North American Energy Partners Inc.
Form 6-K
June 26, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

under the Securities Exchange Act of 1934

For the month of June 2009

Commission File Number 001-33161

NORTH AMERICAN ENERGY PARTNERS INC.

Zone 3 Acheson Industrial Area

2-53016 Highway 60

Acheson, Alberta

Canada T7X 5A7

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ¨ Form 40-F þ

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ¨

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): ________ .

Documents Included as Part of this Report

1. 2009 Annual Report to Shareholders.

SIGNATURES

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

NORTH AMERICAN ENERGY PARTNERS INC.

By: /s/ David Blackley
Name: David Blackley
Title: Chief Financial Officer

Date: June 26, 2009

Management s Discussion and Analysis

The following discussion and analysis is as of June 9, 2009 and should be read in conjunction with the attached audited consolidated financial statements for the year ended March 31, 2009. These statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and reconciled to US GAAP. Except where otherwise specifically indicated, all dollar amounts are expressed in Canadian dollars. These consolidated financial statements and additional information relating to our business, including our Annual Information Form (AIF), are available on the Canadian Securities Administrators SEDAR System at www.sedar.com and the Securities and Exchange Commission s IDEA System at www.sec.gov.

A. Business overview and strategy

Business Overview

We provide a wide range of heavy construction and mining, piling and pipeline installation services to customers in the Canadian oil sands, minerals mining, commercial and public construction and conventional oil and gas markets. Our primary market is the Alberta oil sands, where we support our customers mining operations and capital projects. While we provide services through all stages of an oil sands project s lifecycle, our core focus is on providing recurring services, such as contract mining, during the operational phase. On a trailing 12-months basis to March 31, 2009, recurring services represented 65% of our oil sands business. Our principal oil sands customers include all four of the producers that are currently mining bitumen in Alberta: Syncrude Canada Ltd.[1] (Syncrude), Suncor Energy Inc. (Suncor) and Albian Sands Energy Inc.[2] (Albian) and Canadian Natural Resources Limited (Canadian Natural). We focus on building long-term relationships with our customers. For example, we have been providing services to Syncrude and Suncor for over 30 years.

We believe that we operate the largest fleet of equipment of any contract resource services provider in the oil sands. Our total fleet includes 728 pieces of diversified heavy construction equipment supported by over 900 ancillary vehicles. While our expertise covers mining, heavy construction, underground services (fire lines, sewer, water, etc.) for industrial projects, and piling and pipeline installation in many different types of locations, we have a specific capability operating in the harsh climate and difficult terrain of Northern Canada, particularly in the oil sands in Alberta.

We believe that our significant oil sands knowledge, experience, long-term customer relationships, equipment capacity, scale of operations and broad service offering differentiate us from our competition. In addition, we believe that these capabilities will enable us to support the growing volume of recurring services that is generated within the oil sands.*

While our mining services are primarily focused on the oil sands, we believe that we have demonstrated our ability to successfully export knowledge and technology gained in the oil sands and put it to work in other resource development projects across Canada. As an example, in fiscal 2008 we successfully completed the development of a diamond mine site in Northern Ontario. This three-year project required us to operate effectively in a remote location in the extreme weather conditions prevalent in Northern Canada. As a result of our successful work on this and other similar projects, we believe that we have attracted the attention of resource developers. While development of resources has been affected by the current economic environment, we remain committed to expanding our operations to other potential projects, including those in the high Arctic regions.

Operations Overview

Our business is organized into three interrelated, yet distinct, operating segments: (i) Heavy Construction and Mining, (ii) Piling and (iii) Pipeline.

[1] Joint venture amongst Canadian Oil Sands Limited (37%), Imperial Oil Resources (25%), Petro-Canada Oil and Gas (12%), ConocoPhillips Oil Sands Partnership II (9%), Nexen Oil Sands Partnership (7%), Murphy Oil Company Ltd (5%) and Mocal Energy Limited (5%).

[2] Joint venture amongst Shell Canada Limited (60%), Chevron Canada Limited (20%) and Marathon Oil Canada Corporation (20%).

* This paragraph contains forward-looking statements. Please refer to Forward-Looking Information and Risk Factors for a discussion on the risks and uncertainties related to such information.

Revenue generated from these three segments for the year ended March 31, 2009 can be seen in the chart below[3]:

Heavy Construction and Mining

Our Heavy Construction and Mining segment focuses primarily on providing surface mining support services for oil sands and other natural resources. This includes activities such as:

- land clearing, stripping, muskeg removal and overburden removal to expose the mining area;
- the supply of labour and equipment to be operated within the customers mining fleet directly supporting the mining of ore;
- general support services including road building, repair and maintenance for both mine and treatment plant operations, hauling of sand and gravel and relocation of treatment plants;
- construction related to the expansion of existing projects including site development and construction of infrastructure; and
- reclamation of completed mine sites to stringent environmental standards.

Most of these services are classified as recurring services and represent the majority of services provided by our Heavy Construction and Mining segment. Complimenting these services, the Heavy Construction and Mining segment also provides industrial site construction for mega-projects and underground utility installation for plant, refinery and commercial building construction.

Piling

Our Piling segment installs all types of driven, drilled and screw piles, caissons, earth retention and stabilization systems. Operating throughout Western Canada, this segment has a solid record of performance on both small and large-scale projects. Our Piling segment also has experience with industrial projects in the oil sands and related petrochemical and refinery complexes and has been involved in the development of commercial and community infrastructure projects.

Pipeline

Our Pipeline segment installs transmission, distribution and gathering systems made of steel, fiberglass and/or plastic pipe in sizes up to 52 in diameter. Penstock installation services are also provided. This segment has successfully completed jobs of varying magnitude for some of Canada s largest energy companies. The most recent project was Kinder Morgan s Trans Mountain Expansion (TMX) Anchor Loop pipeline, which involved the installation of 160 km of large-diameter pipe through extremely challenging and ecologically sensitive terrain. The project, which runs from Hinton, Alberta through Jasper National Park, across the Rocky Mountains and through to Mt. Robson Provincial Park in British Columbia, was successfully completed with minimal impact to the environment.

[3] Please refer to Analysis of Annual Results for a discussion on segment results.

End Markets Overview

We provide services to four distinct end markets: Canadian oil sands, conventional oil and gas, commercial and public construction and minerals mining. Revenue generated from these four end markets for the year ended March 31, 2009, can be seen in the chart below[4]:

Canadian Oil Sands

Our core market is the Alberta oil sands, where we generated 83% of our fiscal 2009 revenue. According to the Canadian Association of Petroleum Producers (CAPP), the oil sands represent 97% of Canada s recoverable oil reserves. At 173 billion barrels, the Canadian oil sands deposits are second only to those of Saudi Arabia. The oil sands are located in three regions of northern Alberta: Athabasca, Cold Lake and Peace River. In 2008, oil sands production reached 1.2 million barrels per day (bpd), representing 44.8% of Canada s total oil production.

Oil sands are grains of sand covered by a thin layer of water and coated by heavy oil or bitumen. Bitumen, because of its structure, does not flow and therefore requires non-conventional extraction techniques to separate it from the sand and other foreign matter. There are currently two main methods of extraction: (i) open pit mining, where bitumen deposits are sufficiently close to the surface to make it economically viable to recover the bitumen by treating mined sand in a surface plant; and (ii) in situ, where bitumen deposits are buried too deep for open pit mining to be cost effective and operators instead inject steam into the deposit so that the bitumen can be separated from the sand and pumped to the surface. CAPP estimates that approximately 20% of the oil sands are recoverable through open pit mining.

We currently provide most of our services to customers that access the oil sands through open pit mines. These customers utilize our services at various stages of their projects. The three-to-four year initial construction and development phase of a new mine creates demand for our project development services, such as clearing, site preparation, piling and underground utilities installation. As the mine moves into the 30-40 year operational phase, demand shifts from project development services to recurring services such as surface mining, overburden removal, labour and equipment supply, mine infrastructure development and maintenance and land reclamation.*

Approximately 65% of our oil sands-related revenue, for the year ended March 31, 2009, comes from the provision of recurring services to existing oil sands projects, with the balance coming from project development.

[4] For the year ended March 31, 2009 we did not generate revenues by minerals mining.
* This paragraph contains forward-looking statements. Please refer to Forward-Looking Information and Risk Factors for a discussion on the risks and uncertainties related to such information.

Recurring Services: Growth in our recurring services business is a function of both increased production levels in the oil sands and the inherent need for additional support services through the lifecycle of a mine.

