

AKAMAI TECHNOLOGIES INC

Form 5

January 23, 2013

FORM 5

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

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 Form 3 Holdings Reported Form 4 Transactions Reported

ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person *
CONRADES GEORGE H

(Last) (First) (Middle)

C/O AKAMAI TECHNOLOGIES, INC., 8 CAMBRIDGE CENTER

(Street)

CAMBRIDGE, MA 02142

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
AKAMAI TECHNOLOGIES INC [AKAM]

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
12/18/2012

4. If Amendment, Date Original Filed (Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)

6. Individual or Joint/Group Reporting

(check applicable line)

Form Filed by One Reporting Person
 Form Filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned at end of Issuer's Fiscal Year (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Common Stock, par value \$.01 per share	12/18/2012	^	G ⁽¹⁾	63,535 D \$ 0	171,948	I ⁽²⁾	See note
Common Stock, par value \$.01 per share	^	^	^	^ ^ ^	797,134	D	^

Common Stock, par value \$.01 per share Â Â Â Â Â Â 1,500 I ⁽³⁾ See note

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly. **Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.** SEC 2270 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. of D Se B O E Is F (I
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	Date Exercisable (A)	Expiration Date (D)	Title	Amount or Number of Shares
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Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
CONRADES GEORGE H C/O AKAMAI TECHNOLOGIES, INC. 8 CAMBRIDGE CENTER CAMBRIDGE, MA 02142	Â X	Â	Â	Â

Signatures

/s/ George H. Conrades 01/12/2013

__Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Shares were gifted to the Goldman Sachs Philanthropy Fund.
 - (2) Held by the George Conrades Revocable Trust. Mr. Conrades disclaims beneficial ownership of shares held by the George Conrades Revocable Trust except to the extent of his pecuniary interest therein.

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(3) Held by Mr. Conrades' wife.

Note: File three copies of this Form, one of which must be manually signed. If space provided is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. growth was 27.6%. Latin America sales grew 25.3%, while Asia

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Pacific sales increased 36.1% in 2006 compared to 2005. The sales growth in Emerging Markets reflects an expanding base of global account business and strong project demand. The sales growth in Latin America was spread throughout the region. The increase in Asia Pacific is due to strong sales growth in Australia and India.

Gross Margins: Gross margins increased to 21.5% from 20.3% in 2005. The increase is primarily due to an improved pricing environment in Latin America and changes in the sales mix between end markets.

Operating Income: Emerging Markets operating income increased \$13.3 million, or 131.6%, in 2006 compared to the prior year. Operating expenses increased only \$6.4 million, or 14.2%, compared to 2005 and organic sales growth of 27.6%. Results were further affected by a favorable sales tax-related settlement in Australia, which reduced operating expenses \$2.2 million in 2006. Excluding the sales tax-related settlement, operating expenses increased \$8.6 million, or 19.3%, from 2005. Primarily as a result of the sales growth and resulting leveraging of the expense structure, operating margins increased to 6.8% (6.2% excluding the favorable effect of the sales tax-related settlement of \$2.2 million) in 2006 from 3.8% in 2005. Exchange rate changes had a minimal impact on operating income.

2005 versus 2004**Consolidated Results of Operations**

	December 30, 2005	Years ended December 31, 2004 (In millions)	Percent Change
Net sales	\$ 3,847.4	\$ 3,275.2	17.5%
Gross profit	\$ 925.1	\$ 790.3	17.1%
Operating expenses	\$ 735.7	\$ 652.3	12.8%
Operating income	\$ 189.4	\$ 138.0	37.2%

Net Sales: The Company's net sales increased 17.5% to \$3,847.4 million from \$3,275.2 million in 2004. Excluding the sales of Infast (acquired in July 2005) and DDI sales for the first six months of 2005 (DDI was acquired in June 2004) of \$163.8 million and the favorable impact of foreign exchange rates of \$29.4 million, the Company's net sales were \$3,654.2 million in 2005, which represents an increase of \$379.0 million, or approximately 11.6%, compared to the prior year. The increase in net sales was due to the combination of increased customer spending, market share gains from the addition of new customers, commodity-driven price increases in several major product lines, continued growth from the Company's initiative to expand its security products distribution business and an expanded supply chain services offering.

