contractors typically specialize in large, complex projects such as building industrial sites, water treatment plants, airport expansions, healthcare facilities, correctional institutions, sports stadiums and convention centers.

E-Commerce. We established our initial electronic catalog on the Internet in 1996. Since that time, we have worked with a variety of large customers to establish customized electronic catalogs for their use in internal systems. Additionally, in 1999 we began a process of providing electronic catalogs to multiple e-commerce portals. Our primary e-business strategy is to serve existing customers by tailoring our catalog and Internet-based procurement applications to their internal systems or through their preferred technology and trading exchange partnerships. We believe that we lead our industry in rapid e-implementation to customers' procurement systems and provide integrated procurement functionality using "punch-out" technology, a direct system-to-system link with our customers.

We continue to enhance "WESCOExpress," a direct ship fulfillment operation responsible for supporting smaller customers and select national account locations. Customers can order from over 65,000 electrical and data communications products stocked in our warehouses through a centralized customer service center or over the Internet on WESCOdirect.com. We also use a proactive sales approach utilizing catalogs, direct mail, e-mail and personal phone selling to provide a high level of customer service. A new 2003-2004 Buyer's Guide was produced and released in 2003.

International Operations

To serve the Canadian market, we operate a network of approximately 50 branches in nine provinces. Branch operations are supported by two distribution centers located near Montreal and Vancouver. With sales of over US$335 million, Canada represented 10.2% of our total sales in 2003. The Canadian market for electrical distribution is considerably smaller than the U.S. market, with roughly US$3.0 billion in total sales in 2003, according to industry sources.

We also have five locations in Mexico, headquartered in Tlalnepantla, that serve all of metropolitan Mexico City and the Federal District and the states of Mexico, Morelos and Hidalgo.

We sell to other international customers through domestic export sales offices located within North America and sales offices in international locations. Our operations are in Aberdeen, Scotland and London, England to support sales efforts in Europe and the former Soviet Union. We have an operation in Nigeria to serve West Africa and an office in Singapore to support our sales to Asia. All of the international locations have been established to primarily serve our growing list of customers with global operations referenced under National Accounts above.

The following table sets forth information about us by geographic area:

	Net Sales			Long-Lived Assets	
Year Ended December 31,	2003	2002	2001	2003	2002
(In thousands)					
United States	$ 2,872,239	$ 2,943,740	$ 3,266,352	$ 491,515	$ 421,047
Canada	335,695	299,844	311,471	11,926	10,509
Other foreign	78,832	82,196	80,210	1,341	1,371
	$ 3,286,766	**$ 3,325,780**	**$ 3,658,033**	**$ 504,782**	**$ 432,927**

Management Information Systems

Our branch information system, WESNET, provides processing for a full range of our business operations, such as customer service, inventory and logistics management, accounting and administrative support. The centralized corporate information system leverages decision support, executive information system analysis and retrieval capabilities to provide extensive operational analysis and detailed income statement and balance sheet variance and trend reporting for the branch level. The corporate system also provides activity-based costing capabilities for analyzing profitability by customer, sales representative and shipment type. Sales and margin trends and variances can be analyzed by branch, customer, product category, supplier or account representative.

The WESNET system operates as a distributed network of fully functional operating units, and every branch (other than our Bruckner Integrated Supply Division and certain acquired branches) utilizes its own computer system to support local business activities. All branch operations are linked through a wide area network to provide centralized information on inventory status in our distribution centers as well as other branches and an increasing number of on-line suppliers. Recent advances in WESNET capabilities make it possible to consolidate administrative and procurement functions, and bring systematic improvement through new pricing systems and controls.

All of the branch operational data is retrieved and stored on a centralized data warehouse that provides capabilities similar to the most advanced enterprise resource planning (ERP) packages. WESCO's data warehouse is considered an "active" data warehouse, containing both real-time transactional data from each of WESCO's primary systems, as well as, multiple years of historical transaction data. The centralized information system and data warehouse technology provide a cost-effective, yet powerful mechanism to better monitor, manage and enhance operational processes. These systems have become the principal technology supporting inventory management, purchasing management, automated stock replenishment, margin analysis and both financial and operational oversight.

We routinely process customer orders, shipping notices, suppliers' purchase orders and funds transfer via EDI transactions with our trading partners. Our e-commerce strategy calls for more effective linkages to both customers and suppliers through greater use of technological advances, including Internet and electronic catalogs, enhanced EDI and other innovative improvements.

Our integrated supply services are supported by our proprietary procurement and inventory management systems. These systems provide a fully integrated, flexible supply chain platform that currently handles over 95% of our integrated supply customers' transactions electronically. Our configuration options for a customer range from on-line linkages to the customer's business and purchasing systems, to total replacement of a customer's procurement and inventory management system for MRO supplies.

Competition

We operate in a highly competitive industry. We compete directly with national, regional and local providers of electrical and other industrial MRO supplies. Competition is primarily focused on the local service area, and is generally based on product line breadth, product availability, service capabilities and price. Another source of competition is buying groups formed by smaller distributors to increase purchasing power and provide some cooperative marketing capability. While increased buying power may improve the competitive position of buying groups locally, we believe these groups have not been able to compete effectively with us for national account customers due to the difficulty in coordinating a diverse ownership group. During 1999 and 2000, numerous special purpose Internet-based procurement service companies, auction businesses, and trade exchanges were organized. Many of them targeted industrial MRO and contractor customers of the type served by us. We responded with our own e-commerce capabilities and believe that we have successfully outpaced our competitors in the deployment of electronic catalogs and Internet-based connectivity with more than 50 national customers.

Employees

As of December 31, 2003, we had approximately 5,200 employees worldwide, of which approximately 4,500 were located in the United States and approximately 700 in Canada and our other international locations. Less than 5% of our employees are represented by unions. We believe our labor relations are generally good.

Intellectual Property

Our trade and service marks, including "WESCO," "the extra effort people®," and the running man design, are filed in the U.S. Patent and Trademark Office, the Canadian Trademark Office and the Mexican Instituto de la Propriedad Industrial.

Environmental Matters

Our facilities and operations are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Some of these laws and regulations may impose strict, joint and several liability on certain persons for the cost of investigation or remediation of contaminated properties. These persons may include former, current or future owners or operators of properties, and persons who arranged for the disposal of hazardous substances. Our owned and leased real property may give rise to such investigation, remediation and monitoring liabilities under environmental laws. In addition, anyone disposing of certain products we distribute, such as ballasts, fluorescent lighting and batteries, must comply with environmental laws that regulate certain materials in these products.

We believe that we are in compliance, in all material respects, with applicable environmental laws. As a result, we will not make significant capital expenditures for environmental control matters either in the current year or in the near future.

Seasonality

Our 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. Sales increase during the warmer months beginning in March and continuing through November. Sales drop again slightly in December as the weather cools and also as a result of a reduced level of activity during the holiday season. As a result, we report sales and earnings in the first quarter that are generally lower than that of the remaining quarters.

Website Access

Our Internet address is www.wescodist.com. We make available free of charge under the "Investors" heading on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after such documents are electronically filed or furnished, as applicable, with the Securities and Exchange Commission.

In addition, our Charters for our Executive Committee, Nominating and Governance Committee, Audit Committee and Compensation Committee as well as our Independence Standards and Governance Guidelines and our Code of Ethics and Business Conduct for our directors, officers and employees are all available on our website in the "Corporate Governance" link under the "Investors" heading.

Forward-Looking Information

This Annual Report on Form 10-K contains various "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve certain unknown risks and uncertainties, including, among others, those contained in Item 1, "Business," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." When used in this Annual Report on Form 10-K, 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 business strategy, growth strategy, productivity and profitability enhancement, competition, 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, some 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. 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.

Risk Factors

Important factors that could cause actual results to differ materially from the forward-looking statements we make are described below. All forward-looking statements attributable to us or persons working on our behalf are expressly qualified by the following cautionary statements:

Our substantial amount of debt requires substantial debt service obligations that could adversely affect our ability to fulfill our obligations and could limit our growth and impose restrictions on our business.

We are and will continue to be for the foreseeable future significantly leveraged. As of December 31, 2003, we had $422.2 million of consolidated indebtedness and stockholders' equity of $167.7 million. We and our subsidiaries may incur additional indebtedness in the future, subject to certain limitations contained in the instruments governing our indebtedness. Accordingly, we will have significant debt service obligations. These amounts exclude our accounts receivable securitization program, through which we sell accounts receivable to a third-party conduit and remove these receivables from our consolidated balance sheet. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates."

Our debt service obligations have important consequences, including the following:

- a substantial portion of cash flow from our operations will be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available for operations, future business opportunities and acquisitions and other purposes and increasing our vulnerability to adverse general economic and industry conditions;
- our ability to obtain additional financing in the future may be limited;
- as a result of our interest rate swap agreements, approximately $100 million of our fixed rate indebtedness has been effectively converted to variable rates of interest, which will make us vulnerable to increases in interest rates;
- we are substantially more leveraged than certain of our competitors, which might place us at a competitive disadvantage; and
- we may be hindered in our ability to adjust rapidly to changing market conditions.

Our ability to make scheduled payments of the principal of, or to pay interest on, or to refinance our indebtedness and to make scheduled payments under our operating leases or to fund planned capital expenditures or finance acquisitions will depend on our future performance, which to a certain extent is subject to economic, financial, competitive and other factors beyond our control. There can be no assurance that our business will continue to generate sufficient cash flow from operations in the future to service our debt, make necessary capital expenditures or meet other cash needs. If unable to do so, we may be required to refinance all or a portion of our existing debt, to sell assets or to obtain additional financing.

A portion of the purchase commitments under our Receivables Facility ($165 million) requires an annual renewal of its terms. That portion of the arrangement expires on August 31, 2004. The remaining portion of the purchase commitments under the facility ($135 million) has a three-year term. There can be no assurance that available funding or that any sale of assets or additional financing would be possible in amounts on terms favorable to us.

Over the next three years, we are obligated to pay approximately $84 million relating to earnout agreements associated with past acquisitions. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

Restrictive debt covenants contained in our revolving credit facility and the indenture to our senior subordinated notes may limit our ability to take certain actions.

The revolving credit facility and the indenture contain financial and operating covenants that limit the discretion of our management with respect to certain business matters including incurring additional indebtedness and paying dividends. The revolving credit facility also requires us to meet certain fixed charge tests depending on credit line availability. Our ability to comply with these and other provisions of the revolving credit facility and the indenture may be affected by changes in economic or business conditions or other events beyond our control. A failure to comply with the obligations contained in the revolving credit facility or the indenture could result in an event of default under either the revolving credit facility or the indenture which could result in acceleration of the related debt and the acceleration of debt under other instruments evidencing indebtedness that may contain cross-acceleration or cross-default provisions. If the indebtedness under the revolving credit facility were to be accelerated, there can be no assurance that our assets would be sufficient to repay in full such indebtedness and our other indebtedness. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources."

Downturns in the electrical distribution industry have had in the past, and may in the future have, an adverse effect on our sales and profitability.

The electrical distribution industry is affected by changes in economic conditions, including national, regional and local slowdowns in construction and industrial activity, which are outside our control. Our operating results may also be adversely affected by increases in interest rates that may lead to a decline in economic activity, particularly in the construction market, while simultaneously resulting in higher interest payments under the revolving credit facility. In addition, during periods of economic slowdown such as the one we recently experienced, our credit losses, based on history, could increase. There can be no assurance that economic slowdowns, adverse economic conditions or cyclical trends in certain customer markets will not have a material adverse effect on our operating results and financial condition.

An increase in competition could decrease sales or earnings.

We operate in a highly competitive industry. We compete directly with national, regional and local providers of electrical and other industrial MRO supplies. Competition is primarily focused in the local service area and is generally based on product line breadth, product availability, service capabilities and price. Other sources of competition are buying groups formed by smaller distributors to increase purchasing power and provide some cooperative marketing capability. During 1999 and 2000, numerous special purpose Internet-based procurement service companies, auction businesses and trade exchanges were organized. Many of them targeted industrial MRO and contractor customers of the type served by us. While the entrants did not have a noticeable impact on our business, we expect that new competitors could develop over time as Internet-based enterprises become more established and refine their service capabilities.

Some of our existing competitors have, and new market entrants may have, greater financial and marketing resources than we do. To the extent existing or future competitors seek to gain or retain market share by reducing prices, we may be required to lower our prices, thereby adversely affecting financial results. Existing or future competitors also may seek to compete with us for acquisitions, which could have the effect of increasing the price and reducing the number of suitable acquisitions. In addition, it is possible that competitive pressures resulting from the industry trend toward consolidation could affect growth and profit margins.

Loss of key suppliers or lack of product availability could decrease sales and earnings.

Most of our agreements with suppliers are terminable by either party on 60 days' notice or less. Our ten largest suppliers in 2003 accounted for approximately 32% of our purchases for the period. Our largest supplier was Eaton Corporation, through its Eaton Electrical division, accounting for approximately 13% of our purchases. The loss of, or a substantial decrease in the availability of, products from any of these suppliers, or the loss of key preferred supplier agreements, could have a material adverse effect on our business. In addition, supply interruptions could arise from shortages of raw materials, labor disputes or weather conditions affecting products or shipments, transportation disruptions, or other reasons beyond our control. An interruption of operations at any of our five distribution centers could have a material adverse effect on the operations of branches served by the affected distribution center. Furthermore, we cannot be certain that particular products or product lines will be available to us, or available in quantities sufficient to meet customer demand. Such limited product access could put us at a competitive disadvantage.

A disruption of our information systems could increase expenses, decrease sales or reduce earnings.

A serious disruption of our information systems could have a material adverse effect on our business and results of operations. Our computer systems are an integral part of our business and growth strategies. We depend on our information systems to process orders, manage inventory and accounts receivable collections, purchase products, ship products to our customers on a timely basis, maintain cost-effective operations and provide superior service to our customers.

WESCO International's controlling shareholders own approximately 48% of its common stock and can exercise significant influence over our affairs.

Approximately 48% of the issued and outstanding shares of common stock of WESCO International is held by Cypress and its affiliates. Accordingly, Cypress and its affiliates can exercise significant influence over our affairs, including the election of our directors, appointment of our management and approval of actions requiring the approval of our stockholders, including the adoption of amendments to our certificate of incorporation and approval of mergers or sales of substantially all of our assets.

Executive Officers

Our executive officers and their respective ages and positions are set forth below.

Name	Age	Position
Roy W. Haley	57	Chairman and Chief Executive Officer
William M. Goodwin	58	Vice President, Operations
James H. Mehta	48	Vice President, Business Development
Robert B. Rosenbaum	46	Vice President, Operations
Patrick M. Swed	60	Vice President, Operations
Donald H. Thimjon	60	Vice President, Operations
Ronald P. Van, Jr.	43	Vice President, Operations
Stephen A. Van Oss	49	Vice President and Chief Financial Officer
Daniel A. Brailer	46	Secretary and Treasurer

Set forth below is biographical information for our executive officers listed above.

Roy W. Haley became Chairman of the Board in August 1998. Mr. Haley has been Chief Executive Officer and a director of WESCO since February 1994. From 1988 to 1993, Mr. Haley was an executive at American General Corporation, a diversified financial services company, where he served as Chief Operating Officer and as President and Director. Mr. Haley is also a director of United Stationers, Inc. and Cambrex Corporation.

William M. Goodwin has been Vice President, Operations of WESCO since March 1994. Since 1987, Mr. Goodwin has served as a branch, district and region manager for WESCO in various locations and also served as Managing Director of WESCOSA, a former Westinghouse affiliated manufacturing and distribution business in Saudi Arabia.