Production increases in the oil sands occur through the elimination of bottlenecks and / or expansion of existing oil sands operations, as well as through new mines that have entered their production phase. In both cases, the required output from the extraction process increases, resulting in higher demand for the recurring services we provide, such as overburden removal, equipment and labour supply and mine maintenance services.*

The requirement for recurring services also typically grows as mines age. Mine operators tend to construct their plants closest to the easy-to-access bitumen deposits to maximize profitability and cash-flow at the beginning of their project. As the mines move through their typical 30-40 year life cycle, easy-to-access bitumen deposits are depleted and operators must go greater distances and move more material to access their ore reserves. Over this period, haulage distances progressively increase and the amount of overburden to be removed per cubic meter of exposed oil sand grows. As a result, the total capacity of digging and hauling equipment must increase together with an increase in ancillary equipment and services to support these activities. In addition, as the mine extends to new areas of the lease, operators will often relocate mine infrastructure in order to reduce haul distances. This creates demand for mine construction services, which we also provide. Accordingly, the demand for recurring oil sands services continues to grow even during periods of stable production because the geographical footprints of existing mines continue to expand under normal operation.*

Project Development Services: Demand for project development services in the oil sands is primarily driven by new developments and expansions. We support our customers new development and expansion projects by providing construction services such as clearing, site preparation, piling and underground utilities installation. Between 2000 and 2007, over $70.9 billion of capital has been invested into the oil sands, the core market for our project development services.*

Current Canadian Oil Sands Business Conditions

Recurring Services: In 2008, oil prices dropped significantly from record highs, leading to a view that the oil sands had become less viable. However, there was little change in production activity at operational oil sands projects as these mines are largely insensitive to short-term changes in oil prices. This is due to the immense up-front capital investment associated with these projects and the need to operate them at full capacity to achieve low per-unit operating costs. In addition, oil sands plants are not designed for temporary production shutdowns and the costs, delays and potential risks associated with a temporary production stoppage virtually eliminate this option for oil sands producers. For these reasons, we believe that oil sands operators will continue to maintain stable production activity through short-term declines in oil prices.*

Moreover, we believe that demand for recurring services in the oil sands will continue to grow over the long-term as existing oil sands mines progress and as new mines entering or nearing production, such as Canadian Natural s Horizon mine and Albian s Jackpine mine, come on-line.*

Project Development: In contrast to our recurring services business, demand for project development services is more sensitive to a downturn in the global economy. As an example, several oil sands producers adjusted their near-term capital spending plans during 2008 in response to weaker commodity, equity and credit market conditions. Petro-Canada has deferred the Fort Hills project in order to re-evaluate costs. Suncor announced a reduction in spending on both the Voyageur and Firebag developments and several customers have announced they are deferring decisions about upgrader projects. More recently, Total has deferred the Joslyn project, citing a re-evaluation of costs.

While the current conditions have reduced the amount of capital spending likely to be invested in the region in the near term, we believe that the lower input costs and industry consolidation that are resulting from the slowdown will ultimately lead to a more sustainable environment for oil sands development. As an example, Suncor and Petro-Canada have announced merger plans which are expected to create an entity that can better support capital investments. In addition, Petro-Canada has announced a 30% reduction in cost estimates for its Fort Hills mine as a result of the more competitive conditions in the oil sands.*

We are encouraged by independent economic forecasts indicating a global economic recovery beginning in late 2009, the current strength in oil prices and the recent announcement that Imperial Oil Ltd. will proceed with the development of their Kearl oil sands project in Alberta at an estimated capital cost of $8 billion.

Longer term, industry forecasts for oil sands project development remain positive. Major producers continue to reiterate that their investment in the oil sands is driven by expected long-term demand and prices for oil and not by short-term oil prices. This is consistent with the minimum three-to-four year development lead time required to build oil sands mines and the 30-40 year operating life of these projects.

* This paragraph contains forward-looking statements. Please refer to Forward-Looking Information and Risk Factors for a discussion on the risks and uncertainties related to such information.

Commercial and Public Construction

According to Statistics Canada, the value of non-residential building permits in 2008 was $29.6 billion, up 58% from 2004. Ontario accounted for 39% of the total value over the four-year period, followed by Alberta at 21%, Quebec at 17%, British Columbia at 14% and the rest of the provinces and territories accounting for the remaining 9%. We provide commercial and public construction services in Alberta, British Columbia, Saskatchewan and we recently opened an office in Ontario.

Current Commercial and Public Construction Business Conditions

Currently, commercial construction activity is experiencing a slowdown in Western Canada, reflecting tighter credit markets, declining real estate values and other impacts of the economic recession. While we expect that the number of commercial construction projects will decline in 2009, government-sponsored infrastructure projects should offset some of this impact.*

The increase in infrastructure spending is being driven in part by population demands. In recent years, activity in the energy sector has created significant economic and population growth in Western Canada, which has strained public facilities and infrastructure across the province. The Alberta government has responded by allocating approximately $120 billion over 20 years to improvement and expansion projects. From 2009 to 2012, the government of Alberta plans to spend $7.7 billion annually on capital projects. The renewed interest in infrastructure investment is also being supported by government efforts to stimulate the economy. In Ontario, the government recently announced $27.5 billion of infrastructure spending over the next two years as part of its stimulus package. Additionally, Canada s federal government recently unveiled a budget which includes $12 billion of new infrastructure spending.*

We believe that the demand for new infrastructure to support a larger population and government investment in infrastructure to stimulate the economy provides a strong outlook for infrastructure spending in Western Canada and in Ontario. We believe that our ability to meet many of the construction and piling needs of core infrastructure customers, along with our strong local presence and significant regional experience, position us to capitalize on the expected growth in infrastructure projects.*

Conventional Oil and Gas

According to the Canadian Energy Pipeline Association (CEPA), Canada is the world s third largest natural gas producer and the seventh largest crude oil producer, with an output of approximately 16.8 billion cubic feet of natural gas per day and 2.8 million barrels of oil per day. Canada also has the world s largest pipeline network for crude oil, however, this network is nearing capacity, particularly in Western Canada. According to CEPA, pipeline assets must double by 2015 to support projected supply. Pipeline projects that are currently underway and are expected to be in service by the end of 2010 will provide capacity until 2013, at which time a further capacity increase will be required. It generally takes four-to-five years to put a new pipeline into service.

We provide pipeline installation and facility support services to Canada s conventional oil and gas producers and pipeline transmission companies. Conventional oil and gas producers typically require pipeline installation services in order to connect producing wells to existing pipeline systems, while pipeline transmission companies install larger diameter pipelines to carry oil and gas to market.

Current Conventional Oil and Gas Business Conditions

While there has been an overall decrease in oil and gas investment as a result of weaker economic conditions and the downturn in oil and gas prices, companies involved in the transmission of oil and gas do not appear to be delaying investment in new pipeline development. With current pipelines at capacity and long lead times involved in securing project approvals and procuring materials, pipeline operators appear committed to proceeding with the construction of their pipelines.

Minerals Mining

According to the government agency, Natural Resources Canada (NRC), Canada is one of the largest mining nations in the world, producing more than 60 different minerals and metals. The value of minerals produced (i.e. excluding petroleum and natural gas) reached $45.3 billion in 2008, up 11.7% from $40.5 billion in 2007. Canada was also the top destination for mineral exploration capital from worldwide sources in 2008, with expenditures close to $3 billion for a second year in a row.

Outside the oil sands, we have identified the Canadian diamond mining industry as one of our targets for new business opportunities. The diamond mining industry in Canada is relatively new, having operated for only nine years. According to NRC, Canada continues to rank as the third largest diamond producing country in the world by value after Botswana and Russia. We intend to leverage the experience and skills gained through the successful completion of the construction of the DeBeers Victor diamond mine to pursue other opportunities in this area.*

* This paragraph contains forward-looking statements. Please refer to Forward-Looking Information and Risk Factors for a discussion on the risks and uncertainties related to such information.

Canada is also the world leader in uranium mining. The two largest high-grade deposits of uranium in the world have been discovered in Canada. According to NRC, 80% of Canada s recoverable reserve base is categorized as low cost . Historically, exploration and production have taken place primarily in Saskatchewan. Recently, however, significant exploration efforts are underway in the Northwest Territories, Yukon, Nunavut, Quebec, Newfoundland and Labrador, Ontario, Manitoba and Alberta.*

Current Minerals Mining Business Conditions

The effects of the global economic downturn have weakened demand for base metals and minerals in recent months, causing prices to drop significantly. This devaluation of commodities, together with limited access to capital, has slowed new mine development. Exploration capital expenditures are expected to fall by 50% in 2009 according to the NRC and certain projects that were slated to start construction in 2009 have been deferred. It is anticipated that commodity prices will remain low until the world economy improves.*

Revenue Sources

Revenue by Category

We have experienced steady growth in recurring revenue from operating oil sands projects over the past few years. Project development revenue, by contrast, has recently declined reflecting the impact of economic conditions on large-scale capital projects. Future growth in our recurring revenue will be reflective of increased activities at current operational mines along with the start-up of new operational mines as oil sands projects move from the capital development stage into the operational phase.

The following graph displays the breakdown between recurring services revenue and project development revenue for the trailing 12-months at three month intervals from March 31, 2007 to March 31, 2009:

Recurring Services Revenue: Recurring services revenue is derived from long-term contracts and master services agreements as described below:

Long-term Contracts. This category of revenue consists of revenue generated from long-term contracts (greater than one year) with total contract values greater than $20 million. These contracts are for work that supports the operations of our customers and include long-term contracts for overburden removal and reclamation. Revenue in this category is typically generated under unit-price contracts and is included in our calculation of backlog. This work is generally funded from our customers operating budgets.

Master Services Agreements. This category of revenue is generated from the master services agreements in place with Syncrude and Albian. This revenue is typically generated by supporting the operations of our customers and is therefore considered to be recurring. This revenue is not guaranteed under contract and is not included in our calculation of backlog. This revenue is primarily generated under time-and-materials contracts. This work is generally funded from our customers operating or maintenance capital budgets.

* This paragraph contains forward-looking statements. Please refer to Forward-Looking Information and Risk Factors for a discussion on the risks and uncertainties related to such information.

Project Development Revenue: Project development revenue is typically generated during the support of capital construction projects and is therefore considered to be non-recurring. This revenue can be generated under lump-sum, unit-price, time-and-materials and cost-plus contracts. It can be included in backlog if generated under lump-sum, unit price or time-and-materials contracts and scope is defined. This work is generally funded from our customers capital budgets.