Gross Margins: Gross margins decreased to 24.0% in 2005 from 24.1% in the corresponding period in 2004. Gross margins were positively affected in 2004 by net favorable adjustments to cost of sales of \$10.2 million, arising primarily from the reduction in risks associated with the value of certain inventories. Excluding the favorable adjustment from 2004 cost of sales, gross margins were 23.8% in 2004. The increase in gross margins of 20 basis points (after adjusting for the prior year net favorable cost of sales adjustments) was primarily due to an improved sales mix, higher prices and an increase in OEM supply sales at higher margins.

Operating Income: As a result of higher sales, a 20-basis-point increase in gross margins (after adjusting for the prior year net favorable cost of sales adjustments) and tight expense controls, operating margins were 4.9% for 2005 compared to 4.2% in 2004. Operating expenses increased \$83.4 million, or 12.8%, in 2005 from 2004. The Infast and

DDI acquisitions increased operating expenses by \$40.5 million, while changes in exchange rates increased operating expenses by \$4.3 million. Operating expenses were negatively affected in 2004 by unfavorable expenses of \$5.2 million related to the relocation of the Company's largest distribution facility, severance costs associated with a staffing reduction in Europe and acquisition-related charges. As a result of the Company's new branding strategy of its recently-acquired fastener and small parts supply businesses, the Company recorded a pre-tax asset impairment charge of \$1.8 million in the third quarter of 2004 to write-down to fair value the value assigned to the Pentacon tradename when it was acquired in September 2002. Excluding the above, operating expenses increased \$45.6 million, or 7.1%, primarily due to variable costs associated with 11.6% organic growth in

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sales, along with increases in healthcare costs, expenses associated with additional restricted stock grants and an increase in employee incentives due to the Company's improved operating performance.

Improved operating margins on higher sales generated an increase in operating income of \$51.4 million, or 37.2%, in 2005 compared to the prior year. The acquisitions of Infast and DDI increased operating income by \$2.3 million, while the favorable effects of foreign exchange rates added \$2.3 million to operating income in 2005 compared to the year ago period. Excluding the acquisitions of Infast and DDI and the favorable effects of foreign exchange rates, operating income for 2005 would have been \$184.8 million, which represents an operating margin of 5.1% and an increase in operating profits versus the prior year of \$46.8 million.

Interest Expense: Consolidated interest expense increased to \$27.2 million in 2005 from \$13.8 million in 2004. Interest expense increased due to higher average debt levels and the accounting consolidation of ARC, effective October 1, 2004. The average long-term debt balance was \$549.5 million and \$309.0 million for 2005 and 2004, respectively. The average interest rate for 2005 and 2004 was 5.0% and 4.5%, respectively.

Other, net:

	Years ended	
	December 30, 2005	December 31, 2004
	(In millions)	
Foreign exchange	\$ (4.1)	\$ (5.6)
Cash surrender value of life insurance policies	1.2	1.5
Accounts receivable securitization		3.6
Exchange offer fees		(0.9)
Other	(0.7)	(1.5)
	\$ (3.6)	\$ (2.9)

Other expenses increased \$0.7 million in the current year. Foreign exchange losses decreased from \$5.6 million in 2004 to \$4.1 million in 2005. The decline in foreign exchange losses was primarily due to a significant net loss in 2004 resulting from the February 2004 devaluation of the Venezuelan Bolivar. The foreign exchange loss of \$4.1 million was primarily attributable to currency rate fluctuations in Brazil (Real), Europe (Euro and British Pound) and Venezuela (Bolivar). In 2005, a \$1.2 million gain was recorded relating to the cash surrender value of life insurance policies compared to a \$1.5 million gain in 2004. In 2004, there was a net \$3.6 million gain recorded related to ARC, which primarily represents the \$6.4 million of initial discount costs recouped during the fourth quarter of 2004. The Company also incurred \$0.9 million of fees in 2004 related to the exchange of the Convertible Notes due 2033. Miscellaneous other expense decreased \$0.8 million primarily due to interest earned on invested cash in 2005.