James H. Mehta has been Vice President, Business Development of WESCO since November 1995. From 1993 to 1995, Mr. Mehta was a principal with Schroder Ventures, a private equity investment firm based in London, England.

Robert B. Rosenbaum has been Vice President, Operations of WESCO since September 1998. From 1982 until 1998, Mr. Rosenbaum was the President of the Bruckner Supply Company, Inc., an integrated supply company WESCO acquired in September 1998.

Patrick M. Swed has been Vice President, Operations of WESCO since March 1994. Mr. Swed had been Vice President of Branch Operations for WESCO from 1991 to 1994.

Donald H. Thimjon has been Vice President, Operations of WESCO since 1991. Mr. Thimjon served as Regional Manager from 1980 to 1991.

Ronald P. Van, Jr. has been Vice President, Operations of WESCO since October 1998. Mr. Van was a Vice President and Controller of EESCO, an electrical distributor WESCO acquired in 1996.

Stephen A. Van Oss has been Vice President and Chief Financial Officer of WESCO since October 2000. Mr. Van Oss served as Director, Information Systems for WESCO from 1997 to 2000 and as Director, Acquisition Management in 1997. From 1995 to 1996, Mr. Van Oss served as Chief Operating Officer and Chief Financial Officer of Paper Back Recycling of America, Inc. From 1979 to 1995, Mr. Van Oss held various management positions with Reliance Electric Corporation.

Daniel A. Brailer has been Treasurer and Director of Investor Relations of WESCO since March 1999. During 1999, Mr. Brailer was also appointed to the position of Corporate Secretary. From 1982 to 1999, Mr. Brailer held various positions at Mellon Financial Corporation, most recently as Senior Vice President.

Item 2 Properties

We have approximately 350 branches, of which approximately 290 are located in the United States, approximately 50 are located in Canada and the remainder are located in Puerto Rico, Mexico, Guam, the United Kingdom, Nigeria and Singapore. Approximately 25% of branches are owned facilities, and the remainder are leased.

The following table summarizes our distribution centers:

Location	Square Feet	Leased/Owned
Warrendale, PA	194,200	Owned
Sparks, NV	196,800	Leased
Byhalia, MS	148,000	Owned
Dorval, QE	90,000	Leased
Burnaby, BC	64,865	Owned

We also lease our 76,200-square-foot headquarters in Pittsburgh, Pennsylvania. We do not regard the real property associated with any single branch location as material to our operations. We believe our facilities are in good operating condition.

Item 3 Legal Proceedings

From time to time, a number of lawsuits, claims and proceedings have been or may be asserted against us relating to the conduct of our business, including routine litigation relating to commercial and employment matters. While the outcome of litigation cannot be predicted with certainty, and some of these lawsuits, claims or proceedings may be determined adversely to us, we do not believe, based on information presently available, that the outcome of any of such pending matters is likely to have a material adverse effect on us.

We reached a final settlement agreement related to an employment and wages claim with the case being dismissed with prejudice. We settled the case for $3.4 million and received a refund of approximately $300,000 of that amount.

Item 4 Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of our security holders during the fourth quarter of 2003.

PART II ITEM 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

On May 17, 1999, we completed our initial public offering of common stock ("the Offering"). Our common stock is listed on the New York Stock Exchange under the symbol "WCC." As of February 27, 2004, there were 41,104,483 shares of common stock outstanding held by approximately 100 holders of record. We have not paid dividends on the common stock, and do not presently plan to pay dividends in the foreseeable future. It is currently expected that earnings will be retained and reinvested to support either business growth or debt reduction. In addition, our revolving credit facility and our indenture restrict our ability to pay dividends. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources." The following table sets forth the high and low close price of the shares of common stock for the periods indicated.

	Closing Prices	
Quarter	High	Low
2002		
First	$ 7.13	$ 4.15
Second	7.40	6.08
Third	7.25	4.23
Fourth	5.49	3.14
2003		
First	$ 5.53	$ 3.44
Second	6.00	3.44
Third	7.00	5.10
Fourth	9.13	5.41

Our board of directors authorized a $25 million share repurchase program with respect to our common stock which expired in May 2003. Under previous share repurchase programs, we purchased in prior years approximately 3.9 million shares of our common stock at an aggregate purchase price of approximately $32.8 million. No shares were repurchased pursuant to the share repurchase program during 2003.

In November 2003, our board of directors authorized a special repurchase of the Class B common stock. Pursuant to this authorization, we repurchased 4.3 million shares of Class B common stock in December 2003 from an institutional holder, at a discount to then market prices, for a purchase price of approximately $27.3 million.

ITEM 6 Selected Financial Data

Year Ended December 31	2003	2002	2001	2000	1999
(Dollars in millions, except share data)					
Income Statement Data					
Net sales	$ 3,286.8	$ 3,325.8	$ 3,658.0	$ 3,881.1	$ 3,423.9
Gross profit	610.1	590.8	643.5	684.1	616.6
Selling, general and administrative expenses	501.5	494.4	517.2	524.3	471.2
Depreciation and amortization[1]	22.5	19.8	31.0	25.0	20.4
Restructuring charge[2]	—	—	—	9.4	—
Income from operations	86.1	76.6	95.3	125.4	125.0
Interest expense, net	42.3	43.0	45.1	43.8	47.0
Loss on debt extinguishment[3]	0.2	1.1	—	—	17.2
Other expenses	4.5	6.6	16.9	24.9	19.5
Income before income taxes	39.1	25.9	33.3	56.7	41.3
Provision for income taxes[4]	9.1	2.8	13.1	23.3	16.7
Net income	**$ 30.0**	**$ 23.1**	**$ 20.2**	**$ 33.4**	**$ 24.6**
Earnings per common share					
Basic	$ 0.67	$ 0.51	$ 0.45	$ 0.74	$ 0.57
Diluted	$ 0.65	$ 0.49	$ 0.43	$ 0.70	$ 0.53
Weighted average common shares outstanding					
Basic	44,631,459	45,033,964	44,862,087	45,326,475	43,057,894
Diluted	46,349,082	46,820,093	46,901,673	47,746,607	47,524,539
Other Financial Data					
Capital expenditures	$ 8.4	$ 9.3	$ 13.8	$ 21.6	$ 21.2
Net cash provided by operating activities	35.8	20.3	161.3	46.9	66.4
Net cash used by investing activities	(9.2)	(23.1)	(69.2)	(60.7)	(71.9)
Net cash (used) provided by financing activities	(22.5)	(49.9)	(38.0)	26.0	6.3
Balance Sheet Data					
Total assets	$ 1,161.2	$ 1,019.5	$ 1,170.8	$ 1,173.1	$ 1,039.4
Total long-term debt (including current portion)	422.2	418.0	452.0	483.3	426.4
Long-term obligations[5]	53.0	—	—	—	—
Stockholders' equity	167.7	169.3	144.7	125.0	117.3

[1] *Effective for 2002, WESCO adopted SFAS No. 142,* "Goodwill and Other Intangible Assets" *("SFAS No. 142") as described in Note 4 to the Consolidated Financial Statements.*

[2] *Represents a restructuring charge taken in the fourth quarter of 2000. Cash expenses included in the total amount to $1.4 million.*

[3] *Represents a charge, relating to the write-off of unamortized debt issuance and other costs associated with the early extinguishment of debt and the 1999 termination of the existing accounts receivable securitization program. Prior year amounts have been adjusted to conform with current presentation.*

[4] *Benefits of $2.6 million and $5.3 million in 2003 and 2002, respectively, from the resolution of prior year tax contingencies resulted in an unusually low provision for income taxes.*

[5] *Includes amounts due under earnout agreements for past acquisitions.*

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

The following discussion should be read in conjunction with the audited consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

Company Overview

During 2003, we saw a continuation of lower product demand from the majority of the end-markets we serve, although demand for our products strengthened in the fourth quarter consistent with an improving U.S. economy. Our financial results in 2003 reflected the positive impact of our margin improvement and cost containment programs, in the face of weaker product demand. Operating income increased 12.3% on the strength of an 80 basis point improvement in gross margins. Lower fees associated with our Receivables Facility and lower debt levels translated into lower financing costs, which contributed to our income before taxes increasing 50.5% over 2002 performance. In addition, our effective tax rate was 23.2%, versus last year's rate of 11.0%. The combination of all of these factors led to an improvement of $0.16 per share to $0.65 per share.

Our sales can be categorized as stock, direct ship and special order. Stock orders are filled directly from existing inventory and generally represent approximately 45% of total sales. Approximately 45% of our total sales are direct ship sales. Direct ship sales are typically custom-built products, large orders or products that are too bulky to be easily handled and, as a result, are shipped directly to the customer from the supplier. Special orders are for products that are not ordinarily stocked in inventory and are ordered based on a customer's specific request. Special orders represent the remainder of total sales. Gross profit margins on stock and special order sales are approximately 60% higher than those on direct ship sales. Although direct ship gross margins are lower, operating profit margins are often comparable, since the product handling and fulfillment costs associated with direct shipments are much lower.

We have historically financed our working capital needs, capital expenditures, acquisitions and new branch openings through internally generated cash flow and borrowings under our credit facilities and funding through our accounts receivable securitization program. During the initial phase of an acquisition or new branch opening, we typically incur expenses related to installing or converting information systems, training employees and other initial operating activities. With some acquisitions, we may incur expenses in connection with the closure of any of our own redundant branches. Historically, the costs associated with opening new branches, and closing branches in connection with certain acquisitions, have not been material. We have accounted for our acquisitions under the purchase method of accounting.

Cash Flow

We generated $35.8 million in operating cash flow during 2003. Included in this amount was a $68.0 million cash outflow from a reduction in our Receivables Facility. This operating cash flow, coupled with proceeds from our borrowings, was used for $8.4 million in capital expenditures and $27.3 million in repurchases of our Class B common stock, as more fully described below.

Equity Activity

During 2003, we completed two equity transactions for the benefit of our shareholders. In November, we purchased from an institutional holder, at a discount to market, approximately 4.3 million shares of our outstanding Class B common stock at a purchase price of $27.3 million, representing about 9.5% of our outstanding common stock. In December, we redeemed at a discount to market, the net equity value of employee held stock options originally granted in 1994 and 1995, representing options to purchase approximately 2.9 million shares or approximately 7% of our common stock outstanding. The cash payment of $20.1 million was made in January 2004. The Company recognized a tax benefit of $7.3 million as a result of this transaction.

Financing Activity

We completed the following transactions in 2003 to improve our liquidity and capital resources:

In February 2003, we finalized a $51 million mortgage financing facility, $13 million of which was outstanding as of December 31, 2002. Total borrowings under the mortgage financing are subject to a 22-year amortization schedule with a balloon payment due at the end of the 10-year term. This mortgage financing facility provides additional liquidity and financial flexibility for us as well as locks in longer-term fixed interest rates.

In June 2003, the issuer called our $100 million in interest rate swap agreements relating to indebtedness under our senior subordinated notes and as a result we received a $4.6 million payment. In September 2003, we entered into a new $50 million interest rate swap agreement and in December 2003 we entered into two additional $25 million interest rate swap agreements with respect to indebtedness under our senior subordinated notes.

In September 2003, we entered into a new $300 million Receivables Facility agreement with four financial institutions. The new facility provides for a $165 million purchase commitment with a term of 364 days and a $135 million purchase commitment with a term of three years.

We recorded liabilities of approximately $84 million relating to earnout agreements associated with past acquisitions.

As of year-end, we had approximately $190 million in available borrowing capacity under our financing facilities, including $30 million under our Receivables Facility, with no significant debt maturities until 2008.

Outlook

The improvements in operations and capital structure achieved in 2003 have positioned us well for growth in 2004. Management believes that if the overall economic recovery forecasted for 2004 occurs, it will translate into improved product demand and moderate sales growth. Focus on margin expansion and cost containment should continue to drive improved operating performance in 2004. Our operating cash flow will be utilized to fund any required working capital additions, capital expenditures and, to the extent available, continue our deleveraging efforts, as well as fund earnout payments related to the Bruckner acquisition.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to supplier programs, bad debts, inventories, insurance costs, goodwill, income taxes, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. If actual market conditions are less favorable than those projected by management, additional adjustments to reserve items may be required. We believe the following critical accounting policies affect our judgments and estimates used in the preparation of our consolidated financial statements.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We have a systematic procedure using estimates based on historical data and reasonable assumptions of collectibility made at the local branch level and at the consolidated corporate basis to calculate the allowance for doubtful accounts. The allowance for doubtful accounts was $11.4 million at December 31, 2003 and $10.3 million at December 31, 2002. The total amount recorded as selling, general and administrative expense related to bad debts was $10.2 million, $9.0 million and $10.3 million for 2003, 2002 and 2001, respectively.

Excess and Obsolete Inventory

We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. A systematic procedure is used to determine excess and obsolete inventory using historical data and reasonable assumptions for the percentage of excess and obsolete inventory on a consolidated basis. The valuation allowance for excess and obsolete inventories was $9.8 million at December 31, 2003 and $11.9 million at December 31, 2002. Direct write-offs against the reserve related to inventory disposals during 2003 totaled $5.0 million. The total expense related to excess and obsolete inventories, included in cost of goods sold, was $2.9 million, $1.4 million and $2.6 million for 2003, 2002 and 2001, respectively.

Supplier Rebates

We receive rebates from certain suppliers based on contractual arrangements with them. Since there is a lag between actual purchases and the rebates received from the suppliers, we must estimate the approximate amount of rebates available at a specific date. The asset recorded for the supplier rebate program is within other accounts receivable and was $15.6 million at December 31, 2003 and $15.9 million at December 31, 2002. The total amount recorded as a reduction to cost of goods sold was $29.3 million, $24.7 million and $31.4 million for 2003, 2002 and 2001, respectively.

Goodwill

As described in Note 4 to the Consolidated Financial Statements, we test goodwill for impairment annually or more frequently when events or circumstances occur indicating goodwill might be impaired. This process involves estimating fair value using discounted cash flow analyses. Considerable management judgment is necessary to estimate discounted future cash flows. Assumptions used for these estimated cash flows were based on a combination of historical results and current internal forecasts. Two primary assumptions were an average revenue growth rate of 4% and an average discount rate of 8%. We cannot predict certain events that could adversely affect the reported value of goodwill, which totaled $398.7 million at December 31, 2003 and $314.1 million at December 31, 2002.

Insurance Programs

We use commercial insurance for auto, workers' compensation, casualty and health claims as a risk reduction strategy to minimize catastrophic losses. Our strategy involves large deductibles where we must pay all costs up to the deductible amount. We estimate our reserve based on historical incident rates and costs. The assumptions included in developing this accrual include the period of time from incurrence of a medical claim until the claim is paid by the insurance provider. Presently, this period is estimated to be eight weeks. The total liability related to the insurance programs was $6.9 million at December 31, 2003 and $5.8 million at December 31, 2002.

Taxes

We record our deferred tax assets at amounts that are expected to be realized. We evaluate future taxable income and potential tax planning strategies in assessing the potential need for a valuation allowance. Should we determine that we would not be able to realize all or part of our deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made. We review tax issues and positions taken on tax returns and determine the need and amount of contingency reserves necessary to cover any potential audit adjustments.

Accounts Receivable Securitization Program

We maintain an accounts receivable securitization program (the "Receivables Facility"), whereby we sell, 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 account for the Receivables Facility in accordance with Statement of Financial Accounting Standards No. 140, *"Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities."* At the time the receivables are sold, the balances are removed from the balance sheet. The Receivables Facility represents "off-balance sheet financing," since the conduit's ownership interest in the accounts receivable of the SPC results in the removal of accounts receivable from our consolidated balance sheets, rather than resulting in the addition of a liability to the conduit.