Revenue by End Market

Growth in both recurring services and capital projects increased our oil sands work volumes during 2007 and 2008. The pipeline installation project for Kinder Morgan increased our revenues in the conventional oil and gas sector. The declining contribution of minerals mining revenue reflects the completion of the DeBeers diamond mine project in early 2008. The following graph displays the breakdown between revenues from each end market for the trailing 12-month period at three-month intervals from March 31, 2007 to March 31, 2009:

Our Strategy

Our strategy is to be an integrated service provider for the developers and operators of resource-based industries in a broad and often challenging range of environments. More specifically, our strategy is to:

Increase our recurring revenue base: It is our intention to continue expanding our recurring services business to provide a larger base of stable revenue.*

Leverage our long-term relationships with customers: We intend to continue building our relationships with existing oil sands customers to win a substantial share of the heavy construction and mining, piling and pipeline services outsourced in connection with their projects.*

Leverage and expand our complementary services: Our service segments, Heavy Construction and Mining, Pipeline and Piling are complementary to one another and allow us to compete for many different forms of business. We intend to build on our first-in position to cross-sell our many services, while also pursuing selective acquisition opportunities that expand our complementary service offerings.*

Enhance operating efficiencies to improve revenues and margins: We aim to increase the availability and efficiency of our equipment through enhanced maintenance, providing the opportunity for improved revenue, margins and profitability.*

Position for future growth: We intend to build on our market leadership position and successful track record with our customers to benefit from future oil sands development. We intend to use our fleet size and management capability to respond to new opportunities as they occur.*

Increase our presence outside the oil sands: We intend to increase our presence outside the oil sands and extend our services to other resource industries across Canada. Canada has significant natural resources and we believe that we have the equipment and the experience to assist with developing those natural resources.*

* This paragraph contains forward-looking statements. Please refer to Forward-Looking Information and Risk Factors for a discussion on the risks and uncertainties related to such information.

To help us manage successfully through the current business environment, we are focused on:

- working with our customers and suppliers to establish the most efficient and cost effective way for us to deliver services to meet a broad range of our customers project needs;
- cash conservation to ensure liquidity for operational circumstances;
- continuing to improve our working capital management;
- strategic prioritization of our capital expenditures to minimize cash outflows while maintaining the flexibility to take advantage of profitable opportunities; and
- careful and thorough evaluation of all opportunities to ensure we maintain reasonable levels of profitability in the current economic environment.

B. Financial results

Consolidated Annual Results

	Year Ended March 31,											
(dollars in thousands, except per							2009 vs 2008		2009 vs 2007	
share information)	2009	% of Revenue	2008	% of Revenue	2007	% of Revenue	Change	% Change	Change	% Change
Revenue	$972,536	100.0%	$989,696	100.0%	$629,446	100.0%	$(17,160)	-1.7%	$343,090	54.5%
Project costs	505,026	51.9%	592,458	59.9%	363,930	57.8%	(87,432)	-14.8%	141,096	38.8%
Equipment costs	210,520	21.6%	174,873	17.7%	122,306	19.4%	35,647	20.4%	88,214	72.1%
Equipment operating lease expense	43,583	4.5%	22,319	2.3%	19,740	3.1%	21,264	95.3%	23,843	120.8%
Depreciation	38,102	3.9%	36,729	3.7%	31,034	4.9%	1,373	3.7%	7,068	22.8%
Gross profit	175,305	18.0%	163,317	16.5%	92,436	14.7%	11,988	7.3%	82,869	89.7%
General & administrative costs	74,405	7.7%	69,670	7.0%	39,769	6.3%	4,735	6.8%	34,636	87.1%
Operating (loss) income	(81,712)	-8.4%	92,397	9.3%	51,126	8.1%	(174,109)	-188.4%	(132,838)	-259.8%
Net (loss) income	(139,515)	-14.3%	39,784	4.0%	21,079	3.3%	(179,299)	-450.7%	(160,594)	-761.9%
Per share information										
Net (loss) income basic	$(3.87)		$1.11		$0.87		$(4.98)		$(4.74)	
Net (loss) income diluted	(3.87)		1.08		0.83		(4.95)		(4.70)	
EBITDA[1]	$(58,153)	-6.0%	$121,982	12.3%	$87,351	13.9%	$(180,135)	-147.7%	$(145,504)	-166.6%
Consolidated EBITDA[1] (as defined within the revolving credit agreement)	146,046	15.0%	135,094	13.7%	90,235	14.3%	10,952	8.1%	55,811	61.9%

[1] Non GAAP Financial measures

The body of generally accepted accounting principles applicable to us is commonly referred to as GAAP . A non-GAAP financial measure is generally defined by the Securities and Exchange Commission (SEC) and by the Canadian securities regulatory authorities as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measures. EBITDA is calculated as net income (loss) before interest expense, income taxes, depreciation and amortization. Consolidated EBITDA is a measure defined by our revolving credit agreement. This measure is defined as EBITDA, excluding the effects of unrealized foreign exchange gain or loss, realized and unrealized gain or loss on derivative financial instruments, non-cash stock-based compensation expense, gain or loss on disposal of plant and equipment and certain other non-cash items included in the calculation of net income (loss). We believe that EBITDA is a meaningful measure of the performance of our business because it excludes items, such as depreciation and amortization, interest and taxes that are not directly related to the operating performance of our business. Management reviews EBITDA to determine whether plant and equipment are being allocated efficiently. In addition, our revolving credit facility requires us to maintain a minimum interest coverage ratio and a maximum senior leverage ratio, which are calculated using Consolidated EBITDA. Non-compliance with these financial covenants could result in our being required to immediately repay all amounts outstanding under our revolving credit facility. EBITDA and Consolidated EBITDA are non-GAAP financial measures and our computations of EBITDA and Consolidated EBITDA may vary from others in our industry. EBITDA and Consolidated EBITDA should not be considered as alternatives to operating income or net income as measures of operating performance or cash flows as measures of liquidity. EBITDA and Consolidated EBITDA have important limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of our results as reported under Canadian GAAP or US GAAP. For example, EBITDA and Consolidated EBITDA do not:

reflect our cash expenditures or requirements for capital expenditures or capital commitments;

reflect changes in our cash requirements for our working capital needs;

reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;

include tax payments that represent a reduction in cash available to us; and

reflect any cash requirements for assets being depreciated and amortized that may have to be replaced in the future.

Consolidated EBITDA excludes unrealized foreign exchange gains and losses and realized and unrealized gains and losses on derivative financial instruments, which, in the case of unrealized losses, may ultimately result in a liability that will need to be paid and in the case of realized losses, represents an actual use of cash during the period. Our use of the term, Consolidated EBITDA (as defined within the revolving credit agreement) , replaces the term Consolidated EBITDA (per bank) used in prior filings but the definition of Consolidated EBITDA has not changed.

A reconciliation of net (loss) income to EBITDA and Consolidated EBITDA is as follows:

	Year Ended March 31,		
(dollars in thousands)	2009	2008	2007
Net (loss) income	$(139,515)	$39,784	$21,079
Adjustments:			
Interest expense	27,450	27,019	37,249
Income taxes	14,723	17,379	(2,593)
Depreciation	38,102	36,729	31,034
Amortization of intangible assets	1,087	1,071	582
EBITDA	$(58,153)	$121,982	$87,351
Adjustments:			
Unrealized foreign exchange loss (gain) on senior notes	45,860	(24,788)	(5,017)
Realized and unrealized (gain) loss on derivative financial instruments	(25,081)	34,075	(196)
Loss on disposal of plant and equipment	5,325	179	959
Stock-based compensation	2,251	1,991	2,101
Director deferred stock unit expense	(356)	(190)	
Write-off of deferred financing costs			4,342
Write-down of other assets to replacement cost		1,845	695
Impairment of goodwill	176,200		
Consolidated EBITDA	$146,046	$135,094	$90,235

Analysis of Annual Results

Revenue

For the year ended March 31, 2009, revenues of $972.5 million were $17.2 million or 1.7% lower than in the last year ended March 31, 2008. The modest decline in annual revenues reflects the impacts of a fourth-quarter slow down in commercial construction markets, a temporary work stoppage on a large mining contract as well as the windup of the TMX pipeline project. These impacts were largely offset by stronger volumes in Heavy Construction and Mining as a result of the completion of work on oil sands capital projects at Petro-Canada s Fort Hills site and Suncor s Voyageur site as well as the continued increase in demand for recurring services from oil sands customers. Compared to the year ended March 31, 2007, revenues in the year ended March 31, 2009 improved by $343.1 million or 54.5% and were the second best results in our history. A significantly stronger contribution from the Pipeline segment through the first nine months of the fiscal year, a higher level of construction and oil sands capital projects activity and continued growth in oil sands related recurring services revenues were the key factors in the improvement.

Gross Profit

Gross profit for the year ended March 31, 2009 increased to $175.3 million, a $12.0 million or a 7.3% improvement compared to gross profit in the year ended March 31, 2008. The higher volumes in Heavy Construction and Mining and the improved margins in the Pipeline segment were the key factors in this improvement. The improvement of the current years gross profit compared to fiscal 2007 reflects the Pipeline segment s return to profitability after incurring losses on specific projects in the year ended March 31, 2007. Gross margins in the current year also benefitted from the partial recovery of prior year Pipeline losses through our claims process and significant improvements in the costs for large truck tires.

A change in the current year s cost mix between project costs and equipment costs compared to prior years reflects a shift to more equipment-focused work within Heavy Construction and Mining in the year ended March 31, 2009. Additions to the fleet to support a long-term overburden removal contract, including the commissioning of a new electric cable shovel in March 2008, led to increases in operating leases. We commissioned a second electric cable shovel for this contract in December 2008.

Operating (Loss) Income

We recorded an operating loss of $81.7 million in the year ended March 31, 2009, compared to operating income of $92.4 million (9.3% of revenue) in the year ended March 31, 2008 and operating income of $51.1 million (8.1% of revenue) for the year ended March 31, 2007. The current year operating loss reflects the non-cash impact of a $176.2 million impairment of goodwill. Excluding this impairment charge, operating income would have been $94.5 million (9.7% of revenue) for the current year. General and administrative (G&A) expense increased $4.7 million to $74.4 million, representing 7.7% of revenue. This compares to $69.7 million (7.0% of revenue) and $39.8 million (6.3% of revenue) in the years ended March 31, 2008 and 2007 respectively. The current year increase in G&A levels reflects higher staffing levels needed to support increased operations activity as well as inflationary pressures in the oil sands through the first nine months. The increases were partially offset by the benefits of reorganization and cost reduction initiatives implemented in the last three months of the current year along with process improvements implemented earlier in the year.

Net (Loss) Income

We recorded a net loss of $139.5 million (basic loss per share of $3.87) in the year ended March 31, 2009, compared to net income of $39.8 million (basic income per share of $1.11 and diluted income per share of $1.08) in the year ended March 31, 2008 and net income of $21.1 million (basic income per share of $0.87 and diluted income per share of $0.83) in the year ended March 31, 2007. The net loss primarily reflects the receipt of a cancellation premium (see our Foreign currency risk discussion in Quantitative and Qualitative Disclosures about Market Risk) and non-cash items such as $176.2 million goodwill impairment (no tax effect), the negative impact of a depreciating Canadian dollar on our 8 3/4% senior notes and non-cash losses on embedded derivatives. This was partially mitigated by a gain in the cross currency and interest rate swaps along with a gain in the embedded derivative in a long-term customer contract. Excluding these non-cash items for each year, current year net income would have been $49.4 million resulting in basic income per share of $1.37 and diluted income per share of $1.35, up from $1.27 per share and $1.23 per share, respectively, for the year ended March 31, 2008 and $0.62 per share and $0.59 per share, respectively for the year ended March 31, 2007.

Impairment of Goodwill

We recognized a $176.2 million impairment of goodwill in the year ended March 31, 2009. In accordance with our accounting policy, a goodwill impairment test is completed annually on October 1st of each year or whenever events or changes in circumstances indicate that goodwill impairment may exist. We conducted our annual goodwill impairment test on October 1, 2008 and concluded that the fair value of each of our reporting units exceeded their carrying amounts. However, at both December 31, 2008 and March 31, 2009 we concluded that an interim test for impairment of goodwill was appropriate given adverse changes in our principal markets, the recent decline in our market capitalization and the accounting requirements related to goodwill under such circumstances.

At December 31, 2008: In performing the goodwill assessment on December 31, 2008, we considered discounted cash flows, market capitalization and other factors including observable market data to determine fair value. Although implied market comparable valuation multiples and transaction premiums from a set of selected comparable companies were considered in our analysis, we concluded that there are significant differences in the services and operating characteristics of our reporting units as compared to these companies. As a result, we relied primarily on the discounted cash flow method, using our projections for each of our reporting units and risk adjusted discount rates. Expected cash flows for each of our reporting units were discounted using estimated discount rates ranging from 18% to 27% and a terminal growth rate of 3.0% to calculate fair value. We considered this method to be most reflective of a market participant s view of fair value given the current market conditions.

As a result of our analysis, we concluded that the carrying value of goodwill assigned to the Pipeline operating segment (also a separate reporting unit) exceeded its fair value and we recorded an impairment charge of $32.8 million. The goodwill impairment charge was calculated as the difference between the carrying value of goodwill of the Pipeline operating segment and its implied fair value of $nil at December 31, 2008. The implied fair value of the goodwill for the Pipeline operating segment was determined in the same manner as the value of goodwill is determined in a business combination. The impairment charge is included in the caption Impairment of goodwill in the Consolidated Statement of Operations, Comprehensive (Loss) Income and Deficit for the year ended March 31, 2009.

At December 31, 2008, we determined that there was no impairment to any other reporting units as their fair values exceeded their carrying values. The goodwill impairment charge reduced our carrying value for goodwill from $200.1 million to $167.3 million as at December 31, 2008.

At March 31, 2009: During the three months ended March 31, 2009, we observed further deterioration in industry conditions, a further decline in our market capitalization and weak global economic and credit conditions. The current economic environment has impacted our ability to forecast future demand and has in turn resulted in the use of higher discount rates, reflecting the risk and uncertainty in the current market. Furthermore, we experienced a significant and sustained quarter-over-quarter decline in our market capitalization due primarily to challenging market conditions. As a result, we concluded that events had occurred and circumstances had changed that required us to perform an additional interim goodwill impairment test for the Heavy Construction and Mining and Piling segments (also separate reporting units) as at March 31, 2009. This was corroborated by a combination of factors including a significant and sustained decline in our market capitalization, which was appreciably below our book value and deteriorating economic conditions in Canada and globally which has resulted in a decline in expected future demand.

As part of the March 31, 2009 goodwill impairment test, we updated our discounted cash flow analysis for the Heavy Construction and Mining and Piling reportable business segments. We used estimated discount rates ranging from 22.0% to 32.0% and a decreased terminal growth rate from 3.0% to 2.5% to calculate fair value. These updates were based on the current economic volatility we experienced during the three months ended March 31, 2009 and took into account our views of economic conditions and trends, estimated future operating results, sector growth rates, anticipated future economic conditions and our strategic alternatives to respond to these conditions.

As a result of this analysis, we concluded that the carrying value of the Heavy Construction and Mining and Piling reporting units exceeded their fair value and we recorded an impairment charge of $125.4 million and $18.0 million,

respectively. This was calculated as the difference between the carrying value of goodwill of the two segments and the implied fair value of goodwill of each reporting unit at March 31, 2009. The implied fair value of goodwill was determined in the same manner that the value of goodwill is determined in a business combination. The impairment charge is included in the caption Impairment of goodwill in the Consolidated Statement of Operations, Comprehensive (Loss) Income and Deficit for the year ended March 31, 2009.

There was no goodwill impairment recorded for the years ended March 31, 2008 and 2007.

Segment Annual Results

Segment profits included revenue earned from the performance of our projects, including amounts arising from approved change orders and claims that have met the appropriate accounting criteria for recognition, less all direct project expenses, including direct labour, short-term equipment rentals and materials, payments to subcontractors, indirect job costs and internal charges for use of capital equipment.

Segment results for the year ended March 31, 2009 compared to the years ended March 31, 2008 and March 31, 2007 are summarized below:

Heavy Construction and Mining

	Year Ended March 31,									
							2009 vs. 2008		2009 vs. 2007	
		% of		% of		% of		%		%
(dollars in thousands)	2009	Revenue	2008	Revenue	2007	Revenue	Change	Change	Change	Change
Segment revenue	$716,053		$626,582		$473,179		$89,471	14.3%	$242,874	51.3%
Segment profit	$115,698	16.2%	$105,378	16.8%	$71,062	15.0%	$10,320	9.8%	$44,636	62.8%

For the year ended March 31, 2009, the Heavy Construction and Mining segment achieved revenues of $716.1 million, an $89.5 million improvement over last year and a $242.9 million improvement over the year ended March 31, 2007. Project closeout activities at the Petro-Canada Fort Hills site preparation project and Suncor s Voyageur and Millennium Naphtha Unit projects, combined with strong demand for recurring site services work, including master services work at Albian s Jackpine mine and Muskeg River mine, were the primary factors in this revenue growth. Recurring services have become an increasingly significant contributor to our revenues as more oil sands projects move into the stable, operational phase of their lifecycles. Ongoing operational work represented 73.2% of Heavy Construction and Mining s revenues in the year ended March 31, 2009 compared to 60.3% and 46.0% for the years ended March 31, 2008 and 2007, respectively.

Segment profit margin for the year ended March 31, 2009 was 16.2%. This was slightly lower than the segment margin of 16.8% achieved during the same period last year but a significant improvement over segment margin of 15.0% in the year ended March 31, 2007. An increased proportion of high volume Heavy Construction and Mining projects, the redeployment of equipment from the Canadian Natural project to other projects and the positive impact of change orders associated with project close-outs helped to offset the impact of reduced industrial construction and minerals mining work compared to the year ended March 31, 2008.

Piling

Year Ended March 31,

							2009 vs. 2008		2009 vs. 2007	
		% of		% of		% of		%		%
(dollars in thousands)	2009	Revenue	2008	Revenue	2007	Revenue	Change	Change	Change	Change
Segment revenue	$155,076		$162,397		$109,266		$(7,321)	-4.5%	$45,810	41.9%
Segment profit	$38,776	25.0%	$45,362	27.9%	$34,395	31.5%	$(6,586)	-14.5%	$4,381	12.7%

The Piling segment achieved revenues of $155.1 million for the year ended March 31, 2009, a decrease of $7.3 million compared to a year ago. This change reflects declining activity levels in the Western Canadian commercial construction market. Work on a major oil sands-related plant and upgrader project combined with continued growth in Saskatchewan were significant contributors to the revenue in the current year and prior year as compared to the year ended March 31, 2007.