We believe that the terms of the agreements governing this facility qualify our trade receivable sales transactions for "sale treatment" under generally accepted accounting principles, which requires us to remove the accounts receivable from our consolidated balance sheets. Absent this "sale treatment," our consolidated balance sheet would reflect additional accounts receivable and debt. Our consolidated statements of operations would not be impacted, except that other expenses would be classified as interest expense.

Results of Operations

The following table sets forth the percentage relationship to net sales of certain items in our Consolidated Statements of Operations for the periods presented:

Year Ended December 31	2003	2002	2001
Net sales	100.0%	100.0%	100.0%
Gross profit	18.6	17.8	17.6
Selling, general and administrative expenses	15.3	14.9	14.1
Depreciation and amortization	0.7	0.6	0.9
Income from operations	2.6	2.3	2.6
Interest expense	1.3	1.3	1.2
Loss on debt extinguishment	—	—	—
Other expenses	0.1	0.2	0.5
Net income before income taxes	1.2	0.8	0.9
Provision for income taxes	0.3	0.1	0.3
Net income	0.9%	0.7%	0.6%

2003 Compared to 2002

Net Sales. Net sales for 2003 decreased by approximately $39 million, or 1.2%, compared with the prior year. The continuing weakness in the North American economy has adversely affected capital spending and industrial project activity in the major industrial and MRO markets where we participate. These results were somewhat offset by increased sales of approximately $58 million to customers served by our integrated supply and national accounts groups. In addition, sales to international customers improved, principally due to the strength of the Canadian dollar.

Gross Profit. Gross profit in 2003 increased to $610.1 million from $590.8 million as the gross profit percentage improved by 80 basis points to 18.6%. The improvement in gross profit was driven primarily by improved product billing margins which increased 50 basis points over 2002. A primary reason for the improvement is a company-wide focus on pricing, procurement and administration of supplier contracts. Improved performance with supplier volume rebate programs as well as lower inventory adjustments also contributed to the improvement in gross profit.

Selling, General and Administrative Expenses ("SG&A"). SG&A expenses include costs associated with all personnel, shipping and handling, travel and entertainment, advertising, utilities and bad debts. SG&A expenses increased by $7.1 million, or 1.4%, to $501.5 million. The current year's total includes $4.2 million of expenses associated with discretionary retirement related contributions made in 2003 which had not been made since 1998. Fees and expenses associated with certain legal matters increased SG&A by $3.1 million relating to a settlement agreement with regard to an employment and wages claim which was resolved in 2003. Bad debt expense was $10.2 million for 2003 compared to $9.0 million for 2002. We have seen an increase in low-profile, smaller dollar bankruptcies and troubled accounts as companies try to cope with the prolonged economic downturn. We are monitoring creditworthiness of our customer base closely and believe our credit limits and reserves are appropriate at this time. Shipping and handling expense included in SG&A was $36.2 million in 2003 compared with $37.2 million in 2002.

Depreciation and Amortization. Depreciation and amortization increased $2.8 million to $22.6 million in 2003 versus $19.8 million in 2002. Amortization increased by $1.7 million due to increased amortization associated with a non-compete agreement and increased amortization of capitalized software due to higher expenditures in prior years. Depreciation increased $1.0 million, principally due to a higher level of spending on assets with shorter estimated lives.

Income from Operations. Income from operations increased $9.5 million to $86.1 million in 2003, compared with $76.6 million in 2002. The increase in operating income is principally attributable to the increase in gross profit partially offset by the increase in SG&A expenses and depreciation and amortization.

Interest and Other Expenses. Interest expense totaled $42.3 million for 2003, a decrease of $0.7 million from 2002. The decline was primarily due to a lower average amount of indebtedness outstanding during the current period as compared to 2002 as we continued to improve our liquidity by reducing debt. Loss on debt extinguishments related to our recording net charges of $0.2 million and $1.1 million during 2003 and 2002, respectively, related to the write-off of deferred financing costs associated with our revolving credit facilities. The 2003 loss was partially offset by a $0.6 million gain on the repurchase of $21.2 million in outstanding principal amounts of our senior subordinated notes during 2003. Other expenses totaled $4.5 million and $6.6 million in 2003 and 2002, respectively, reflecting costs associated with the accounts receivable securitization program.

Income Taxes. Income tax expense totaled $9.1 million in 2003, an increase of $6.3 million from 2002. The effective tax rates for 2003 and 2002 were 23.2% and 11.0%, respectively. The 2003 tax provision included a benefit of $2.6 million as a result of the favorable conclusion of an IRS examination. The 2002 tax provision included a $5.3 million benefit for favorable conclusion to other IRS examinations. In addition, the 2002 effective rate was lower than the statutory rate due to deferred taxes being remeasured during the period reflecting the cumulative impact of a change in the expected tax rate that will be applicable when the deferred tax items reverse. The change in estimate was primarily due to state tax reduction initiatives. Additionally, foreign tax credits contributed to the reduction in the effective rate during both 2003 and 2002.

Net Income. Net income and diluted earnings per share totaled $30.0 million and $0.65 per share, respectively, in 2003, compared with $23.1 million and $0.49 per share, respectively, in 2002.

2002 Compared to 2001

Net Sales. Net sales for 2002 decreased by approximately $330 million, or 9.1%, to $3.3 billion compared with $3.7 billion in the prior year. The continuing weakness in the North American economy has adversely affected the major industrial and MRO markets where we participate.

Gross Profit. Gross profit in 2002 decreased by $52.7 million, or 8.2%, to $590.8 million from $643.5 million in the prior year due principally to the decline in net sales. Gross profit margin was 17.8% in 2002 compared with 17.6% in 2001. Billing margin improvements of 30 basis points over 2001 and a lower level of provision for slow-moving and obsolete inventory, were partially offset by lower levels of supplier rebates and cash discounts that resulted from lower purchasing activity and working capital improvements.

Selling, General and Administrative Expenses ("SG&A"). SG&A expenses decreased by $22.8 million, or 4.4%, to $494.4 million. The decrease was primarily due to compensation and benefit program expense reductions in the current period. Employee headcount was reduced by 4.4% since December 2001. Shipping and handling expense included in SG&A was $37.2 million in 2002 compared with $38.2 million in 2001. Bad debt expense was $9.0 million for 2002 compared to $10.3 million for 2001. The improvement in 2002 resulted primarily from reducing exposure to troubled accounts and industries through more stringent credit policies. SG&A expense expressed as a percentage of sales was 14.9% for 2002 compared with 14.1% in 2001. The increase in SG&A expense as a percentage of sales resulted from lower net sales in 2002.

Depreciation and Amortization. Depreciation and amortization decreased $11.2 million to $19.8 million in 2002 reflecting our adoption of SFAS No. 142. We recorded goodwill amortization expense of $11.9 million in 2001.

Income from Operations. Income from operations decreased $18.7 million to $76.6 million in 2002, compared with $95.3 million in 2001. The decrease in operating income was principally attributable to lower gross profit caused by the decline in sales, partially offset by the decrease in SG&A expenses and discontinuing amortization of goodwill.

Interest and Other Expenses. Interest expense totaled $43.0 million for 2002, a decrease of $2.1 million from 2001. The decrease in interest expense resulted primarily from a lower level of average debt as well as lower net interest rates including the full year impact in 2002 of our interest rate swap agreement. Loss on debt extinguishment of $1.1 million represented non-cash charges recognized upon the replacement of our previous revolving credit agreement. Other expenses totaled $6.6 million and $16.9 million in 2002 and 2001, respectively, reflecting costs associated with the Receivables Facility. The $10.3 million decrease was principally due to a decrease in the program's advance rates and a lower average level of securitized accounts receivable.

Income Taxes. Income tax expense totaled $2.8 million in 2002, a decrease of $10.3 million from 2001. The effective tax rates for 2002 and 2001 were 11.0% and 39.4%, respectively. The decrease in the rate in 2002 was principally related to the reversal of income tax contingency accruals of $5.3 million upon acceptance by the IRS of tax returns filed through 1998 and the expected favorable conclusion of the IRS examination for 1999, as well as a first quarter income tax benefit of approximately $0.7 million related to the re-measurement of deferred taxes related to the cumulative impact of a change in the expected tax rate that will be applicable when these items reverse. The decrease in the effective rate was lower as a result of the creation of a foreign finance company and decreased amortization expense from the adoption of SFAS No. 142.

Liquidity and Capital Resources

Total assets were approximately $1.2 billion at December 31, 2003, a $141.7 million increase from December 31, 2002 principally attributable to an increase in goodwill of $84.6 million for amounts earned under acquisition earnout agreements and an increase in accounts receivable attributable to reduced utilization of our Receivables Facility. Stockholders' equity totaled $167.7 million at December 31, 2003, compared with $169.3 million at December 31, 2002.

The following table sets forth our outstanding indebtedness:

December 31	2003	2002
(In millions)		
Mortgage facility	$ 50.5	$ 13.3
Revolving credit facility	—	10.0
Senior subordinated notes	370.6	389.0
Other	1.1	5.7
	422.2	418.0
Less current portion	(2.1)	(5.8)
	$ 420.1	**$ 412.2**

The following table sets forth details of our Receivables Facility:

December 31 *(In millions)*	2003	2002
Securitized accounts receivable	$ 330.0	$ 346.0
Subordinated retained interest	(105.0)	(53.0)
Net accounts receivable removed from balance sheet	**$ 225.0**	**$ 293.0**

Our liquidity needs arise from seasonal working capital requirements, capital expenditures, acquisitions and debt service obligations. In addition, certain of our acquisition agreements contain earnout provisions based principally on future earnings targets. The most significant of these agreements relates to the acquisition of Bruckner Supply Company, the terms of which provide for additional contingent consideration to be paid based on achieving earnings targets of earnings before interest, taxes, depreciation and amortization of Bruckner during 2003 and 2004. Under the Bruckner acquisition agreement the maximum remaining earnout available was $80 million. The amount of earnout proceeds earned that is payable in any single year subsequent to achieving the earnings target is capped under this agreement at $30 million per year. As of December 31, 2003, we accrued an $80 million liability ($30 million classified as current and $50 million classified as non-current) for the estimated amount owed based on 2003 performance for contingent consideration relating to the Bruckner agreement. Based on 2003 performance and the accrual of $80 million, no further earnout is available. Certain other acquisitions also contain contingent consideration provisions, only one of which could require a significant payment. Management estimates this payment could be up to $20 million and would be made in 2008. To meet our funding requirements, we use a mix of internally generated cash flow, our revolving credit facility, our Receivables Facility and equity transactions.

In 2004, we anticipate capital expenditures to increase by approximately $7 million from 2003 capital expenditures of approximately $8.4 million. As of February 29, 2004, we have no specific near-term plans to make an acquisition.

The required annual principal repayments for the next five years and thereafter, as of December 31, 2003:

(in thousands)	
2004	$ 2,120
2005	1,203
2006	1,259
2007	1,338
2008	380,250
Thereafter	44,215

Mortgage Financing Facility

In February 2003, we finalized a mortgage financing facility of $51 million. Total borrowings under the mortgage financing are subject to a 22-year amortization schedule with a balloon payment due at the end of the 10-year term. Proceeds from the borrowings were used primarily to reduce outstanding borrowings under the 2002 Revolving Credit Facility.

2002 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 Canada. During 2003, we executed an amendment reducing the size of this revolving credit facility to $200 million. We recorded a $0.8 million non-cash charge associated with the write-off of deferred financing fees related to this reduction. Availability under the facility, which matures in 2007, is limited to the amount of U.S. and Canadian eligible inventory and Canadian receivables applied against certain advance rates. Borrowings under the facility were used to retire a previous revolving credit facility. Interest on this facility is at LIBOR plus a margin that ranges between 2.0% to 2.75% depending upon the amount of excess availability under the facility. 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. We were in compliance with all such covenants as of December 31, 2003. At December 31, 2003, there were no borrowings outstanding under the facility. At December 31, 2003, we had approximately $161 million available for borrowing under our facility compared to approximately $154 million available at December 31, 2002.

Senior Notes

At December 31, 2003, we have $378.8 million in aggregate outstanding principal amount of 9.125% senior subordinated notes due 2008. The notes were issued with an average issue price of 98%. During 2003, we repurchased $21.2 million in aggregate principal amount of senior subordinated notes at a net gain of $0.6 million.

Interest Rate Swap Agreements

In September and October 2001, we entered into four separate fixed-to-floating interest rate swap agreements, each with a notional amount of $25 million. In June 2003, these agreements were called by the issuer, and as a result we received a $4.6 million payment. The gain resulting from the settlement of these agreements has been deferred and is being amortized as a reduction of interest expense over the remaining term of the senior subordinated notes.

In September 2003, we entered into a new $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 9.125% 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, and at December 31, 2003, the rates ranged from 5.96% to 5.99%. In 2003, for the months they were in existence, the agreements had the effect of reducing the interest cost on $100 million of the senior notes from 9.125% to 6.5%. 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.

Off-Balance Sheet Arrangements

Accounts Receivable Securitization Program

In September 2003, we entered into a new $300 million Receivables Facility agreement with four financial institutions. The new facility provides for a $165 million purchase commitment with a term of 364 days and a $135 million purchase commitment with a term of three years. Presently, we expect the $165 million portion of the facility to be renewed in September 2004. Under the Receivables Facility, WESCO sells, on a continuous basis, to WESCO Receivables Corporation, a wholly-owned 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. 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. See Note 5 to the Consolidated Financial Statements.

As of December 31, 2003 and 2002, securitized accounts receivable totaled approximately $330 million and $346 million, respectively, of which the subordinated retained interest was approximately $105 million and $53 million, respectively. Accordingly, approximately $225 million and $293 million of accounts receivable balances were removed from the consolidated balance sheets at December 31, 2003 and 2002, respectively. WESCO reduced its Receivables Facility by $68.0 million in 2003 and by $37.0 million in 2002. Costs associated with the Receivables Facility totaled $4.5 million, $6.6 million and $16.9 million in 2003, 2002 and 2001, respectively. These amounts are recorded as other expenses in the consolidated statements of operations and are primarily related to the discount and loss on the sale of accounts receivables, partially offset by related servicing revenue.

Cash Flow

An analysis of cash flows for 2003 and 2002 follows:

Operating Activities. Cash provided by operating activities totaled $35.8 million for the year ended December 31, 2003, compared to $20.3 million a year ago. Cash provided by operations in 2003 and 2002 included net outflows of $68.0 million and $37.0 million, respectively, associated with changes related to our Receivables Facility. In 2003, cash generated by net income of $30.0 million plus adjustments for non-cash items totaling $30.1 million along with cash inflows for reductions in inventory of $25.2 million and increases in accounts payable and other liabilities of $22.8 million were partially offset by the previously mentioned $68 million reduction in our Receivables Facility. In 2002, cash generated by net income of $23.1 million plus adjustments for non-cash items totaling $38.6 million along with cash inflows for reductions in accounts receivable of $79.5 million and reductions in inventory of $41.5 million were partially offset by decreases in accounts payable and the previously mentioned $37.0 million reduction in our Receivables Facility.

Investing Activities. Net cash used by investing activities was $9.2 million in 2003, compared to $23.1 million in 2002. Cash used for investing activities was higher in 2002 due to $12.4 million more in acquisition payments and $1.0 million more in capital expenditures. Capital expenditures in 2003 were $8.4 million and were for computer equipment and software and branch and distribution center facility improvements. In 2004, we expect to pay $30 million pursuant to an earnout agreement associated with the Bruckner acquisition.