For the year ended March 31, 2009, segment profit margin decreased to 25.0%, from 27.9% last year and 31.5% for the year ended March 31, 2007, reflecting the impact of weaker commercial construction market conditions and an increased number of lower margin time-and-materials oil sands projects. Margins for the year ended March 31, 2007 included a larger proportion of higher-margin, fixed price contracts.

Pipeline

	Year Ended March 31,									
							2009 vs. 2008		2009 vs. 2007	
(dollars in thousands)	2009	% of Revenue	2008	% of Revenue	2007	% of Revenue	Change	% Change	Change	% Change
Segment revenue	$101,407		$200,717		$47,001		$(99,310)	-49.5%	$54,406	115.8%
Segment profit	$22,470	22.2%	$25,465	12.7%	$(10,539)	-22.4%	$(2,995)	-11.8%	$33,009	-313.2%

Pipeline revenues for the year ended March 31, 2009 were $101.4 million, a decline of $99.3 million from a year ago, reflecting the successful and on-schedule completion of the TMX project in October 2008.

Although Pipeline profit for the year ended March 31, 2009 decreased as a result of the lower revenue, margins increased to 22.2%, from 12.7% last year as a result of closeout activities and final change orders for the TMX project. Current year margins benefitted from the negotiated settlement of $5.3 million in claims while margins last year were negatively affected by $2.0 million in additional costs related to a fixed-priced contract. Excluding these impacts in both years, margins would have been 16.9% compared to 13.7% a year ago.

Consolidated Three-Month Results

	Three Months Ended March 31,					
(dollars in thousands, except per share information)	2009	% of Revenue	2008	% of Revenue	Change	% Change
Revenue	$174,700	100.0%	$323,600	100.0%	$(148,900)	-46.0%
Project costs	71,522	40.9%	195,196	60.3%	(123,674)	-63.4%
Equipment costs	48,374	27.7%	43,291	13.4%	5,083	11.7%
Equipment operating lease expense	13,266	7.6%	9,990	3.1%	3,276	32.8%
Depreciation	9,074	5.2%	12,550	3.9%	(3,476)	-27.7%
Gross profit	32,464	18.6%	62,573	19.3%	(30,109)	-48.1%
General & administrative costs	16,688	9.6%	20,674	6.4%	(3,986)	-19.3%
Operating (loss) income	(129,483)	-74.1%	42,581	13.2%	(172,064)	-404.1%
Net (loss) income	(142,690)	-81.7%	20,484	6.3%	(163,174)	-796.6%
Per share information						
Net (loss) income basic	$(3.96)		$0.57		$(4.53)	
Net (loss) income diluted	(3.96)		0.56		(4.52)	
EBITDA[(2)]	$(123,210)	-70.5%	$50,424	15.6%	$(173,634)	-344.3%
Consolidated EBITDA[(2)] (as defined within the revolving credit agreement)	25,191	14.4%	55,435	17.1%	(30,244)	-54.6%

[(1)] Prior Year Comparison
In preparing the financial statements for the year ended March 31, 2008, we determined that the previously issued interim unaudited consolidated financial statements did not properly account for an embedded derivative with respect to price escalation features in a supplier maintenance contract. As disclosed in the Audited Consolidated Financial Statements for the year ended March 31, 2008, we restated our original April 1, 2007 transition adjustment on adoption of CICA Handbook Section 3855, Financial Instruments Recognition and Measurement . We recorded the full fiscal year accounting treatment of the embedded derivative in the Audited Consolidated Balance Sheet and Audited Consolidated Statement of Operations and Comprehensive (Loss) and Deficit for the year and three-month period ended March 31, 2008. Subsequently, for each interim unaudited consolidated financial statement during the current fiscal year we have restated the prior year s three-month period to reflect the restatement of the April 1, 2007 transition adjustment and the effects of the restatement on the prior year consolidated balance sheet and consolidated statement of operations for the appropriate three-month prior period. With the restatement of the Audited Consolidated Statement of Operations and Comprehensive (Loss) and Deficit for the three months ended March 31, 2008, the effect of the restated April 1, 2007 transition adjustment has been appropriately recorded in each of the individual three month prior periods.

The embedded derivative has been measured at fair value and included in derivative financial instruments on the consolidated balance sheet with changes in fair value recognized in net income. The impact of this restatement on the Audited Consolidated Statement of Operations and Comprehensive (Loss) and Deficit for the year ended March 31, 2008 is an adjustment, for the three-month period ended March 31, 2008, to unrealized income on derivative financial instruments and income tax expense. This resulted in a reduction to net income of $2.2 million (restated as net income of $20.5 million), a reduction to basic income per share of $0.06 per share (restated as $0.57 income per share) and a reduction to diluted income per share of $0.06 per share (restated as $0.56 income per share). There was no restatement required for the Audited Consolidated Statement of Operations and Comprehensive (Loss) and Deficit for the year ended March 31, 2008 nor for the Audited Consolidated Balance Sheet for the year ended March 31, 2008.

(2) Non-GAAP Financial measures see footnote for Consolidated Annual Results .

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A reconciliation of net (loss) income to EBITDA and Consolidated EBITDA is as follows:

	Three Months Ended March 31,	
(dollars in thousands)	2009	2008 (Restated)
Net (loss) income	$(142,690)	$20,484
Adjustments:		
Interest expense	7,787	6,686
Income taxes	2,354	10,399
Depreciation	9,074	12,550
Amortization of intangible assets	265	305
EBITDA	$(123,210)	$50,424
Adjustments:		
Unrealized foreign exchange loss on senior notes	7,035	7,838
Realized and unrealized (gain) loss on derivative financial instruments	(3,910)	(2,615)
Loss (gain) on disposal of plant and equipment	1,547	(990)
Stock-based compensation	448	968
Director deferred stock unit expense	(166)	(190)
Impairment of goodwill	143,447	
Consolidated EBITDA	$25,191	$55,435

Analysis of Three-Month Results

Revenue

For the three months ended March 31, 2009, revenues of $174.7 million were $148.9 million lower than in the same period last year. As we anticipated, continued weakness in commercial construction markets, the temporary slowdown in our overburden removal activities during Canadian Natural s production start-up period and a sharp decline in Pipeline segment revenues following our completion of the TMX pipeline project contributed to the reduction in revenues. These declines were partially offset by our growing volume of recurring services business.

Gross Profit

Gross profit for the three months ended March 31, 2009 decreased by $30.1 million, primarily as a result of lower revenue. Margins remained solid at 18.6% of revenue compared to 19.3% a year ago, reflecting the benefits of project close out activities, higher-margin site services work and company-wide efforts to improve efficiency and reduce expenses.

A shift to more equipment focused work within Heavy Construction and Mining in the three months ended March 31, 2009 led to a change in the current period s cost mix between project costs and equipment costs compared to the prior year. The current period addition of new Heavy Construction and Mining equipment secured under operating leases led to a 42.1% or $1.9 million, three-month period increase in tire expenses year-over-year (equipment is not delivered with tires). Higher equipment leasing expense as a result of the March 2008 commissioning of a new electric cable shovel for a long-term overburden removal contract along with higher costs related to the year-over-year growth in the size of our leased equipment fleet contributed to the year-over-year differences. We commissioned a second electric cable shovel for this contract in December 2008. Increased Heavy Construction and Mining activity and a reduction in the use of rental equipment resulted in an increase of 1.3% in depreciation as a percent of revenue for the three month period ended March 31, 2009 compared to the previous year. Included in the prior three month period was a $1.8 million charge for accelerated depreciation. The current three month period had no accelerated depreciation recorded.

Operating (Loss) Income

For the three months ended March 31, 2009 we recorded an operating loss of $129.5 million compared to operating income of $42.6 million or 13.2% of revenue, during the same period last year. The change in operating profit reflects the non-cash impact of a $143.4 million impairment of goodwill, as discussed in the Analysis of Annual Results . Excluding this impairment, operating income would have been $13.9 million or 8.0% of revenue for the current year. General and administrative (G&A) expense decreased by $4.0 million, reflecting the benefits of reorganization and cost reduction initiatives implemented in the three months ended March 31, 2009 and process improvements implemented earlier in the year.

Net (Loss) Income

We recorded a net loss of $142.7 million (basic loss per share of $3.96) for the three months ended March 31, 2009, compared to net income of $20.5 million (basic income per share of $0.57 and diluted income per share of $0.56) during the same period last year. Non-cash items negatively affecting the net loss included the impact of goodwill

of total unrecognized compensation cost related to non-vested stock-based compensation arrangements for all awards previously made, of which approximately $11.1 million is expected to be recognized over the remainder of 2012, $10.9 million in 2013, $5.3 million in 2014 and $0.6 million in 2015.
During the three months ended March 31, 2012 and 2011, the total intrinsic value of awards exercised was $8.9 million and $6.0 million, respectively, and the total amount of cash received from the exercise of options was $0.1 million and $0.2 million, respectively. The tax benefit associated with the exercise of awards for the three months ended March 31, 2012 and 2011 totaled $1.8 million and $1.0 million, respectively, and was recorded as an increase to additional capital.

4. EARNINGS PER SHARE

Basic earnings per share are 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, which includes consideration of stock-based compensation and convertible debt.
The following table sets forth the details of basic and diluted earnings per share:

	Three Months Ended March 31,	
	2012	2011
Net income attributable to WESCO International, Inc.	$52,978	$37,305
Weighted average common shares outstanding used in computing basic earnings per share	43,476,818	43,060,351
Common shares issuable upon exercise of dilutive stock options	1,340,886	1,417,346
Common shares issuable from contingently convertible debentures (see below for basis of calculation)	6,467,623	5,955,068
Weighted average common shares outstanding and common share equivalents used in computing diluted earnings per share	51,285,327	50,432,765
Earnings per share attributable to WESCO International, Inc.		
Basic	$1.22	$0.87
Diluted	$1.03	$0.74

For the three months ended months ended March 31, 2012 and 2011, the computation of diluted earnings per share attributable to WESCO International, Inc. excluded 1.0 million and 1.2 million, respectively, of stock-settled stock appreciation rights at weighted average exercise prices of $64 per share and $63 per share, respectively. These amounts were excluded because their effect would have been antidilutive.