Financing Activities. Cash used by financing activities in 2003 was $22.3 million primarily due to a $27.3 million payment relating to the repurchase of our Class B common stock from an institutional holder. Additionally, $21.2 million of outflows related to the repurchase of senior notes and a net $10.0 million was used to pay down the 2002 revolving credit facility. Offsetting these payments were net proceeds from debt attributable to borrowing $38.1 million from the mortgage financing facility. Cash used by financing activities was $49.9 million in 2002 that was primarily due to net debt repayments of $45.3 million.

Contractual Cash Obligations and Other Commercial Commitments

The following summarizes our contractual obligations at December 31, 2003, and the effect such obligations are expected to have on liquidity and cash flow in future periods.

(In millions)	2004	2005 to 2006	2007 to 2008	After 2008	Total
Contractual cash obligations:					
Mortgage facility	$ 1.1	$ 2.4	$ 2.8	$ 44.2	$ 50.5
Revolving credit facility	—	—	—	—	—
Senior subordinated notes	—	—	378.8	—	378.8
Acquisition earnout agreements	31.3	52.0	1.0	—	84.3
Non-cancelable operating leases	24.2	33.3	22.1	5.2	84.8
Other long-term obligations	1.0	0.1	—	—	1.1
Total contractual cash obligations	$ 57.6	$ 87.8	$ 404.7	$ 49.4	$ 599.5

(In millions)	2004	2005 to 2006	2007 to 2008	After 2008	Total
Other commercial commitments:					
Standby letters of credit	$ 14.4	$ —	$ —	$ —	$ 14.4

Purchase orders for inventory requirements and service contracts are not included in the table above. Generally, our purchase orders and contracts contain clauses allowing for cancellation. We do not have significant agreements to purchase material or goods that would specify minimum order quantities.

Management believes that cash generated from operations, together with amounts available under the credit facility and the Receivables Facility, will be sufficient to meet our working capital, capital expenditures and other cash requirements for the foreseeable future. There can be no assurance, however, that this will be or will continue to be the case.

Inflation

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

Seasonality

Our 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. Sales increase during the warmer months beginning in March and continuing through November. Sales drop again slightly in December as the weather cools and also as a result of a reduced level of activity during the holiday season. As a result, we report sales and earnings in the first quarter that are generally lower than that of the remaining quarters.

Impact of Recently Issued Accounting Standards

In January 2003, the FASB issued Interpretation No. 46, *"Consolidation of Variable Interest Entities."* This interpretation requires unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse the risk and rewards of ownership among their owners and other parties involved. This interpretation, as amended, is effective for all entities subject to this interpretation no later than the end of the first period that ends after March 15, 2004. We are currently evaluating the impact of this interpretation on our financial statements.

Item 7A Quantitative and Qualitative Disclosures about Market Risks

Foreign Currency Risks

Approximately 90% of our sales are denominated in U.S. dollars and are primarily from customers in the United States. As a result, currency fluctuations are currently not material to our operating results. We do have foreign subsidiaries located in North America, Europe and Asia and may establish additional foreign subsidiaries in the future. Accordingly, we may derive a more significant portion of our sales from international operations, and a portion of these sales may be denominated in foreign currencies. As a result, our future operating results could become subject to fluctuations in the exchange rates of those currencies in relation to the U.S. dollar. Furthermore, to the extent that we engage in international sales denominated in U.S. dollars, an increase in the value of the U.S. dollar relative to foreign currencies could make our products less competitive in international markets. We have and will continue to monitor our exposure to currency fluctuations.

Interest Rate Risks

Our outstanding indebtedness as of December 31, 2003 is comprised of $422.2 million of fixed-rate borrowings.

In September and October 2001, we entered into four fixed-to-floating interest rate swap agreements with an aggregate notional amount of $100 million. In June 2003, these agreements were called by the issuer and we received a payment of $4.6 million.

In September 2003, we entered into a new $50 million interest rate swap agreement, and in December 2003, we entered into two additional $25 million interest rate swap agreements. At December 31, 2003, the net fair value of outstanding interest rate derivatives designated as fair value hedges was $0.1 million. These interest rate swap agreements combined to reduce interest expense by approximately $2.6 million in 2003. Our weighted average interest rate was 6.0% on the notional amount of $100 million as of December 31, 2003. The agreements can be terminated under certain conditions. There is no assurance we could find comparable interest rate swap agreements to continue to reduce interest expense at current levels.

As a result of $100 million in fixed-to-floating interest rate swaps, a hypothetical 10% change in interest rates based on these variable-rate borrowing levels would result in a $0.7 million increase or decrease in annual interest expense.

Item 8 Financial Statements and Supplementary Data

The information required by this item is set forth in our Consolidated Financial Statements contained in this Annual Report on Form 10-K. Specific financial statements can be found at the pages listed below:

WESCO International, Inc.	Page
Report of Independent Auditors	36
Consolidated Balance Sheets as of December 31, 2003 and 2002	37
Consolidated Statements of Operations for the years ended December 31, 2003, 2002 and 2001	38
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2003, 2002 and 2001	39
Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001	40
Notes to Consolidated Financial Statements	41

Report of Independent Auditors

To the Stockholders and Board of Directors of WESCO International, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of WESCO International, Inc. and its subsidiaries (collectively, "WESCO") at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of WESCO's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 4 to the Consolidated Financial Statements, WESCO adopted Statement of Financial Accounting Standards No. 142, *"Goodwill and Other Intangible Assets."* Accordingly, WESCO changed its method of accounting for goodwill in 2002.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
March 12, 2004

Consolidated Balance Sheets

WESCO International, Inc. and Subsidiaries

December 31	2003	2002
(Dollars in thousands, except share data)		
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 27,495	$ 22,570
Trade accounts receivable, net of allowance for doubtful accounts of $11,422 and $10,261 in 2003 and 2002, respectively (Note 5)	266,589	182,249
Other accounts receivable	18,223	19,921
Inventories, net	320,975	340,350
Income taxes receivable	13,628	8,935
Prepaid expenses and other current assets	9,378	7,433
Total current assets	656,288	581,458
Property, buildings and equipment, net (Note 8)	98,937	110,174
Goodwill (Note 4)	398,673	314,078
Other assets	7,307	13,809
Total assets	**$ 1,161,205**	**$ 1,019,519**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 366,380	$ 346,513
Accrued payroll and benefit costs (Notes 13 and 14)	47,110	19,736
Current portion of long-term debt	2,120	5,778
Current deferred income taxes (Note 11)	2,379	3,408
Deferred acquisition payable (Note 6)	31,303	2,000
Other current liabilities	30,418	25,441
Total current liabilities	479,710	402,876
Long-term debt (Note 9)	420,042	412,196
Long-term deferred acquisition payable (Note 6)	53,040	—
Other noncurrent liabilities	6,574	5,684
Deferred income taxes (Note 11)	34,151	29,475
Total liabilities	993,517	850,231
Commitments and contingencies (Note 15)		
Stockholders' Equity (Notes 3 and 10):		
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, 44,999,794 and 44,483,513 shares issued in 2003 and 2002, respectively	450	445
Class B nonvoting convertible common stock, $.01 par value; 20,000,000 shares authorized, 4,339,431 and 4,653,131, shares issued in 2003 and 2002, respectively	43	46
Additional capital	559,651	570,923
Retained earnings (deficit)	(336,790)	(366,796)
Treasury stock, at cost; 8,400,499 and 4,033,020 shares in 2003 and 2002, respectively	(61,370)	(33,841)
Accumulated other comprehensive income (loss)	5,704	(1,489)
Total stockholders' equity	167,688	169,288
Total liabilities and stockholders' equity	**$ 1,161,205**	**$ 1,019,519**

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

Consolidated Statements of Operations

WESCO International, Inc. and Subsidiaries

Year Ended December 31	2003	2002	2001
(In thousands, except share data)			
Net sales	$ 3,286,766	$ 3,325,780	$ 3,658,033
Cost of goods sold	2,676,701	2,735,006	3,014,520
Gross profit	610,065	590,774	643,513
Selling, general and administrative expenses	501,462	494,382	517,156
Depreciation and amortization	22,558	19,767	30,972
Income from operations	86,045	76,625	95,385
Interest expense, net	42,317	42,985	45,140
Loss on debt extinguishment	180	1,073	—
Other expenses (Note 5)	4,457	6,597	16,877
Income before income taxes	39,091	25,970	33,368
Provision for income taxes (Note 11)	9,085	2,847	13,143
Net income	**$ 30,006**	**$ 23,123**	**$ 20,225**
Earnings per share (Note 12)			
Basic	**$ 0.67**	**$ 0.51**	**$ 0.45**
Diluted	**$ 0.65**	**$ 0.49**	**$ 0.43**

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

Consolidated Statements of Stockholders' Equity

WESCO International, Inc. and Subsidiaries

(In thousands)	Comprehensive Income	Common Stock	Class B Common Stock	Additional Capital	Retained Earnings (Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2000		$ 441	$ 46	$569,288	$(410,144)	$(33,406)	$ (1,238)
Exercise of stock options, including tax benefit		2		709		(446)	
Net income	$ 20,225				20,225		
Translation adjustment	(826)						(826)
Comprehensive income	$ 19,399						
Balance, December 31, 2001		443	46	569,997	(389,919)	(33,852)	(2,064)
Exercise of stock options, including tax benefit		2		926		(73)	
Treasury stock issuance						84	
Net income	$ 23,123				23,123		
Translation adjustment	575						575
Comprehensive income	$ 23,698						
Balance, December 31, 2002		445	46	570,923	(366,796)	(33,841)	(1,489)
Exercise of stock options, including tax benefit		2		937		(234)	
Stock option expense				605			
Redemption of stock options, including tax benefit				(12,814)			
Repurchase of Class B common stock						(27,295)	
Conversion of Class B common stock		3	(3)				
Net income	$ 30,006				30,006		
Translation adjustment	7,193						7,193
Comprehensive income	$ 37,199						
Balance, December 31, 2003		**$ 450**	**$ 43**	**$559,651**	**$(336,790)**	**$(61,370)**	**$ 5,704**

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

Consolidated Statements of Cash Flows

WESCO International, Inc. and Subsidiaries

Year Ended December 31	2003	2002	2001
(In thousands)			
Operating Activities:			
Net income	$ 30,006	$ 23,123	$ 20,225
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on debt extinguishment	180	1,073	—
Depreciation and amortization	22,558	19,767	30,972
Accretion of original issue and amortization of purchase discounts	2,898	2,972	1,799
Amortization of gain on interest rate swap	(533)	—	—
Stock option expense	605	—	—
Amortization of debt issuance costs	1,248	945	1,168
Gain on sale of property, buildings and equipment	(513)	(43)	(520)
Deferred income taxes	3,647	13,918	12,035
Changes in assets and liabilities, excluding the effects of acquisitions:			
Change in receivables facility	(68,000)	(37,000)	(45,000)
Trade and other receivables	(5,699)	79,488	103,705
Inventories	25,238	41,463	46,653
Prepaid expenses and other current assets	1,347	(2,935)	(2,810)
Other assets	—	2,623	(836)
Accounts payable	12,405	(122,999)	5,680
Accrued payroll and benefit costs	6,706	3,256	(10,547)
Other current and noncurrent liabilities	3,665	(5,306)	(1,253)
Net cash provided by operating activities	35,758	20,345	161,271
Investing Activities:			
Capital expenditures	(8,379)	(9,349)	(13,820)
Proceeds from the sale of property, buildings and equipment	1,177	755	933
Acquisitions, net of cash acquired	(2,028)	(14,466)	(56,269)
Net cash used by investing activities	(9,230)	(23,060)	(69,156)
Financing Activities:			
Proceeds from issuance of long-term debt	169,180	552,436	766,363
Repayments of long-term debt	(166,811)	(597,710)	(803,548)
Proceeds from interest rate swap	4,563	—	—
Debt issuance costs	(2,389)	(5,201)	(1,262)
Proceeds from exercise of options	438	620	489
Repurchase of Class B common stock	(27,295)	—	—
Net cash used by financing activities	(22,314)	(49,855)	(37,958)
Effect of exchange rate changes on cash and cash equivalents	711	83	(179)
Net change in cash and cash equivalents	4,925	(52,487)	53,978
Cash and cash equivalents at the beginning of period	22,570	75,057	21,079
Cash and cash equivalents at the end of period	**$ 27,495**	**$ 22,570**	**$ 75,057**
Supplemental disclosures:			
Cash paid for interest	$ 38,814	$ 38,885	$ 41,914
Cash paid (refund) paid for taxes	2,544	(9,061)	3,259
Other non-cash activities:			
Redemption of stock options	20,144	—	—
(Increase) decrease in fair value of outstanding interest rate swaps	(135)	(8,310)	3,176

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

Notes to Consolidated Financial Statements

WESCO International, Inc. and Subsidiaries

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 in the United States, Canada, Mexico, Puerto Rico, Guam, the United Kingdom, Nigeria and Singapore.

On June 5, 1998, WESCO repurchased and retired all of the common stock of WESCO principally held by non-management shareholders for $10.75 per share for net consideration of approximately $653.5 million. In addition, WESCO repaid approximately $379.1 million of then outstanding indebtedness, and sold 29,604,351 shares of common stock to an investor group led by affiliates of the Cypress Group LLC ("Cypress") representing approximately 88.7% of WESCO at that time for an aggregate cash consideration of $318.1 million. Existing management retained approximately an 11.3% interest in WESCO immediately following the transaction. WESCO funded the equity consideration and the repayment of indebtedness from proceeds of the cash equity contribution, issuance of approximately $351 million of senior subordinated and senior discount notes, a $170 million credit facility and the sale of approximately $250 million of accounts receivable. Given the 11.3% retained ownership, the transaction was treated as a recapitalization for financial reporting purposes and, accordingly, the historical bases of WESCO's assets and liabilities were not affected.

2. Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of WESCO International, Inc. and all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions WESCO may undertake in the future, actual results may ultimately differ from the estimates.

Revenue Recognition

Revenues are recognized when title, ownership and risk of loss pass to the customer, or services are rendered. In nearly all cases, this occurs at the time of shipment from our distribution point, as the terms of nearly all of WESCO's sales are FOB shipping point.

Supplier Volume Rebates

WESCO receives rebates from certain suppliers based on contractual arrangements with such suppliers. An asset, included within other accounts receivable on the balance sheet, represents the estimated amounts due to WESCO under the rebate provisions of such contracts. The corresponding rebate income is recorded as a reduction of cost of goods sold. The appropriate level of such income is derived from the level of actual purchases made by WESCO from suppliers, in accordance with the provisions of Emerging Issues Task Force ("EITF") Issue No. 02-16, *"Accounting by a Reseller for Cash Consideration Received from a Vendor."*

Shipping and Handling Costs and Fees

WESCO records the majority of costs and fees associated with transporting its products to customers as a component of selling, general and administrative expenses. These costs totaled $36.2 million, $37.2 million and $38.2 million in 2003, 2002 and 2001, respectively.

The remaining shipping and handling costs relate to costs that are billed to our customers. These costs and the related revenue are included in net sales in the consolidated statements of operations.

Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less when purchased.

Asset Securitization

WESCO accounts for the securitization of accounts receivable in accordance with Statement of Financial Accounting Standards ("SFAS") No. 140, *"Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities."* At the time the receivables are sold the balances are removed from the balance sheet. SFAS No. 140 also requires retained interests in the transferred assets to be measured by allocating the previous carrying amount between the assets sold and retained interests based on their relative fair values at the date of transfer. The Company estimates fair value based on the present value of expected future cash flows discounted at a rate commensurate with the risks involved.

Allowance for Doubtful Accounts

WESCO maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. WESCO has a systematic procedure using estimates based on historical data and reasonable assumptions of collectibility made at the local branch level and at the consolidated corporate basis to calculate the allowance for doubtful accounts. If the financial condition of WESCO's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The allowance for doubtful accounts was $11.4 million at December 31, 2003 and $10.3 million at December 31, 2002.