Because of WESCO's obligation to settle the par value of the 6.0% Convertible Senior Debentures due 2029 (the "2029 Debentures") and the previously outstanding 1.75% Convertible Senior Debentures due 2026 (the "2026 Debentures") and 2.625% Convertible Senior Debentures due 2025 (the "2025 Debentures" and together with the 2026 Debentures and 2029 Debentures, the "Debentures") in cash upon conversion, WESCO is not required to include any shares underlying the Debentures in its diluted weighted average shares outstanding until the average stock price per share for the period exceeds the conversion price of the respective Debentures. At such time, only the number of shares that would be issuable (under the treasury stock method of accounting for share dilution) would be included, which is based upon the amount by which the average stock price exceeds the conversion price. The conversion price of the 2029 Debentures is $28.87. Share dilution is limited to a maximum of 11,949,791 shares for the 2029 Debentures. For the period ended March 31, 2012 and 2011, the effect of the Debentures on diluted earnings per share attributable to WESCO International, Inc. was a decrease of $0.15 and $0.10, respectively.

5. EMPLOYEE BENEFIT PLANS

A majority of WESCO's employees are covered by defined contribution retirement savings plans for their services rendered subsequent to WESCO's formation. WESCO also offers a deferred compensation plan for select individuals. For U.S. participants, WESCO will make contributions in an amount equal to 50% of the participant's total monthly contributions up to a maximum of 6% of eligible compensation. For Canadian participants, WESCO will make contributions in an amount ranging from 1% to 7% of the participant's eligible compensation based on years of continuous service. In addition, employer contributions may be made at the discretion of the Board of Directors. For the three months ended March 31, 2012 and 2011, WESCO incurred charges of $9.0 million and $7.8 million, respectively, for all such plans. Contributions are made in cash to defined contribution retirement savings plans. The deferred compensation plan is an unfunded plan. Employees have the option to transfer balances allocated to their accounts into any of the available investment options, including WESCO common stock.

6. COMMITMENTS AND CONTINGENCIES

WESCO is a co-defendant in a lawsuit filed in a state court in Indiana in which a customer alleges that WESCO sold defective products manufactured or remanufactured by others and is seeking monetary damages in the amount of approximately $50 million. WESCO has denied any liability, continues to believe that it has meritorious defenses and intends to vigorously defend itself against these allegations. Accordingly, no liability was recorded for this matter as of March 31, 2012. Furthermore, due to the uncertainty of this litigation, WESCO is not currently able to reasonably estimate the possible loss or range of loss from this legal proceeding.

7. INCOME TAXES

The effective tax rate for the three months ended March 31, 2012 and 2011 was 29.0% and 28.4% respectively. WESCO's effective tax rate is lower than the federal statutory rate of 35% primarily due to benefits resulting from the recapitalization of Canadian operations, which are partially offset by nondeductible expenses, state taxes and foreign rate differences. The effective tax rate for the three months ended March 31, 2012 reflects discrete adjustments totaling $2.0 million, primarily

related to changes in uncertain tax positions and changes in state taxes. The effective tax rate for the three months ended March 31, 2011 included beneficial discrete adjustments totaling $1.0 million primarily related to state taxes and adjustments for uncertain tax positions.

The total amount of net unrecognized tax benefits was $20.1 million and $20.9 million as of March 31, 2012 and December 31, 2011, respectively. A corresponding deferred tax asset in the amount of $23.1 million excluding interest was recorded in 2011. If these tax benefits were recognized in the consolidated financial statements, the portion of these amounts that would reduce WESCO's effective tax rate would be $19.8 million and $19.7 million, respectively. This amount would be offset by the corresponding deferred tax asset discussed above.

During the next twelve months, it is reasonably possible that the amount of unrecognized tax benefits will decrease by as much as $15.5 million (all of which will be offset by the reversal of a deferred tax asset) due to possible resolution of federal, state and/or foreign tax examinations and/or the expiration of statutes of limitations. Management does not expect this decrease to have an impact on the effective tax rate.

WESCO records interest related to uncertain tax positions as a part of interest expense in the consolidated statement of income. Penalties are recognized as part of income tax expense. As of March 31, 2012 and December 31, 2011, WESCO had an accrued liability for interest related to uncertain tax positions of $8.2 million and $11.4 million, respectively. During the three months ended March 31, 2012, accrued interest and net interest expense decreased by $3.2 million as a result of a favorable Internal Revenue Service appeals settlement related to the years 2000 to 2006. There were no penalties recorded during the three months ended March 31, 2012 or 2011.

8. OTHER FINANCIAL INFORMATION

WESCO Distribution, Inc. ("WESCO Distribution"), a 100% owned subsidiary of WESCO International, Inc. ("WESCO International"), has outstanding $150.0 million in aggregate principal amount of 7.50% Senior Subordinated Notes due 2017 (the "2017 Notes"), and WESCO International has outstanding $344.9 million in aggregate principal amount of 2029 Debentures. The 2017 Notes are fully and unconditionally guaranteed by WESCO International on a subordinated basis to all existing and future senior indebtedness of WESCO International. The 2029 Debentures are fully and unconditionally guaranteed by WESCO Distribution on a senior subordinated basis to all existing and future senior indebtedness of WESCO Distribution.

Condensed consolidating financial information for WESCO International, WESCO Distribution, Inc. and the non-guarantor subsidiaries is as follows:

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

	March 31, 2012 (In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Cash and cash equivalents	$5	$46,605	$ 17,031	$—	$63,641
Trade accounts receivable, net	—	—	1,006,398	—	1,006,398
Inventories, net	—	332,900	301,759	—	634,659
Other current assets	270	20,063	69,375	—	89,708
Total current assets	275	399,568	1,394,563	—	1,794,406
Intercompany receivables, net	—	—	1,821,436	(1,821,436)	—
Property, buildings and equipment, net	—	54,117	80,338	—	134,455
Intangible assets, net	—	6,774	147,356	—	154,130
Goodwill and other intangibles, net	—	246,125	776,601	—	1,022,726
Investments in affiliates and other noncurrent assets	2,287,076	3,469,046	30,962	(5,745,600)	41,484
Total assets	$2,287,351	$4,175,630	$ 4,251,256	$(7,567,036)	$3,147,201
Accounts payable	$—	$444,332	$ 254,964	$—	$699,296
Other current liabilities	2,571	(25,929)	202,233	—	178,875
Total current liabilities	2,571	418,403	457,197	—	878,171
Intercompany payables, net	675,609	1,145,827	—	(1,821,436)	—
Long-term debt	169,738	157,826	275,764	—	603,328
Other noncurrent liabilities	28,129	171,395	54,999	—	254,523
Stockholders' equity	1,411,304	2,282,179	3,463,296	(5,745,600)	1,411,179
Total liabilities and stockholders' equity	$2,287,351	$4,175,630	$ 4,251,256	$(7,567,036)	$3,147,201

	December 31, 2011 (In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Cash and cash equivalents	$5	$44,412	$ 19,452	$—	$63,869
Trade accounts receivable, net	—	—	939,422	—	939,422
Inventories, net	—	341,423	285,544	—	626,967
Other current assets	270	32,548	74,344	—	107,162
Total current assets	275	418,383	1,318,762	—	1,737,420
Intercompany receivables, net	—	—	1,881,208	(1,881,208)	—
Property, buildings and equipment, net	—	54,038	79,512	—	133,550
Intangible assets, net	—	6,981	149,893	—	156,874
Goodwill and other intangibles, net	—	246,125	762,002	—	1,008,127
Investments in affiliates and other noncurrent assets	2,219,142	3,412,735	31,745	(5,621,141)	42,481
Total assets	$2,219,417	$4,138,262	$ 4,223,122	$(7,502,349)	$3,078,452
Accounts payable	$—	$423,509	$ 219,268	$—	$642,777
Other current liabilities	7,797	6,510	188,762	—	203,069
Total current liabilities	7,797	430,019	408,030	—	845,846

Intercompany payables, net	668,447	1,142,761	—	(1,811,208)	—
Long-term debt	169,054	188,081	285,787	—	642,922
Other noncurrent liabilities	28,131	163,177	52,466	—	243,774
Stockholders' equity	1,345,988	2,214,224	3,406,839	(5,621,141)	1,345,910
Total liabilities and stockholders' equity	$2,219,417	$4,138,262	$ 4,153,122	$(7,432,349)	$3,078,452

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

	Three Months Ended March 31, 2012 (In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net sales	$—	$853,843	$ 787,401	$ (35,226)	$1,606,018
Cost of goods sold	—	682,843	638,651	(35,226)	1,286,268
Selling, general and administrative expenses	17	145,856	82,266	—	228,139
Depreciation and amortization	—	3,472	4,607	—	8,079
Results of affiliates' operations	58,767	56,433	—	(115,200)	—
Interest expense, net	5,810	485	2,667	—	8,962
Provision for income taxes	—	18,853	2,777	—	21,630
Net income (loss)	52,940	58,767	56,433	(115,200)	52,940
Less: Net loss attributable to noncontrolling interest	—	—	(38)	—	(38)
Net income (loss) attributable to WESCO International, Inc.	$52,940	$58,767	$ 56,471	$ (115,200)	$52,978
Comprehensive income:					
Foreign currency translation adjustment	9,190	9,190	9,190	(18,380)	9,190
Comprehensive income attributable to WESCO International, Inc.	$62,130	$67,957	$ 65,661	$ (133,580)	$62,168