Inventories

Inventories primarily consist of merchandise purchased for resale and are stated at the lower of cost or market. Cost is determined principally under the average cost method. The Company makes provisions for obsolete or slow-moving inventories as necessary to properly reflect inventory value. Reserves for excess and obsolete inventories were $9.8 million and $11.9 million at December 31, 2003 and 2002, respectively.

Property, Buildings and Equipment

Property, buildings and equipment are recorded at cost. Depreciation expense is determined using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over either their respective lease terms or their estimated lives, whichever is shorter. Estimated useful lives range from five to forty years for buildings and leasehold improvements, and three to seven years for furniture, fixtures and equipment.

Computer software is accounted for in accordance with Statement of Position 98-1, *"Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."* Capitalized computer software costs are amortized over its estimated useful life, typically two to five years, and are reported at the lower of unamortized cost or net realizable value.

Expenditures for new facilities and improvements that extend the useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. When property is retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any related gains or losses are recorded.

Goodwill

Effective January 1, 2002, WESCO adopted SFAS No. 142, *"Goodwill and Other Intangible Assets."* Under SFAS No. 142, goodwill is no longer amortized, but will be reduced if it is found to be impaired. Goodwill is tested for impairment annually or more frequently when events or circumstances occur indicating that goodwill might be impaired.

Prior to the adoption of SFAS No. 142 discussed in Note 4, goodwill arising from acquisitions was amortized on a straight-line basis over periods ranging from 25 to 35 years.

Intangible Assets

WESCO's intangible assets consist primarily of non-compete agreements with contractually determined lives. The carrying values of these intangible assets were $1.3 million and $3.2 million at December 31, 2003 and 2002, respectively, and are regularly reviewed by evaluating the estimated future undiscounted cash flows to determine recoverability of the assets. Any decrease in value is recognized on a current basis.

Income Taxes

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances, if any, are provided when a portion or all of a deferred tax asset may not be realized.

Foreign Currency Translation

The local currency is the functional currency for all of WESCO's operations outside the United States. Assets and liabilities of these operations are translated to U.S. dollars at the exchange rate in effect at the end of each period. Income statement accounts are translated at the average exchange rate prevailing during the period. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of stockholders' equity. Gains and losses from foreign currency transactions are included in net income for the period.

Treasury Stock

Common stock purchased for treasury is recorded at cost. At the date of subsequent reissue, the treasury stock account is reduced by the cost of such stock on the weighted average cost basis.

Stock Options

During the year ended December 31, 2003, WESCO adopted the measurement provisions of 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 $0.6 million of compensation expense in the year ended December 31, 2003.

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:

Year Ended December 31	2003	2002	2001
(Dollars in thousands, except per share amounts)			
Net income reported	$ 30,006	$ 23,123	$ 20,225
Add: Stock-based compensation expense included in reported net income, net of related tax	393	—	—
Deduct: Stock-based employee compensation expense determined under SFAS No. 123 for all awards, net of related tax	(1,876)	(2,429)	(2,874)
Pro forma net income	$ 28,523	$ 20,694	$ 17,351
Earnings per share:			
Basic as reported	$ 0.67	$ 0.51	$ 0.45
Basic pro forma	$ 0.64	$ 0.46	$ 0.39
Diluted as reported	$ 0.65	$ 0.49	$ 0.43
Diluted pro forma	$ 0.62	$ 0.44	$ 0.37

The weighted average fair value per option granted was $4.00, $4.57 and $2.99 for the years ended December 31, 2003, 2002 and 2001, respectively.

For purposes of presenting pro forma results, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model and the following assumptions:

Year Ended December 31	2003	2002	2001
Risk-free interest rate	4.0%	3.4%	4.9%
Expected life (years)	7.0	6.0	6.0
Stock price volatility	67.0%	75.0%	65.0%
Employee turnover	5.0%	5.0%	5.0%

Fair Value of Financial Instruments

For certain of WESCO's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and other accrued liabilities, the carrying values approximate fair value due to their short maturities. WESCO's senior subordinated notes with an aggregate principal amount of $378.8 million were issued at an average discount of 2% and were trading at a premium of 5% ($397.7 million) at December 31, 2003.

Interest Rate Swaps

WESCO enters into interest rate swap agreements to reduce the exposure of its debt to interest rate risk and formally documents this strategy as part of its risk management program. Interest rate swaps are used to modify the market risk exposures for a portion of WESCO's debt to achieve LIBOR-based floating interest expense. The swap transactions generally involve the exchange of fixed-for-floating interest payment obligations and are accounted for as fair value hedges. The gain or loss on the derivative instrument, as well as the offsetting gain or loss on the hedged item, is recognized in earnings in the current period.

WESCO estimates the fair value of derivatives based on quoted market prices or pricing models using current market rates, and records all derivatives on the balance sheet at fair value. At December 31, 2003, the fair value of interest-rate-related derivatives designated as fair value hedges of debt was $0.1 million and is recorded in non-current assets. Cash flows from derivative instruments are presented in a manner consistent with the underlying transaction.

Environmental Expenditures

WESCO has facilities and operations that distribute certain products that must comply with environmental regulations and laws. Expenditures for current operations are expensed or capitalized, as appropriate. Expenditures relating to existing conditions caused by past operations, and which do not contribute to future revenue, are expensed. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated.

Reclassifications

Certain prior period amounts have been reclassified to conform with the current year presentation.

Recent Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46, *"Consolidation of Variable Interest Entities."* This interpretation requires unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse the risk and rewards of ownership among their owners and other parties involved. This interpretation is effective for all entities subject to this interpretation no later than the end of the first period that ends after March 15, 2004. The Company is currently evaluating the impact of this interpretation on its financial statements.

3. Initial Public Offering

On May 17, 1999, WESCO completed its initial public offering of 11,183,750 shares of common stock ("Offering") at $18.00 per share. In connection with the Offering, certain employee rights to require WESCO to repurchase outstanding redeemable common stock were terminated and approximately $31.5 million of convertible notes were converted into 1,747,228 shares of common stock. Proceeds from the Offering (after deducting Offering costs of $14.5 million) totaling $186.8 million and borrowings of approximately $65 million were used to redeem all of the 11 1/8% senior discount notes ($62.8 million) and to repay the existing revolving credit and term loan facilities ($188.8 million).

In connection with the Offering, the Board of Directors approved a 57.8 to one stock split effected in the form of a stock dividend of WESCO's common stock. The Board of Directors also reclassified the Class A common stock into common stock, increased the authorized common stock to 210,000,000 shares and the authorized Class B common stock to 20,000,000 shares and authorized 20,000,000 shares of $.01 par value preferred stock, all effective May 11, 1999. In this report, all share and per share data have been restated to reflect the stock split.

4. Goodwill

During the fourth quarter of 2003, WESCO completed its annual impairment review required by SFAS No. 142. Each of WESCO's seven reporting units was tested for impairment by comparing the implied fair value of each reporting unit with its carrying value using discounted cash flow analyses. Considerable management judgment is necessary to estimate discounted future cash flows. Assumptions used for these estimated cash flows were based on a combination of historical results and current internal forecasts. No impairment losses were identified as a result of this review.

The changes in the carrying amount of goodwill were as follows:

Year Ended December 31 *(In thousands)*	2003	2002
Beginning balance January 1	$ 314,078	$ 311,073
Goodwill additions during year	84,595	3,005
Ending balance December 31	**$ 398,673**	**$ 314,078**

In conformity with SFAS No. 142, the results of prior periods have not been restated. The following is a reconciliation of the impact of not amortizing goodwill on prior periods of WESCO's net income and earnings per share:

Year Ended December 31	2003	2002	2001
(Dollars in thousands, except per share amounts)			
Reported net income	$ 30,006	$ 23,123	$ 20,225
Goodwill amortization, net of tax	—	—	7,236
Adjusted net income	**$ 30,006**	**$ 23,123**	**$ 27,461**
Basic earnings per share:			
Reported net income	$ 0.67	$ 0.51	$ 0.45
Goodwill amortization, net of tax	—	—	0.16
Adjusted net income	**$ 0.67**	**$ 0.51**	**$ 0.61**
Diluted earnings per share:			
Reported net income	$ 0.65	$ 0.49	$ 0.43
Goodwill amortization, net of tax	—	—	0.15
Adjusted net income	**$ 0.65**	**$ 0.49**	**$ 0.58**

5. Accounts Receivable Securitization

WESCO maintains an accounts receivable securitization program ("Receivables Facility") that requires annual renewal of its terms. 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. 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 December 31, 2003 and 2002, securitized accounts receivable totaled approximately $330 million and $346 million, respectively, of which the subordinated retained interest was approximately $105 million and $53 million, respectively. Accordingly, approximately $225 million and $293 million of accounts receivable balances were removed from the consolidated balance sheets at December 31, 2003 and 2002, respectively. WESCO reduced its Receivables Facility by $68.0 million in 2003 and by $37.0 million in 2002. Costs associated with the Receivables Facility totaled $4.5 million, $6.6 million and $16.9 million in 2003, 2002 and 2001, respectively. These amounts are recorded as other expenses in the consolidated statements of operations and are primarily related to the discount and loss on the sale of accounts receivables, partially offset by related servicing revenue.

The key economic assumptions used to measure the retained interest at the date of the securitization for securitizations completed in 2003 were a discount rate of 2% and an estimated life of 1.5 months. At December 31, 2003, 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 approximately $0.1 million and $0.2 million, respectively. These sensitivities are hypothetical and should be used with caution. As the figures indicate, 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.

6. Acquisitions

In 2001, WESCO acquired a distributor serving contractors who install gas, lighting and communication utility infrastructure. Total goodwill recorded as a result of this acquisition was approximately $47 million for the year ended December 31, 2001. A summary of certain information with respect to all acquisitions follows:

Year Ended December 31 *(In thousands)*	2003	2002	2001
Details of acquisitions:			
Fair value of assets acquired (including amounts earned under acquisition agreements)	$ 84,343	$ 2,000	$ 72,270
Liabilities assumed	—	—	(9,586)
Deferred acquisition payable	(84,343)	(2,000)	(10,000)
Deferred acquisition payment	2,028	14,466	8,585
Notes issued to seller	—	—	(5,000)
Cash paid for acquisitions	**$ 2,028**	**$ 14,466**	**$ 56,269**

The 2001 acquisition was accounted for under the purchase method of accounting for business combinations. The results of operations of the acquired company are included in the consolidated financial statements prospectively from the acquisition date. Pro forma results of this acquisition, assuming it had been made at the beginning of each year presented, would not be materially different from the consolidated results reported herein.

In 1998, WESCO acquired substantially all the assets and assumed substantially all liabilities and obligations relating to the operations of Bruckner Supply Company, Inc. ("Bruckner"). The terms of the purchase agreement provide for additional contingent consideration to be paid based on achieving certain earnings targets. Under the Bruckner acquisition agreement, the maximum remaining earnout available was $80 million. The amount of earnout proceeds payable in any single year subsequent to achieving the earnings target is capped under this agreement at $30 million per year. As a result of Bruckner's performance in 2003, WESCO has recorded a liability of $80 million as of December 31, 2003 ($30 million classified as current and $50 million classified as non-current) for the estimated amount owed based on 2003 performance for contingent consideration relating to the Bruckner agreement. Based on 2003 performance and the accrual of $80 million, no further earnout is available. The payments accrued were recorded as an increase to goodwill.

Certain other acquisitions also contain contingent consideration provisions, only one of which could require a significant payment. Management estimates this payment could be up to $20 million and would be made in 2008.

7. Concentrations of Credit Risk and Significant Suppliers

WESCO distributes its products and services and extends credit to a large number of customers in the industrial, construction, utility and manufactured structures markets. In addition, one supplier accounted for approximately 13%, 13% and 14% of WESCO's purchases for each of the three years, 2003, 2002 and 2001, respectively.

8. Property, Buildings and Equipment

The following table sets forth the components of property, buildings and equipment:

December 31 *(In thousands)*	2003	2002
Buildings and leasehold improvements	$ 68,488	$ 67,321
Furniture, fixtures and equipment	87,258	80,808
Software costs	34,787	31,940
	190,533	180,069
Accumulated depreciation and amortization	(111,600)	(90,981)
	78,933	89,088
Land	18,983	18,349
Construction in progress	1,021	2,737
	$ 98,937	**$ 110,174**

Depreciation expense and capitalized software amortization was $20.7 million, $19.2 million and $18.4 million in 2003, 2002 and 2001, respectively.

9. Long-Term Debt

The following table sets forth WESCO's outstanding indebtedness:

December 31 *(In thousands)*	2003	2002
Revolving credit facility	$ —	$ 10,000
Mortgage facility	50,489	13,340
Senior subordinated notes[1]	370,607	389,038
Other	1,066	5,596
	422,162	417,974
Less current portion	(2,120)	(5,778)
	$ 420,042	**$ 412,196**

[1] *Net of original issue discount of $6,459 and $8,410 and purchase discount of $5,930 and $7,686 in 2003 and 2002, respectively, and of interest rate swaps of $(4,165) and $(5,134) in 2003 and 2002, respectively.*

1999 Revolving Credit Facility

In June 1999, WESCO Distribution, Inc., a wholly-owned subsidiary of WESCO, entered into a $400 million revolving credit facility with certain financial institutions ("1999 Revolving Credit Facility"). In March 2002, the 1999 Revolving Credit Facility was terminated. In conjunction with the termination, WESCO wrote off debt issuance costs of approximately $1.1 million.

2002 Revolving Credit Facility

In March 2002, WESCO Distribution, Inc. entered into a $290 million revolving credit agreement ("2002 Revolving Credit Facility") that is collateralized by substantially all inventory owned by WESCO and also by the accounts receivable of WESCO Distribution Canada, Inc. Availability under the agreement, which matures in 2007, is limited to the amount of eligible inventory and Canadian receivables applied against certain advance rates. Proceeds from this agreement were used to retire WESCO Distribution, Inc.'s 1999 Revolving Credit Facility. Interest on the 2002 Revolving Credit Facility is at LIBOR plus a margin that will range between 2.0% to 2.75% depending upon the amount of excess availability under the facility. As long as the average daily excess availability for both the preceding and projected succeeding 90-day period is greater than $50 million, WESCO 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 WESCO's 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 WESCO's excess availability under the agreement is less than $50 million, WESCO must maintain a fixed charge coverage ratio of 1.1 to 1.0.

During 2003, the Company executed an amendment reducing the size of this revolving credit facility to $200 million. WESCO recorded a $0.8 million non-cash charge associated with the write-off of deferred financing fees related to this reduction.

At December 31, 2003, there were no borrowings outstanding under this facility.

Mortgage Financing Facility

In February 2003, WESCO finalized a $51 million mortgage financing facility, $13 million of which was outstanding as of December 31, 2002. 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. Proceeds from the borrowings were used to reduce outstanding borrowings under the 2002 Revolving Credit Facility. Interest rates on borrowings under this facility are fixed at 6.5%.

Senior Subordinated Notes

In June 1998 and August 2001, WESCO Distribution Inc. completed an offering of $300 million and $100 million, respectively, in aggregate principal amount of 9.125% senior subordinated notes due on June 1, 2008. The notes were issued at an average issue price of 98% of par. The net proceeds received from the notes were approximately $376 million. The net proceeds were used to repay outstanding indebtedness. These senior subordinated notes are fully and unconditionally guaranteed by WESCO International, Inc.

During 2003, WESCO repurchased $21.2 million in aggregate principal amount of senior subordinated notes at a net gain of $0.6 million. As of December 31, 2003, WESCO had outstanding $378.8 million in aggregate principal amount of senior subordinated notes due in 2008.