	Three Months Ended March 31, 2011 (In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net sales	$—	$739,274	$ 710,564	$ (18,533)	$1,431,305
Cost of goods sold	—	591,846	571,942	(18,533)	1,145,255
Selling, general and administrative expenses	38	136,540	77,181	—	213,759
Depreciation and amortization	—	2,675	4,871	—	7,546
Results of affiliates' operations	43,197	48,023	—	(91,220)	—
Interest expense, net	5,854	3,708	3,079	—	12,641
Provision for income taxes	—	9,331	5,468	—	14,799
Net income (loss) attributable to WESCO International, Inc.	$37,305	$43,197	$ 48,023	$ (91,220)	$37,305
Comprehensive income:					
Foreign currency translation adjustment	7,986	7,986	7,986	(15,972)	7,986
Comprehensive income attributable to WESCO International, Inc.	$45,291	$51,183	$ 56,009	$ (107,192)	$45,291

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

	Three Months Ended March 31, 2012 (In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net cash (used) provided by operating activities	$(6,557)	$70,067	$ (5,171)	$—	$58,339
Investing activities:					
Capital expenditures	—	(4,359)	(150)	—	(4,509)
Acquisition payments	—	(21,980)	—	—	(21,980)
Other	—	11	—	—	11
Net cash used in investing activities	—	(26,328)	(150)	—	(26,478)
Financing activities:					
Net borrowings (repayments)	7,162	(39,453)	—	—	(32,291)
Equity transactions	(605)	—	—	—	(605)
Other	—	(2,093)	—	—	(2,093)
Net cash provided (used) by financing activities	6,557	(41,546)	—	—	(34,989)
Effect of exchange rate changes on cash and cash equivalents	—	—	2,900	—	2,900
Net change in cash and cash equivalents	—	2,193	(2,421)	—	(228)
Cash and cash equivalents at the beginning of year	5	44,412	19,452	—	63,869
Cash and cash equivalents at the end of period	$5	$46,605	$ 17,031	$—	$63,641

	Three Months Ended March 31, 2011 (In thousands)				
	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net cash provided (used) by operating activities	$29,668	$(3,518)	$ 5,631	$—	$31,781
Investing activities:					
Capital expenditures	—	(4,974)	(585)	—	(5,559)
Acquisition payments	—	(7,798)	—	—	(7,798)
Other	—	42	—	—	42
Net cash used in investing activities	—	(12,730)	(585)	—	(13,315)
Financing activities:					
Net (repayments) borrowings	(29,658)	7,187	—	—	(22,471)
Equity transactions	(11)	—	—	—	(11)
Other	—	1,465	—	—	1,465
Net cash (used) provided by financing activities	(29,669)	8,652	—	—	(21,017)

Effect of exchange rate changes on cash and cash equivalents	—	—	1,406	—	1,406
Net change in cash and cash equivalents	(1)	(7,596)	6,452	—	(1,145)
Cash and cash equivalents at the beginning of year	1	32,342	21,234	—	53,577
Cash and cash equivalents at the end of period	$—	$24,746	$ 27,686	$—	$52,432

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

The following discussion should be read in conjunction with the information in the unaudited condensed consolidated financial statements and notes thereto included herein and WESCO International, Inc.’s Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in its 2011 Annual Report on Form 10-K. The matters discussed herein may contain forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from expectations. Certain of these risks are set forth in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as well as the Company’s other reports filed with the Securities and Exchange Commission.

Company Overview

WESCO International, Inc., incorporated in 1993 and effectively formed in February 1994 upon acquiring a distribution business from Westinghouse Electric Corporation, is a leading North American based distributor of products and provider of advanced supply chain management and logistics services used primarily in industrial, construction, utility and commercial, institutional and government markets. We serve over 65,000 active customers globally through approximately 400 full-service branches and eight distribution centers located in the United States, Canada, and Mexico, with offices in 11 additional countries. Approximately 80% of our net sales for the first three months of 2012 were generated from operations in the United States, 16% from Canada and the remainder from other countries.

We sell electrical, industrial, and communications maintenance, repair and operating (“MRO”) and original equipment manufacturers (“OEM”) products, construction materials, and advanced supply chain management and logistics services. Our primary product categories include general electrical and industrial supplies, wire, cable and conduit, data and broadband communications, power distribution equipment, lighting and lighting control systems, control and automation, and motors. We distribute over 1,000,000 products from more than 18,000 suppliers utilizing a highly automated, proprietary electronic procurement and inventory replenishment system. In addition, we offer a comprehensive portfolio of value-added services, which includes supply chain management, logistics and transportation procurement, warehousing and inventory management, as well as kitting, limited assembly of products and system installation. Our value-added capabilities, extensive geographic reach, experienced workforce and broad product and supply chain solutions have enabled us to grow our business and establish a leading position in North America.

Our financial results for the first three months of 2012 reflect improving conditions in a number of our served markets, successful growth initiatives, the positive impact from recent acquisitions, higher product prices and product costs, and effective spending control. Net sales increased $174.7 million, or 12.2%, over the same period last year. Cost of goods sold as a percentage of net sales was 80.1% and 80.0% for the first three months of 2012 and 2011, respectively. Operating income increased by $18.8 million, or 29.0%, primarily from organic growth of the base business and recent acquisitions. Net income attributable to WESCO International, Inc. for the three months ended March 31, 2012 and 2011 was $52.9 million and $37.3 million, respectively.

Cash Flow

We generated $58.3 million in operating cash flow for the first three months of 2012. Included in this amount was increased income as a result of improved operating results offset by investments in working capital to fund our growth. Investing activities included payments of $22.0 million for the acquisition of the business of RS Electronics and $4.5 million for capital expenditures. Financing activities consisted of borrowings and repayments of $59.4 million and $90.1 million, respectively, related to our Revolving Credit Facility, and borrowings and repayments of $85.0 million and $95.0 million, respectively, related to our accounts receivable securitization facility (the “Receivables Facility”).

Financing Availability

As of March 31, 2012, we had $555.5 million in total available borrowing capacity. The available borrowing capacity under our Revolving Credit Facility, which has a maturity date in August 2016, was $356.7 million, of which $227.5

million was available for U.S. borrowings and $129.2 million was available for Canadian borrowings. The available borrowing capacity under the Receivables Facility, which has a maturity date in August 2014, was $198.8 million. We monitor the depository institutions that hold our cash and cash equivalents on a regular basis, and we believe that we have placed our deposits with creditworthy financial institutions. For further discussion refer to “Liquidity and Capital Resources.”

Critical Accounting Policies and Estimates

During the three months ended March 31, 2012, there were no significant changes to our critical accounting policies and estimates referenced in our 2011 Annual Report on Form 10-K.

Results of Operations

First Quarter of 2012 versus First Quarter of 2011

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

	Three Months Ended March 31,			
	2012		2011	
Net sales	100.0	%	100.0	%
Cost of goods sold	80.1		80.0	
Selling, general and administrative expenses	14.2		15.0	
Depreciation and amortization	0.5		0.5	
Income from operations	5.2		4.5	
Interest expense	0.6		0.9	
Income before income taxes	4.6		3.6	
Provision for income taxes	1.3		1.0	
Net income attributable to WESCO International, Inc.	3.3	%	2.6	%

Net sales in the first quarter of 2012 totaled $1,606.0 million versus $1,431.3 million in the comparable period for 2011, an increase of $174.7 million, or 12.2%, over the same period last year. Sales were positively impacted by our growth initiatives and improved conditions in our markets served. The increase in net sales includes a positive impact from acquisitions of 2.6% and a positive impact of 1.6% due to one additional workday in the first quarter of 2012. Additionally, management estimates the price impact on net sales was approximately 1.5%. Foreign exchange did not have a significant impact on net sales during the first quarter of 2012.

Cost of goods sold for the first quarter of 2012 was $1,286.3 million versus $1,145.3 million for the comparable period in 2011, and cost of goods sold as a percentage of net sales was 80.1% and 80.0% in 2012 and 2011, respectively. The increase in the cost of goods sold percentage was primarily due to an unfavorable sales shipment type mix.

Selling, general and administrative ("SG&A") expenses in the first quarter of 2012 totaled $228.1 million versus $213.8 million in last year's comparable quarter. The increase in SG&A is primarily due to compensation expenses related to the growth in sales and income, and recent acquisitions. As a percentage of net sales, SG&A expenses were 14.2% in the first quarter of 2012 compared to 15.0% in the first quarter of 2011. SG&A expenses expanded at a lower rate than sales due to the continued effectiveness of our cost control initiatives and the fixed cost nature of certain SG&A expense components.

SG&A payroll expenses for the first quarter of 2012 of $166.8 million increased by $16.4 million compared to the same quarter in 2011. The increase in payroll expenses was primarily due to an increase in salaries and wages of $10.0 million, an increase in commissions and incentives of $5.8 million and an increase in benefit costs of $3.4 million. These increases are primarily due to an increase in headcount, which is the result of both recent acquisitions and organic growth initiatives. Other SG&A payroll related expenses decreased $2.8 million.

The remaining SG&A expenses for the first quarter of 2012 of $61.3 million decreased by $2.1 million compared to the same quarter in 2011.