The senior subordinated notes bear interest at a stated rate of 9.125% payable semiannually on June 1 and December 1 through June 1, 2008. The effective interest rate for the senior subordinated notes is 9.4%.

The senior subordinated notes are redeemable at the option of WESCO Distribution, Inc. in whole or in part, at any time after June 1, 2003 at the following prices on the June anniversary:

	Redemption Price
2003	104.563%
2004	103.042
2005	101.521
2006 and thereafter	100.000

The noteholders have the right to require WESCO Distribution, Inc., upon a change of control, to repurchase all or any part of the senior subordinated notes at a redemption price equal to 101% of the principal amount provided plus accrued and unpaid interest.

In September and October 2001, WESCO entered into four separate fixed-to-floating interest rate swap agreements, each with a notional amount of $25 million. In June 2003, these agreements were called by the issuer and as a result the Company received a $4.6 million payment. The gain resulting from the settlement of these agreements has been deferred and is being amortized as a reduction of interest expense over the remaining life of the senior subordinated notes. During 2003, interest expense was reduced by $0.5 million due to amortization of the gain.

In September 2003, WESCO entered into a new $50 million interest rate swap agreement. In December 2003, WESCO entered into two additional new $25 million interest rate swap agreements. These agreements had terms expiring concurrently with the 9.125% senior subordinated notes with the intent of converting $100 million of the senior subordinated notes to variable rates of interest. Pursuant to these agreements, WESCO receives semi-annual fixed interest payments at the rate of 9.125% and will make semi-annual variable interest rate payments at rates based on six-month LIBOR rates plus a premium in arrears. The LIBOR rates in the agreements reset every six months. These agreements can be terminated by the counter party in accordance with a redemption schedule that is consistent with the redemption schedule for the senior subordinated notes.

Other

At December 31, 2003 and 2002, other borrowings primarily consisted of notes issued to sellers in connection with acquisitions.

The following table sets forth the aggregate principal repayment requirements for all indebtedness for the next five years and thereafter (in thousands):

2004	$ 2,120
2005	1,203
2006	1,259
2007	1,338
2008	380,250
Thereafter	44,215

WESCO's credit agreements contain various restrictive covenants that, among other things, impose limitations on (i) dividend payments or certain other restricted payments or investments; (ii) the incurrence of additional indebtedness and guarantees or issuance of additional stock; (iii) creation of liens; (iv) mergers, consolidation or sales of substantially all of WESCO's assets; (v) certain transactions among affiliates; (vi) payments by certain subsidiaries to WESCO; and (vii) capital expenditures. In addition, the revolving credit agreement requires WESCO to meet certain fixed charge coverage tests depending on availability.

WESCO is permitted to pay dividends under certain limited circumstances. At December 31, 2003 and 2002, no retained earnings were available for dividend payments.

WESCO had $14.4 million and $16.6 million of outstanding letters of credit at December 31, 2003 and 2002, respectively. These letters of credit are used as collateral for interest rate swap agreements, potential obligation under insurance programs as well as certain foreign commercial transactions. The fair value of the letters of credit approximates the contract value.

10. Capital Stock

Preferred Stock

There are 20 million shares of preferred stock authorized at a par value of $.01 per share. The Board of Directors has the authority, without further action by the stockholders, to issue all authorized preferred shares in one or more series and to fix the number of shares, designations, voting powers, preferences, optional and other special rights and the restrictions or qualifications thereof. The rights, preferences, privileges and powers of each series of preferred stock may differ with respect to dividend rates, liquidation values, voting rights, conversion rights, redemption provisions and other matters.

Common Stock

There are 210 million shares of common stock and 20 million shares of Class B common stock authorized at a par value of $.01 per share. The Class B common stock is identical to the common stock, except for voting and conversion rights. The holders of Class B common stock have no voting rights. With certain exceptions, Class B common stock may be converted, at the option of the holder, into the same number of shares of common stock.

The following table sets forth capital stock share activity:

	Common Stock	Treasury Stock	Class B Common Stock
December 31, 2000	44,093,664	(3,976,897)	4,653,131
Options exercised	176,146	(55,751)	—
December 31, 2001	44,269,810	(4,032,648)	4,653,131
Treasury share issuance	—	10,000	—
Options exercised	213,703	(10,372)	—
December 31, 2002	44,483,513	(4,033,020)	4,653,131
Stock repurchase	—	(4,339,431)	—
Converted to common stock	313,700	—	(313,700)
Options exercised	202,581	(28,048)	—
December 31, 2003	**44,999,794**	**(8,400,499)**	**4,339,431**

Previously, WESCO's Board of Directors authorized a $25 million share repurchase program with respect to its common stock which expired in May 2003. Under previous share repurchase programs, WESCO purchased in prior years approximately 3.9 million shares of its common stock for approximately $32.8 million. No shares were repurchased pursuant to these plans during 2003.

In November 2003, WESCO's Board of Directors authorized a special repurchase of the Company's Class B common stock. Pursuant to the authorization, 4.3 million shares of Class B common stock were repurchased from an institutional holder, at a discount to market, for approximately $27.3 million. Prior to the repurchase, 0.3 million Class B shares were converted to 0.3 million shares of common stock when they were sold on the secondary markets by the institutional holder. At December 31, 2003, all the shares of Class B common stock were held in treasury or had been converted to common stock.

11. Income Taxes

The following table sets forth the components of the provision for income taxes:

Year Ended December 31	2003	2002	2001
(In thousands)			
Current taxes:			
Federal	$ 1,466	$ (13,670)	$ 1,051
State	(875)	645	(1,502)
Foreign	4,847	1,954	1,559
Total current	5,438	(11,071)	1,108
Deferred taxes:			
Federal	4,409	14,613	9,990
State	1,091	(176)	2,297
Foreign	(1,853)	(519)	(252)
Total deferred	3,647	13,918	12,035
	$ 9,085	**$ 2,847**	**$ 13,143**

The following table sets forth the components of income before income taxes by jurisdiction:

Year Ended December 31 (In thousands)	2003	2002	2001
United States	$ 29,925	$ 19,544	$ 29,921
Foreign	9,166	6,426	3,447
	$ 39,091	**$ 25,970**	**$ 33,368**

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

Year Ended December 31	2003	2002	2001
Federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal tax benefit	0.4	1.2	1.5
Nondeductible expenses	2.3	4.2	4.2
Domestic tax benefit from foreign operations	(3.9)	(0.3)	(4.1)
Foreign tax rate differences	(1.5)	(0.9)	0.4
Favorable impact resulting from prior year tax contingencies[1]	(6.6)	(20.4)	—
Remeasurement of deferred taxes[2]	—	(2.7)	—
Net operating loss utilization[3]	(1.4)	—	—
Other	(1.0)	(5.1)	2.4
	23.3%	**11.0%**	**39.4%**

[1] *Represents a benefit of $2.6 million during 2003 and $5.3 million during 2002 from the resolution of prior year tax contingencies.*

[2] *Reflects a decrease in the rate applied to deferred tax items. Management believes this revised estimate reflects the rate that will be in effect when these items reverse.*

[3] *Represents the recognition of a $0.6 million benefit associated with the utilization of a net operating loss.*

As of December 31, 2003, the Company had net operating loss carryforward for state income tax purposes of approximately $12.8 million, which will expire beginning in 2006. The realization of these state deferred tax assets is dependent upon future earnings, if any, and the timing and amount are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by approximately $1.7 million during 2003.

Utilization of the Company's state net operating loss carryforwards is subject to a substantial annual limitation imposed by state statute. Such an annual limitation could result in the expiration of the net operating loss and tax credit carryforwards before utilization.

The following table sets forth deferred tax assets and liabilities:

December 31	2003 Assets	2003 Liabilities	2002 Assets	2002 Liabilities
(In thousands)				
Accounts receivable	$ 2,266	$ —	$ 1,107	$ —
Inventory	—	3,587	—	1,920
Other	2,899	3,957	2,490	5,085
Current deferred tax	**5,165**	**7,544**	**3,597**	**7,005**
Intangibles	—	28,985	—	22,403
Property, buildings and equipment	—	5,043	—	6,943
Other	—	123	—	129
Long-term deferred tax	**$ —**	**$ 34,151**	**$ —**	**$ 29,475**

12. Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average common shares outstanding during the periods. Diluted earnings per share are computed by dividing net income by the weighted average common shares and common share equivalents outstanding during the periods. The dilutive effect of common share equivalents is considered in the diluted earnings per share computation using the treasury stock method.

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

Year Ended December 31	2003	2002	2001
(Dollars in thousands, except share data)			
Net income	$ 30,006	$ 23,123	$ 20,225
Weighted average common shares outstanding used in computing basic earnings per share	44,631,459	45,033,964	44,862,087
Common shares issuable upon exercise of dilutive stock options	1,717,623	1,786,129	2,039,586
Weighted average common shares outstanding and common share equivalents used in computing diluted earnings per share	**46,349,082**	**46,820,093**	**46,901,673**
Earnings per share			
Basic	$ 0.67	$ 0.51	$ 0.45
Diluted	$ 0.65	$ 0.49	$ 0.43

Options to purchase 5.5 million and 5.3 million shares of common stock at a weighted average exercise price of $9.24 per share and $8.37 per share were outstanding as of December 31, 2003 and 2002, respectively, but were not included in the computation of diluted earnings per share because the option exercise prices were greater than the average market price of WESCO common stock.

13. Employee Benefit Plans

A majority of WESCO's employees are covered by defined contribution retirement savings plans for their service rendered subsequent to WESCO's formation. U.S. employee contributions of not more than 6% of eligible compensation are matched 50% by WESCO. WESCO's contributions for Canadian employees range from 1% to 6% of eligible compensation based on years of service. For the years ended December 31, 2003, 2002 and 2001, WESCO contributed $9.5 million, $4.9 million and $5.5 million, respectively, which was charged to expense. Contributions may be taken in the form of WESCO's stock at the employee's election.

In addition, employer contributions may be made at the discretion of the Board of Directors and can be based on WESCO's financial performance. For 2003, an employer contribution of approximately $4.2 million is included in the total contribution of $9.5 million. No such contributions were made during 2002 or 2001.

14. Stock Incentive Plans

Stock Purchase Plans

In connection with the Recapitalization, WESCO established a stock purchase plan ("1998 Stock Purchase Plan") under which certain employees may be granted an opportunity to purchase WESCO's common stock. The maximum number of shares available for purchase may not exceed 427,720. There were no shares issued in 2003, 2002 or 2001.

In 1994, WESCO established a stock purchase plan ("1994 Stock Purchase Plan") under which certain employees were granted an opportunity to purchase WESCO's common stock. Future purchases of shares under the 1994 Stock Purchase Plan were terminated in conjunction with the establishment of the 1998 Stock Purchase Plan.

Stock Option Plans

WESCO has sponsored four stock option plans, the 1999 Long-Term Incentive Plan ("LTIP"), the 1998 Stock Option Plan, the Stock Option Plan for Branch Employees and the 1994 Stock Option Plan. The LTIP was designed to be the successor plan to all prior plans. Outstanding options under prior plans will continue to be governed by their existing terms, which are substantially similar to the LTIP. Any remaining shares reserved for future issuance under the prior plans are available for issuance under the LTIP. The LTIP is administered by the Compensation Committee of the Board of Directors.

An initial reserve of 6,936,000 shares of common stock has been authorized for issuance under the LTIP. This reserve automatically increases by (i) the number of shares of common stock covered by unexercised options granted under prior plans that are canceled or terminated after the effective date of the LTIP and (ii) the number of shares of common stock surrendered by employees to pay the exercise price and/or minimum withholding taxes in connection with the exercise of stock options granted under our prior plans.

Options granted vest and become exercisable over periods ranging from three to four years or earlier based on WESCO achieving certain financial performance criteria. If the financial performance criteria are not met, all the options will vest after nine years and nine months. All options vest immediately in the event of a change in control. Each option terminates on the tenth anniversary of its grant date unless terminated sooner under certain conditions.

During December 2003, in a privately negotiated transaction with 19 employees, WESCO redeemed the net equity value of stock options originally granted in 1994 and 1995, representing approximately 2.9 million shares. The options held by the employees had a weighted average price of $1.75. The options were redeemed at a price of $8.63 per share. The cash payment of $20.1 million was made in January 2004. The Company recognized a tax benefit of $7.3 million as a result of this transaction.

All awards under WESCO's stock incentive plans are designed to be issued at fair market value.

The following sets forth shares of common stock reserved for future issuance at December 31, 2003:

Stock Purchase Plan	135,830
LTIP	4,927,736

The following table sets forth a summary of stock option activity and related information for the years indicated:

	2003		2002		2001	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Beginning of year	9,840,114	$ 5.99	9,999,077	$ 5.96	9,588,306	$ 6.13
Granted	1,093,500	5.92	275,500	6.74	907,350	4.70
Exercised	(202,581)	2.63	(213,703)	2.92	(176,146)	2.78
Redeemed	(2,920,890)	1.75	—	—	—	—
Cancelled	(155,321)	8.91	(220,760)	8.24	(320,433)	9.50
End of year	**7,654,822**	**7.64**	**9,840,114**	**5.99**	**9,999,077**	**5.96**
Exercisable at end of year	3,463,309	$ 7.38	6,477,016	$ 4.70	6,330,661	$ 4.32

The following table sets forth exercise prices for options outstanding as of December 31, 2003:

Range of exercise prices	Options Outstanding	Options Exercisable	Weighted Average Remaining Contractual Life
$ 1.73	136,177	136,177	1.1
$ 1.98	360,964	360,964	2.0
$ 3.38	799,888	799,888	3.0
$ 4.34	60,112	60,112	3.9
$ 4.50 - $ 7.75	2,539,601	352,157	8.4
$ 8.13 - $ 9.31	48,000	—	6.4
$ 9.75 - $ 9.88	913,500	—	6.4
$ 10.75	2,787,405	1,744,836	4.6
$ 18.00	9,175	9,175	5.4
	7,654,822	**3,463,309**	

15. Commitments and Contingencies

Future minimum rental payments required under operating leases, primarily for real property that have noncancelable lease terms in excess of one year as of December 31, 2003, are as follows:

(In thousands)	
2004	$ 24,215
2005	18,973
2006	14,279
2007	10,876
2008	11,264
Thereafter	5,250

Rental expense for the years ended December 31, 2003, 2002 and 2001, was $32.3 million, $32.9 million and $32.5 million, respectively.

WESCO has litigation arising from time to time in the normal course of business. In management's opinion, any present litigation WESCO is aware of will not materially affect WESCO's consolidated financial position, results of operations or cash flows.

We reached a final settlement agreement related to an employment and wages claim with the case being dismissed with prejudice. We settled the case for $3.4 million and received a refund of approximately $300,000 of that amount.

16. Segments and Related Information

WESCO is engaged principally in one line of business – the sale of electrical products and maintenance repair and operating supplies – which represents more than 90% of the consolidated net sales, income from operations and assets for 2003, 2002 and 2001. WESCO has over 215,000 product stock keeping units and markets over one million products for direct shipment customers. It is impractical to disclose net sales by product, major product group or service group. There were no material amounts of sales or transfers among geographic areas and no material amounts of export sales.