Depreciation and amortization for the first quarter of 2012 was $8.1 million versus $7.5 million in last year's comparable quarter. The increase in depreciation and amortization is due to the increase in capital expenditures in 2011.

Interest expense totaled $9.0 million for the first quarter of 2012 versus $12.6 million in last year's comparable quarter, a decrease of 29.1%. The decrease in interest expense is primarily attributable to an adjustment of $3.2 million of previously recorded interest related to uncertain tax positions. This adjustment was a result of a favorable Internal Revenue Service

appeals settlement in the first quarter of 2012 related to the years 2000 to 2006. Amortization of the debt discount resulted in non-cash interest expense of $0.7 million in 2012 and $0.6 million in 2011.

Income tax expense totaled $21.6 million in the first quarter of 2012 compared to $14.8 million in last year's comparable quarter, and the effective tax rate was 29.0% compared to 28.4% in the same quarter in 2011. The increase in the effective tax rate is primarily due to increased income related to our Canadian operations.
For the first quarter of 2012, net income increased by $15.6 million to $52.9 million compared to $37.3 million in the first quarter of 2011.
Net loss attributable to the noncontrolling interest was less than $0.1 million for the first quarter of 2012.
Net income and diluted earnings per share attributable to WESCO International, Inc. was $52.9 million and $1.03 per share, respectively, for the first quarter of 2012, compared with $37.3 million and $0.74 per share, respectively, for the first quarter of 2011.

Liquidity and Capital Resources

Total assets at March 31, 2012 and December 31, 2011 were $3.1 billion. Total liabilities at March 31, 2012 and December 31, 2011 were $1.7 billion. Total liabilities remained unchanged primarily as a result of the increase in accounts payable of $56.5 million, which was offset by a decrease in current and long-term debt of $40.3 million and a decrease in accrued payroll and benefits costs of $25.1 million due to the payment of the 2011 management incentive compensation. Stockholders' equity increased by 4.8% to $1,411.2 million at March 31, 2012, compared with $1,346.0 million at December 31, 2011, primarily as a result of net earnings of $52.9 million, foreign currency translation adjustments of $9.2 million, and stock-based compensation expense of $3.8 million.
Our liquidity needs generally arise from fluctuations in our working capital requirements, capital expenditures, acquisitions and debt service obligations. As of March 31, 2012, we had $356.7 million in available borrowing capacity under our Revolving Credit Facility, which combined with our $198.8 million of available borrowing capacity under our Receivables Facility and our invested cash of $16.4 million provided liquidity of $571.9 million. Invested cash included in our determination of liquidity represents cash deposited in interest bearing accounts. We believe cash provided by operations and financing activities will be adequate to cover our current operational and business needs.
We communicate on a regular basis with our lenders regarding our financial and working capital performance and liquidity position. We are in compliance with all covenants and restrictions contained in our debt agreements as of March 31, 2012.
At March 31, 2012, we had cash and cash equivalents totaling $63.6 million, of which $30.7 million was held by foreign subsidiaries. The cash held by some of our foreign subsidiaries could be subject to additional U.S. income taxes if repatriated. We believe that we are able to maintain a sufficient level of liquidity for our domestic operations and commitments without repatriation of the cash held by these foreign subsidiaries.
We did not note any conditions or events during the first quarter of 2012 requiring an interim evaluation of impairment of goodwill. We will perform our annual impairment testing of goodwill and indefinite-lived intangible assets during the fourth quarter of 2012.
Over the next several quarters, we expect to maintain working capital productivity, and it is expected that excess cash will be directed primarily at debt reduction and acquisitions. Our near term focus will be managing our working capital as we experience sales growth and maintaining ample liquidity and credit availability. We believe our balance sheet and ability to generate ample cash flow provides us with a durable business model and should allow us to fund expansion needs and growth initiatives.

Cash Flow

Operating Activities. Cash provided by operating activities for the first three months of 2012 totaled $58.3 million, compared with $31.8 million of cash generated for the first three months of 2011. Cash provided by operating activities included net income of $52.9 million and adjustments to net income totaling $15.5 million. Other sources of cash in 2012 were generated from an increase in accounts payable of $50.3 million due to the increase in sales activity, a decrease in prepaid expenses and other current assets of $5.2 million, and a decrease in inventory of $2.0 million. Primary uses of cash in 2012 included: $38.2 million for the increase in trade and other receivables, resulting from the increase in sales; $25.9 million for the decrease in accrued payroll and benefit costs resulting from the

payment of the 2011 management incentive compensation; and $3.5 million for the decrease in other current and noncurrent liabilities. In 2011, primary sources of cash were net income of $37.3 million and adjustments to net income totaling $12.8 million. Other sources of cash included an increase in accounts payable of $107.4 million and a decrease in prepaid expenses and other current assets of $2.9 million. Primary uses of cash during the first three months of 2011 included: $69.7 million for the increase in trade and other receivables resulting from the

increase in sales; $38.7 million for the increase in inventory; $16.7 million for the decrease in accrued payroll and benefits costs resulting from the payment of the 2010 management incentive compensation; and $3.6 million for the decrease in other current and noncurrent liabilities.

Investing Activities. Net cash used by investing activities for the first three months of 2012 was $26.5 million, compared with $13.3 million of net cash used during the first three months of 2011. Included in 2012 were payments of $22.0 million related to the acquisition of the business of RS Electronics. Included in 2011 were payments of $7.8 million related to the acquisition of the business of RECO. Capital expenditures were $4.5 million and $5.6 million in the first three months of 2012 and 2011, respectively.

Financing Activities. Net cash used by financing activities for the first three months of 2012 and 2011 was $35.0 million and $21.0 million, respectively. During the first three months of 2012, borrowings and repayments of long-term debt of $59.4 million and $90.1 million, respectively, were made to our Revolving Credit Facility. Borrowings and repayments of $85.0 million and $95.0 million respectively, were applied to our Receivables Facility, and there were repayments of $0.4 million to our mortgage financing facility. Financing activities in 2012 also included borrowings on our various international lines of credit of approximately $9.4 million. During the first three months of 2011, borrowings and repayments of long-term debt of $102.3 million and $99.8 million, respectively, were made to our Revolving Credit Facility. Borrowings and repayments of $15.0 million and $40.0 million, respectively, were applied to our Receivables Facility, and there were repayments of $0.4 million to our mortgage financing facility.

Contractual Cash Obligations and Other Commercial Commitments

There were no material changes in our contractual obligations and other commercial commitments that would require an update to the disclosure provided in our 2011 Annual Report on Form 10-K. Management believes that cash generated from operations, together with amounts available under our Revolving Credit Facility and the Receivables Facility, will be sufficient to meet our working capital, capital expenditures and other cash requirements for the foreseeable future. However, there can be no assurances that this will continue to be the case.

Inflation

The rate of inflation affects different commodities, the cost of products purchased, and ultimately the pricing of our different products and product classes to our customers. Our pricing related to inflation was approximately 1.5% of our sales revenue for the first three months of 2012. Historically, price changes from suppliers have been consistent with inflation and have not had a material impact on the results of operations.

Seasonality

Our operating results are not significantly affected by seasonal factors. Sales during the first and fourth quarters are generally 1 to 3% below the sales of the second and third quarters, due to a reduced level of activity during the winter months of November through February. Sales typically increase beginning in March, with slight fluctuations per month through October. During periods of economic expansion or contraction, our sales by quarter have varied significantly from this pattern.

Impact of Recently Issued Accounting Standards

See Note 2 of our Notes to the Condensed Consolidated Financial Statements for information regarding the effect of new accounting pronouncements.

Forward-Looking Statements

From time to time in this report and in other written reports and oral statements, references are made to expectations regarding our future performance. When used in this context, the words “anticipates,” “plans,” “believes,” “estimates,” “intend “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, competitive strengths, 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 us 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. Certain of these risks are set forth in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as well as the

Company's other reports filed with the Securities and Exchange Commission. We have undertaken no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

There have not been any material changes to our exposures to market risk during the quarter ended March 31, 2012 that would require an update to the disclosures provided in our 2011 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

During the first quarter of 2012, there were no changes in our internal control over financial reporting identified in connection with management's evaluation of the effectiveness of our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

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

As initially reported in our 2008 Annual Report on Form 10-K, we are a co-defendant in a lawsuit filed in a state court in Indiana in which a customer alleges that we sold defective products manufactured or remanufactured by others and is seeking monetary damages in the amount of approximately $50 million. We have denied any liability, continue to believe that we have meritorious defenses and intend to vigorously defend ourselves against these allegations. Accordingly, no liability was recorded for this matter as of March 31, 2012. Furthermore, due to the uncertainty of this litigation, we are not currently able to reasonably estimate the possible loss or range of loss from this legal proceeding.

Item 6. Exhibits

(a) Exhibits

10.1 Form of Performance Share Awards Agreement for Employees
10.2 Consulting and Separation Agreement between WESCO International, Inc. and Richard P. Heyse
31.1 Certification of Chief Executive Officer pursuant to Rules 13a-14(a) promulgated under the Exchange Act.
31.2 Certification of Chief Financial Officer pursuant to Rules 13a-14(a) promulgated under the Exchange Act.
32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101 Interactive Data File*

* In accordance with Rule 406T of Regulation S-T promulgated by the Securities and Exchange Commission, Exhibit 101 is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Signatures

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

		WESCO International, Inc.
Date: May 3, 2012	By:	/s/ Stephen A. Van Oss Stephen A. Van Oss Senior Vice President, Chief Operating Officer and interim Chief Financial Officer

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