The following table sets forth information about WESCO by geographic area:

	Net Sales Year Ended December 31			Long-Lived Assets December 31	
	2003	2002	2001	**2003**	2002
(In thousands)					
United States	$ 2,872,239	$ 2,943,740	$ 3,266,352	$ 491,515	$ 421,047
Canada	335,695	299,844	311,471	11,926	10,509
Other foreign	78,832	82,196	80,210	1,341	1,371
	$ 3,286,766	**$ 3,325,780**	**$ 3,658,033**	**$ 504,782**	**$ 432,927**

17. Other Financial Information

WESCO Distribution, Inc. has issued $400 million of 9 1/8% senior subordinated notes. 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:

Condensed Consolidating Balance Sheets

December 31, 2003 *(In thousands)*	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Cash and cash equivalents	$ 1	$ 16,421	$ 11,073	$ —	$ 27,495
Trade accounts receivable	—	39,900	226,689	—	266,589
Inventories	—	272,597	48,378	—	320,975
Other current assets	—	37,259	7,691	(3,721)	41,229
Total current assets	1	366,177	293,831	(3,721)	656,288
Intercompany receivables, net	—	203,243	45,156	(248,399)	—
Property, buildings and equipment, net	—	29,687	69,250	—	98,937
Goodwill and other intangibles, net	—	360,655	38,018	—	398,673
Investments in affiliates and other noncurrent assets	410,382	361,824	3,727	(768,626)	7,307
Total assets	**$ 410,383**	**$ 1,321,586**	**$ 449,982**	**$(1,020,746)**	**$ 1,161,205**
Accounts payable	$ —	$ 345,632	$ 20,748	$ —	$ 366,380
Other current liabilities	—	105,521	11,530	(3,721)	113,330
Total current liabilities	—	451,153	32,278	(3,721)	479,710
Intercompany payables, net	248,399	—	—	(248,399)	—
Long-term debt	—	370,642	49,400	—	420,042
Other noncurrent liabilities	—	89,409	4,356	—	93,765
Stockholders' equity	161,984	410,382	363,948	(768,626)	167,688
Total liabilities and stockholders' equity	**$ 410,383**	**$ 1,321,586**	**$ 449,982**	**$(1,020,746)**	**$ 1,161,205**

Condensed Consolidating Balance Sheets

December 31, 2002 *(In thousands)*	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Cash and cash equivalents	$ 4	$ 12,449	$ 10,117	$ —	$ 22,570
Trade accounts receivable	—	45,381	136,868	—	182,249
Inventories	—	300,064	40,286	—	340,350
Other current assets	—	29,584	8,479	(1,774)	36,289
Total current assets	4	387,478	195,750	(1,774)	581,458
Intercompany receivables, net	—	174,970	42,144	(217,114)	—
Property, buildings and equipment, net	—	41,822	68,352	—	110,174
Goodwill and other intangibles, net	—	247,671	66,407	—	314,078
Investments in affiliates and other noncurrent assets	387,887	347,678	1,081	(722,837)	13,809
Total assets	**$ 387,891**	**$ 1,199,619**	**$ 373,734**	**$ (941,725)**	**$ 1,019,519**
Accounts payable	$ —	$ 340,748	$ 5,765	$ —	$ 346,513
Other current liabilities	—	43,423	14,714	(1,774)	56,363
Total current liabilities	—	384,171	20,479	(1,774)	402,876
Intercompany payables, net	217,114	—	—	(217,114)	—
Long-term debt	—	398,856	13,340	—	412,196
Other noncurrent liabilities	—	28,705	6,454	—	35,159
Stockholders' equity	170,777	387,887	333,461	(722,837)	169,288
Total liabilities and stockholders' equity	**$ 387,891**	**$ 1,199,619**	**$ 373,734**	**$ (941,725)**	**$ 1,019,519**

Condensed Consolidating Statements of Operations

Year Ended December 31, 2003 *(In thousands)*	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net sales	$ —	$ 2,806,044	$ 480,722	$ —	$ 3,286,766
Cost of goods sold	—	2,287,972	388,729	—	2,676,701
Selling, general and administrative expenses	—	429,567	71,895	—	501,462
Depreciation and amortization	—	19,391	3,167	—	22,558
Results of affiliates' operations	22,495	26,889	—	(49,384)	—
Interest expense (income), net	(11,559)	58,233	(4,357)	—	42,317
Other (income) expense	—	24,884	(20,247)	—	4,637
Provision for income taxes	4,048	(9,609)	14,646	—	9,085
Net income (loss)	**$ 30,006**	**$ 22,495**	**$ 26,889**	**$ (49,384)**	**$ 30,006**

Year Ended December 31, 2002 *(In thousands)*	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net sales	$ —	$ 2,872,225	$ 453,555	$ —	$ 3,325,780
Cost of goods sold	—	2,364,344	370,662	—	2,735,006
Selling, general and administrative expenses	—	427,307	67,075	—	494,382
Depreciation and amortization	—	15,004	4,763	—	19,767
Results of affiliates' operations	15,289	55,894	—	(71,183)	—
Interest expense (income), net	(12,056)	53,338	1,703	—	42,985
Other (income) expense	—	68,942	(61,272)	—	7,670
Provision for income taxes	4,222	(16,105)	14,730	—	2,847
Net income (loss)	**$ 23,123**	**$ 15,289**	**$ 55,894**	**$ (71,183)**	**$ 23,123**

Year Ended December 31, 2001 *(In thousands)*	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net sales	$ —	$ 3,203,752	$ 454,281	$ —	$ 3,658,033
Cost of goods sold	—	2,643,448	371,072	—	3,014,520
Selling, general and administrative expenses	—	487,204	29,952	—	517,156
Depreciation and amortization	—	24,974	5,998	—	30,972
Results of affiliates' operations	15,572	93,384	—	(108,956)	—
Interest expense (income), net	(7,162)	59,045	(6,743)	—	45,140
Other (income) expense	—	91,897	(75,020)	—	16,877
Provision for income taxes	2,509	(25,004)	35,638	—	13,143
Net income (loss)	**$ 20,225**	**$ 15,572**	**$ 93,384**	**$ (108,956)**	**$ 20,225**

Condensed Consolidating Statements of Cash Flows

Year Ended December 31, 2003 *(In thousands)*	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net cash (used) provided by operating activities	$ (4,431)	$ 74,303	$ (34,114)	$ —	$ 35,758
Investing activities:					
Capital expenditures	—	(7,978)	(401)	—	(8,379)
Acquisitions	—	(2,028)	—	—	(2,028)
Other	—	1,177	—	—	1,177
Net cash used by investing activities	—	(8,829)	(401)	—	(9,230)
Financing activities:					
Net borrowings (repayments)	31,285	(66,065)	37,149	—	2,369
Equity transactions	(26,857)	—	—	—	(26,857)
Other	—	4,563	(2,389)	—	2,174
Net cash provided (used) by financing activities	4,428	(61,502)	34,760	—	(22,314)
Effect of exchange rate changes on cash and cash equivalents	—	—	711	—	711
Net change in cash and cash equivalents	(3)	3,972	956	—	4,925
Cash and cash equivalents at beginning of period	4	12,449	10,117	—	22,570
Cash and cash equivalents at end of period	**$ 1**	**$ 16,421**	**$ 11,073**	**$ —**	**$ 27,495**

Condensed Consolidating Statements of Cash Flows

Year Ended December 31, 2002 *(In thousands)*	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net cash provided (used) by operating activities	$ 8,154	$ 59,642	$ (47,451)	$ —	$ 20,345
Investing activities:					
Capital expenditures	—	(8,944)	(405)	—	(9,349)
Acquisitions	—	(14,466)	—	—	(14,466)
Other	—	755	—	—	755
Net cash used by investing activities	—	(22,655)	(405)	—	(23,060)
Financing activities:					
Net (repayments) borrowings	(8,772)	(37,214)	712	—	(45,274)
Equity transactions	620	—	—	—	620
Other	—	(5,201)	—	—	(5,201)
Net cash (used) provided by financing activities	(8,152)	(42,415)	712	—	(49,855)
Effect of exchange rate changes on cash and cash equivalents	—	—	83	—	83
Net change in cash and cash equivalents	2	(5,428)	(47,061)	—	(52,487)
Cash and cash equivalents at beginning of period	2	17,877	57,178	—	75,057
Cash and cash equivalents at end of period	**$ 4**	**$ 12,449**	**$ 10,117**	**$ —**	**$ 22,570**

Condensed Consolidating Statements of Cash Flows

Year Ended December 31, 2001	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
(In thousands)					
Net cash provided (used) by operating activities	$ 9,551	$ 42,793	$ 115,085	$ (6,158)	$ 161,271
Investing activities:					
Capital expenditures	—	(11,654)	(2,166)	—	(13,820)
Acquisitions	—	(10,496)	(45,773)	—	(56,269)
Other	—	933	—	—	933
Net cash used by investing activities	—	(21,217)	(47,939)	—	(69,156)
Financing activities:					
Net repayments	(10,048)	(17,397)	(9,740)	—	(37,185)
Equity transactions	489	—	—	—	489
Other	—	(1,213)	(49)	—	(1,262)
Net cash used by financing activities	(9,559)	(18,610)	(9,789)	—	(37,958)
Effect of exchange rate changes on cash and cash equivalents	—	—	(179)	—	(179)
Net change in cash and cash equivalents	(8)	2,966	57,178	(6,158)	53,978
Cash and cash equivalents at beginning of period	10	14,911	—	6,158	21,079
Cash and cash equivalents at end of period	**$ 2**	**$ 17,877**	**$ 57,178**	**$ —**	**$ 75,057**

18. Selected Quarterly Financial Data (unaudited)

The following table sets forth selected quarterly financial data for the years ended December 31, 2003 and 2002:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(In thousands, except share data)				
2003				
Net sales	$ 790,807	$ 820,238	$ 825,601	$ 850,120
Gross profit	145,432	150,900	153,659	160,074
Income from operations	18,559	18,959	23,528	24,999
Income before income taxes	6,761	7,167	11,772	13,391
Net income	4,840	7,350	8,373	9,443
Basic earnings per share	0.11	0.16	0.19	0.21
Diluted earnings per share	0.10	0.16	0.18	0.21
2002				
Net sales	$ 808,917	$ 848,449	$ 852,949	$ 815,465
Gross profit	145,644	149,453	146,487	149,190
Income from operations	18,413	21,622	18,331	18,259
Income before income taxes	4,969	8,805	5,816	6,380
Net income	3,837	5,573	8,983	4,730
Basic earnings per share	0.09	0.12	0.20	0.10
Diluted earnings per share	0.08	0.12	0.19	0.10

Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A 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 annual 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. There have been no significant changes in internal control over financial reporting that occurred during the fourth fiscal quarter, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As previously disclosed by the Company on February 12, 2004, the Audit Committee, following a review of an internal audit report, engaged independent counsel to assess and make findings and recommendations with respect to one branch operation (comprising approximately 2% of the Company's sales) and report back to the Audit Committee promptly. The matters under review relate primarily to cash management and undocumented expense reimbursement practices by certain personnel at this branch which were inappropriate and did not follow corporate policies and procedures. The investigation by independent counsel is substantially complete. Management and the Audit Committee do not believe that the amounts involved are material to the Company's consolidated financial statements and had no impact on the Company's reported results. Management promptly implemented those remedial actions recommended by the internal auditors in their January 2004 report. In addition, management has begun to implement further action plans to address the findings and recommendations of the independent investigation related to certain internal control and operational matters at this branch.

ITEM 10 Directors and Executive Officers of the Registrant

The information set forth under the caption "Directors and Executive Officers" in the Proxy Statement is incorporated herein by reference to our definitive Proxy Statement for our Annual Meeting of Stockholders to be held on May 19, 2004.

Codes of Ethics and Conduct

We have adopted a Code of Business Conduct and Ethics ("Code of Conduct") that applies to our directors, officers and employees which is available on our website at www.wescodist.com by selecting the "Investors" tab followed by the "Corporate Governance" heading. Any waiver of the Code of Conduct for our executive officers or directors will be disclosed promptly at that location on our website.

We also have adopted a Senior Financial Executive Code of Business Ethics and Conduct ("Senior Financial Executive Code") that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing these functions. The Senior Financial Executive Code is also available at that same location on our website. We intend to timely disclose any amendment or waiver of the Senior Financial Executive Code on our website and will retain such information on our website as required by applicable SEC rules.

A copy of the Code of Conduct and/or Senior Financial Executive Code may be obtained upon request by any stockholder, without charge, by writing to us at WESCO International, Inc., 225 West Station Square Drive, Suite 700, Pittsburgh, Pennsylvania 15219, Attention: Corporate Secretary.

Information included on our website is not a part of this annual report on Form 10-K.

ITEM 11 Executive Compensation

The information set forth under the caption "Executive Compensation" in the Proxy Statement is incorporated herein by reference to our definitive Proxy Statement for our Annual Meeting of Stockholders to be held on May 19, 2004.

ITEM 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information set forth under the caption "Security Ownership" in the Proxy Statement is incorporated herein by reference to our definitive Proxy Statement for our Annual Meeting of Stockholders to be held on May 19, 2004.

The following table provides information as of December 31, 2003 with respect to the shares of our common stock that may be issued under our existing equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	7,654,822	$ 7.64	5,063,566
Equity compensation plans not approved by security holders	—	—	—
Total	**7,654,822**	**$ 7.64**	**5,063,566**

ITEM 13 Certain Relationships and Related Transactions

The information set forth under the caption "Certain Transactions and Relationships with the Company" in the Proxy Statement is incorporated herein by reference to our definitive Proxy Statement for our Annual Meeting of Stockholders to be held on May 19, 2004.

ITEM 14 Principal Accountant Fees and Services

The information set forth under the caption "Principal Accountant Fees and Services" in the Proxy Statement is incorporated herein by reference to the definitive Proxy Statement for our Annual Meeting of Stockholders to be held on May 19, 2004.

PART IV

ITEM 15 Exhibits, Financial Statement Schedules and Reports on Form 8-K

The financial statements, financial statement schedules and exhibits listed below are filed as part of this annual report:

(a) (1) ***Financial Statements***
The list of financial statements required by this item is set forth in Item 8, "Financial Statements and Supplementary Data," and is incorporated herein by reference.

(2) ***Financial Statement Schedules***
Report of Independent Auditors
Schedule II — Valuation and Qualifying Accounts

(b) ***Reports on Form 8-K***
Form 8-K, Item 12, furnished to the SEC on October 22, 2003 with respect to WESCO's third quarter 2003 financial results.
Form 8-K, Item 5 and 7, filed with the SEC on November 20, 2003 with respect to the repurchase by WESCO of certain shares of its Class B common stock.

(c) ***Exhibits***

Exhibit No.	Description of Exhibit	Prior Filing or Sequential Page Number
2.1	Recapitalization Agreement, dated as of March 27, 1998, among Thor Acquisitions L.L.C., WESCO International, Inc. (formerly known as CDW Holding Corporation) and certain securityholders of WESCO International, Inc.	Incorporated by reference to Exhibit 2.1 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
2.2	Purchase Agreement, dated as of May 29, 1998, among WESCO International, Inc., WESCO Distribution, Inc., Chase Securities Inc. and Lehman Brothers, Inc.	Incorporated by reference to Exhibit 2.2 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
2.3	Asset Purchase Agreement, dated as of September 11, 1998, among Bruckner Supply Company, Inc. and WESCO Distribution, Inc.	Incorporated by reference to Exhibit 2.01 to WESCO's Current Report on Form 8-K, dated September 11, 1998
2.4	Purchase Agreement, dated August 16, 2001, among WESCO International, Inc., WESCO Distribution, Inc. and the Initial Purchasers listed therein.	Incorporated by reference to Exhibit 2.4 to WESCO's Registration Statement on Form S-4 (No. 333-70404)
3.1	Restated Certificate of Incorporation of WESCO International, Inc.	Incorporated by reference to Exhibit 3.1 to WESCO's Registration Statement on Form S-4 (No. 333-70404)
3.2	By-laws of WESCO International, Inc.	Incorporated by reference to Exhibit 3.2 to WESCO's Registration Statement on Form S-4 (No. 333-70404)
4.1	Indenture, dated as of June 5, 1998, among WESCO International, Inc., WESCO Distribution, Inc. and Bank One, N.A.	Incorporated by reference to Exhibit 4.1 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
4.2	Form of 9 1/8% Senior Subordinated Note Due 2008, Series A (included in Exhibit 4.1).	Incorporated by reference to Exhibit 4.2 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
4.3	Form of 9 1/8% Senior Subordinated Note Due 2008, Series A (included in Exhibit 4.1).	Incorporated by reference to Exhibit 4.3 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
4.4	Exchange and Registration Rights Agreement, dated as of June 5, 1998, among the Company, WESCO International, Inc. and the Initial Purchasers (as defined therein).	Incorporated by reference to Exhibit 4.4 to WESCO's Registration Statement on Form S-4 (No. 333-43225)

4.5	Exchange and Registration Rights Agreement, dated as of June 5, 1998, among WESCO International, Inc. and the Initial Purchasers (as defined therein).	Incorporated by reference to Exhibit 4.8 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
4.6	Indenture, dated as of August 23, 2001, among WESCO International, Inc., WESCO Distribution, Inc. and Bank One N.A.	Incorporated by reference to Exhibit 4.6 to WESCO's Registration Statement on Form S-4 (No. 333-70404)
4.7	Exchange and Registration Rights Agreement, dated as of August 23, 2001, among WESCO International, Inc., WESCO Distribution, Inc. and the Initial Purchasers listed therein.	Incorporated by reference to Exhibit 4.7 to WESCO's Registration Statement on Form S-4 (No. 333-70404)
4.8	Form of 9 1/8% Senior Subordinated Note Due 2008, (included in Exhibit 4.6).	Incorporated by reference to Exhibit 4.8 to WESCO's Registration Statement on Form S-4 (No. 333-70404)
4.9	Form of 9 1/8% Senior Subordinated Note Due 2008, (included in Exhibit 4.6).	Incorporated by reference to Exhibit 4.9 to WESCO's Registration Statement on Form S-4 (No. 333-70404)
10.1	CDW Holding Corporation Stock Purchase Plan.	Incorporated by reference to Exhibit 10.1 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
10.2	Form of Stock Subscription Agreement.	Incorporated by reference to Exhibit 10.2 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
10.3	CDW Holding Corporation Stock Option Plan.	Incorporated by reference to Exhibit 10.3 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
10.4	Form of Stock Option Agreement.	Incorporated by reference to Exhibit 10.4 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
10.5	CDW Holding Corporation Stock Option Plan for Branch Employees.	Incorporated by reference to Exhibit 10.5 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
10.6	Form of Branch Stock Option Agreement.	Incorporated by reference to Exhibit 10.6 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
10.7	Non-Competition Agreement, dated as of February 28, 1996, between Westinghouse, WESCO International, Inc. and WESCO Distribution, Inc.	Incorporated by reference to Exhibit 10.8 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
10.8	Lease, dated as of May 24, 1995, as amended by Amendment One, dated as of June 1995, and by Amendment Two, dated as of December 24, 1995, by and between WESCO Distribution, Inc. as Tenant and Opal Investors, L.P. and Mural GEM Investors as Landlord.	Incorporated by reference to Exhibit 10.10 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
10.9	Lease, dated as of April 1, 1992, as renewed by Letter of Notice of Intent to Renew, dated as of December 13, 1996, by and between the Company as successor in interest to Westinghouse Electric Corporation as Tenant and Utah State Retirement Fund as Landlord.	Incorporated by reference to Exhibit 10.11 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
10.10	Lease, dated as of September 4, 1997, between WESCO Distribution, Inc. as Tenant and The Buncher Company as Landlord.	Incorporated by reference to Exhibit 10.12 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
10.11	Lease, dated as of March 1995, by and between WESCO Distribution-Canada, Inc. as Tenant and Atlantic Construction, Inc. as Landlord.	Incorporated by reference to Exhibit 10.13 to WESCO's Registration Statement on Form S-4 (No. 333-43225)

10.12	Amended and Restated Registration and Participation Agreement, dated as of June 5, 1998, among WESCO International, Inc. and certain securityholders of WESCO International, Inc. named therein.	Incorporated by reference to Exhibit 10.19 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
10.13	Employment Agreement between WESCO Distribution, Inc. and Roy W. Haley.	Incorporated by reference to Exhibit 10.20 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
10.14	WESCO International, Inc. 1998 Stock Option Plan.	Incorporated by reference to Exhibit 10.1 to WESCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998
10.15	Form of Management Stock Option Agreement.	Incorporated by reference to Exhibit 10.2 to WESCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998
10.16	1999 Deferred Compensation Plan for Non-Employee Directors.	Incorporated by reference to Exhibit 10.22 to WESCO's Annual Report on Form 10-K for the year ended December 31, 1998
10.17	Credit Agreement, dated as of June 29, 1999, among WESCO Distribution, Inc., WESCO Distribution-Canada, Inc., WESCO International, Inc. and the Lenders identified therein.	Incorporated by reference to Exhibit 10.1 to WESCO's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999
10.18	Amendment, dated as of December 20, 2000, to the Credit Agreement, dated as of June 29, 1999, among WESCO Distribution, Inc., WESCO Distribution-Canada, Inc., WESCO International, Inc. and the Lenders identified therein.	Incorporated by reference to Exhibit 10.24 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2000
10.19	Amendment, dated as of August 3, 2001, to the Credit Agreement, dated as of June 29, 1999, among WESCO Distribution, Inc., WESCO Distribution-Canada, Inc., WESCO International, Inc. and the Lenders identified therein.	Incorporated by reference to Exhibit 10.19 to WESCO's Registration Statement on Form S-4 (No. 333-70404)
10.20	Credit Agreement, dated as of March 19, 2002, among WESCO Distribution, Inc., the other Credit Parties signatory thereto, General Electric Capital Corporation, The CIT Group/Business Credit, Inc., Fleet Capital Corporation and the other Lenders signatory thereto.	Incorporated by reference to Exhibit 10.20 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2001
10.21	Intercreditor Agreement, dated as of March 19, 2002, among PNC Bank, National Association, General Electric Capital Corporation, WESCO Receivables Corp., WESCO Distribution, Inc., Fifth Third Bank, N.A., Mellon Bank, N.A., The Bank of Nova Scotia, Herning Enterprises, Inc. and WESCO Equity Corporation.	Incorporated by reference to Exhibit 10.21 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2001
10.22	Second Amended and Restated Receivables Purchase Agreement dated as of September 2, 2003 among WESCO Receivables Corp., WESCO Distribution, Inc., and the Lenders identified therein.	Incorporated by reference to Exhibit 10.1 to WESCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003
10.23	1999 Long-Term Incentive Plan.	Incorporated by reference to Exhibit 10.22 to WESCO's Registration Statement on Form S-1 (No. 333-73299)

10.24	Amendment dated March 29, 2002 to Asset Purchase Agreement, dated as of September 11, 1998, among Bruckner Supply Company, Inc. and WESCO Distribution, Inc.	Incorporated by reference to Exhibit 10.25 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2002
10.25	Loan Agreement between Bear Stearns Commercial Mortgage, Inc. and WESCO Real Estate IV, LLC, dated December 13, 2002.	Incorporated by reference to Exhibit 10.26 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2002
10.26	Lease dated December 13, 2002 between WESCO Distribution, Inc. and WESCO Real Estate IV, LLC.	Incorporated by reference to Exhibit 10.27 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2002
10.27	Lease Guaranty dated December 13, 2002 by WESCO International, Inc. in favor of WESCO Real Estate IV, LLC.	Incorporated by reference to Exhibit 10.28 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2002
10.28	Guaranty of Non-Recourse Exceptions Agreement dated December 13, 2002 by WESCO International, Inc. in favor of Bear Stearns Commercial Mortgage, Inc.	Incorporated by reference to Exhibit 10.29 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2002
10.29	Environmental Indemnity Agreement dated December 13, 2002 made by WESCO Real Estate IV, Inc. and WESCO International, Inc. in favor of Bear Stearns Commercial Mortgage, Inc.	Incorporated by reference to Exhibit 10.30 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2002
21.1	Significant Subsidiaries of WESCO.	Incorporated by reference to Exhibit 21.1 to WESCO's Registration Statement on Form S-4 (No. 333-70404)
23.1	Consent of PricewaterhouseCoopers LLP.	Filed herewith
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) promulgated under the Exchange Act.	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) promulgated under the Exchange Act.	Filed herewith
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith

The registrant hereby agrees to furnish supplementally to the Commission, upon request, a copy of any omitted schedule to any of the agreements contained herein.

Copies of exhibits may be retrieved electronically at the Securities and Exchange Commission's home page at www.sec.gov. Exhibits will also be furnished without charge by writing to Stephen A. Van Oss, Vice President, Chief Financial Officer, 225 West Station Square Drive, Suite 700, Pittsburgh, Pennsylvania 15219. Requests may also be directed to (412) 454-2200.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESCO INTERNATIONAL, INC.

By: /s/ ROY W. HALEY
Name: Roy W. Haley
Title: Chairman of the Board and Chief Executive Officer
Date: March 15, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ROY W. HALEY Roy W. Haley	Chairman and Chief Executive Officer (Principal Executive Officer)	March 15, 2004
/s/ STEPHEN A. VAN OSS Stephen A. Van Oss	Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2004
/s/ JAMES L. SINGLETON James L. Singleton	Director	March 15, 2004
/s/ JAMES A. STERN James A. Stern	Director	March 15, 2004
/s/ MICHAEL J. CHESHIRE Michael J. Cheshire	Director	March 15, 2004
/s/ ROBERT J. TARR, JR. Robert J. Tarr, Jr.	Director	March 15, 2004
/s/ KENNETH L. WAY Kenneth L. Way	Director	March 15, 2004
/s/ GEORGE L. MILES, JR. George L. Miles, Jr.	Director	March 15, 2004
/s/ SANDRA BEACH LIN Sandra Beach Lin	Director	March 15, 2004
/s/ WILLIAM J. VARESCHI William J. Vareschi	Director	March 15, 2004

EXH 31.1 Certification

I, Roy W. Haley, certify that:

1. I have reviewed this report on Form 10-K 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 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)) 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) 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

   (c) 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 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: March 15, 2004
By: /s/ Roy W. Haley
Roy W. Haley
Chairman and Chief Executive Officer

EXH 31.2 Certification

I, Stephen A. Van Oss, certify that:

1. I have reviewed this report on Form 10-K 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 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)) 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) 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

    (c) 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 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: March 15, 2004
By: /s/ Stephen A. Van Oss
Stephen A. Van Oss
Vice President, Chief Financial Officer

EXH 32.1 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 Annual Report of WESCO International, Inc. (the "Company") on Form 10-K for the period ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates 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: March 15, 2004
By: /s/ Roy W. Haley
Roy W. Haley
Chairman and Chief Executive Officer

EXH 32.2 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 Annual Report of WESCO International, Inc. (the "Company") on Form 10-K for the period ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates 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: March 15, 2004
By: /s/ Stephen A. Van Oss
Stephen A. Van Oss
Vice President, Chief Financial Officer

Report of Independent Auditors on Financial Statement Schedule

To the Stockholders and Board of Directors of WESCO International, Inc.:

Our audits of the consolidated financial statements referred to in our report dated March 12, 2004 also included an audit of the financial statement schedule listed in the index appearing under Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
March 12, 2004

Schedule II — Valuation and Qualifying Accounts

Col. A	Col. B	Col. C		Col. D	Col. E
		Additions			
	Balance at Beginning of Period	Charged to Expense	Charged to Other Accounts[1]	Deductions[2]	Balance at End of Period
Allowance for doubtful accounts:					
Year ended December 31, 2003	$ 10,261	$ 10,229	$ —	$ (9,068)	$ 11,422
Year ended December 31, 2002	11,816	8,962	—	(10,517)	10,261
Year ended December 31, 2001	9,794	10,291	504	(8,773)	11,816

[1] *Represents allowance for doubtful accounts in connection with certain acquisitions.*

[2] *Includes a reduction in the allowance for doubtful accounts due to write-off of accounts receivable.*

Col. A	Col. B	Col. C		Col. D	Col. E
		Additions			
	Balance at Beginning of Period	Charged to Expense	Charged to Other Accounts[1]	Deductions[2]	Balance at End of Period
Inventory reserve:					
Year ended December 31, 2003	$ 11,873	$ 2,893	$ —	$ (5,007)	$ 9,759
Year ended December 31, 2002	16,795	1,445	—	(6,367)	11,873
Year ended December 31, 2001	18,727	2,607	663[1]	(5,202)	16,795

[1] *Includes inventory reserves in connection with certain acquisitions.*

[2] *Includes a reduction in the inventory reserve due to disposal of inventory.*

Board of Directors

Roy W. Haley [1]
Chairman and Chief Executive Officer, WESCO

Sandra Beach Lin [2,4]
President, Alcoa Closure Systems International Division

Michael J. Cheshire [1,2]
Former Chairman and Chief Executive Officer,
Gerber Scientific, Inc.

George L. Miles, Jr. [4]
President and Chief Executive Officer,
WQED Multimedia

James L. Singleton [1,3,4]
Vice Chairman, The Cypress Group

James A. Stern [1,3]
Chairman, The Cypress Group

Robert J. Tarr, Jr. [2,3]
Professional Director and Private Investor

William J. Vareschi [2]
Retired Chief Executive Officer, Central Parking Corporation

Kenneth L. Way [3,4]
Retired Chairman, Lear Corporation

[1] *Executive Committee*

[2] *Audit Committee*

[3] *Compensation Committee*

[4] *Nominating and Governance Committee*

Executive Officers

Roy W. Haley
Chairman and Chief Executive Officer

William M. Goodwin
Vice President, Operations

James H. Mehta
Vice President, Business Development

Robert B. Rosenbaum
Vice President, Operations

Patrick M. Swed
Vice President, Operations

Donald H. Thimjon
Vice President, Operations

Ronald P. Van, Jr.
Vice President, Operations

Stephen A. Van Oss
Vice President, Chief Financial Officer

Daniel A. Brailer
Treasurer and Corporate Secretary

Corporate Headquarters

Suite 700
225 West Station Square Drive
Pittsburgh, PA 15219-1122
Phone: 412-454-2200
www.wescodist.com

Investor Relations

For questions regarding WESCO, contact Daniel A. Brailer, Treasurer and Corporate Secretary, at dbrailer@wescodist.com. A copy of the Company's Annual Report on Form 10-K or other financial information may be requested through our web site (www.wescodist.com) or by contacting Investor Relations.

Common Stock

WESCO International, Inc. is listed on the New York Stock Exchange under the ticker symbol WCC.

Annual Meeting

The Annual Meeting of shareholders will be held on May 19, 2004, at 2:00 p.m., EST, at:

WESCO Headquarters
Board Room
225 West Station Square Drive
Pittsburgh, PA 15219-1122

Transfer Agent

Mellon Investor Services, L.L.C.
85 Challenger Road
Ridgefield Park, NJ 07660
www.melloninvestor.com
Phone: 1-800-756-3353
Outside the U.S.: 1-201-329-8660

The hearing disabled can access TDD service at:
1-800-231-5469 (within the U.S.) or 1-201-329-8354.

Independent Public Accountants

PricewaterhouseCoopers LLP
Pittsburgh, PA

An online version of the Annual Report is available at **www.wescodist.com/annualreport.**

DESIGN Mizrahi Design Associates, Inc.
www.mizrahidesign.com

WESCO INTERNATIONAL, INC.
Suite 700
225 West Station Square Drive
Pittsburgh, PA 15219-1122
Phone: 412-454-2200
www.wescodist.com