In 2005, the Company recorded a pre-tax loss of \$1.2 million related to the write-off of deferred financing costs associated with the early retirement of the remaining \$69.9 million Convertible Notes due 2020. In 2004, the Company recorded a pre-tax loss of \$0.7 million related to the write-off of deferred financing costs associated with early termination and refinancing of the Company's \$275.0 million revolving credit facility. The extraordinary gain of \$4.1 million in 2004 was the result of monies received from an escrow account in connection with the 1983 bankruptcy of Itel Corporation, the predecessor to the Company.

Income Taxes: The consolidated tax provision increased to \$67.4 million in 2005 from \$47.0 million in the corresponding period in 2004, due to an increase in income before taxes and extraordinary gain, as well as the \$7.7 million in taxes related to the repatriation of accumulated foreign earnings under the AJCA. The increase to the 2005 consolidated tax provision was partially offset by a tax benefit of \$1.4 million due to a favorable tax ruling in Europe. The 2005 effective tax rate (excluding the repatriation provision and Europe tax benefit) is 38.8% compared to 39.0% in 2004.

Net Income: As a result of the above, net income for 2005 was \$90.0 million compared to \$77.7 million for 2004.

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	December 30, 2005	Years ended December 31, 2004 (In millions)	Percent Change
Net sales	\$ 2,850.8	\$ 2,494.5	14.3%
Gross profit	\$ 688.4	\$ 602.2	14.3%
Operating expenses	\$ 527.1	\$ 482.0	9.3%
Operating income	\$ 161.3	\$ 120.2	34.2%

Net Sales: North America net sales in 2005 increased 14.3% to \$2,850.8 million from \$2,494.5 million in 2004. Excluding the sales of Infast (acquired in July 2005) and DDI sales for the first six months of 2005 (DDI was acquired in June 2004) of \$48.2 million and the favorable impact of Canadian foreign exchange rates of \$24.3 million, the North America net sales were \$2,778.3 million in 2005, which represents an increase of \$283.8 million, or approximately 11.4%, compared to the prior year. The combined enterprise cabling and electrical wire and cable sales increased 12.2% in 2005 compared to the corresponding period in 2004, due to improved economic conditions, price increases driven by higher copper and data cabling prices, expanded product offerings and a favorable exchange rate impact. In the OEM supply market, sales increased 34.5% to \$350.6 million from \$260.6 million on a combination of the acquisitions of Infast and DDI, improved customer demand and new contract additions. Excluding the acquisitions of Infast and DDI, North America OEM supply sales were \$302.4 million, which represents an increase of 16.0% compared to the prior year.

Gross Margins: North America's gross margins were 24.1% in both 2005 and 2004. North America gross margins were positively affected in 2004 by net favorable adjustments to cost of sales of \$10.2 million arising primarily from the reduction in risks associated with the value of certain inventories. Excluding the net favorable adjustments from 2004 cost of sales, gross margins increased 40 basis points in 2005 primarily due to an improved sales mix, higher copper prices and an increase in OEM supply sales which have higher margins.

Operating Income: As a result of very strong sales growth, a 40-basis-point increase in gross margins (after adjusting for the prior year net favorable cost of sales adjustments) and tight expense controls, operating margins were 5.7% for 2005 compared to 4.8% in 2004. Operating expenses increased \$45.1 million, or 9.3%, in 2005 from 2004. The Infast and DDI acquisitions increased operating expenses by \$12.3 million, while changes in exchange rates increased operating expenses by \$3.8 million. North America operating expenses were negatively affected in 2004 by expenses of \$3.3 million related to the relocation of the Company's largest distribution facility and acquisition-related charges. As a result of the Company's new branding strategy of its recently acquired fastener businesses, the Company recorded a pre-tax asset impairment charge of \$1.8 million in 2004 to write-down to fair value the value assigned to the Pentacon tradename when it was acquired in September 2002. Excluding the effects of all of the above, operating expenses increased approximately 7.2% above the prior year, primarily due to variable costs associated with 11.4% organic growth in sales, along with increases in healthcare costs and expenses associated with additional stock-based compensation and employee incentives.

Improved operating margins on higher sales generated an increase in operating income of \$41.1 million, or 34.2%, in 2005 compared to the prior year. The acquisitions of Infast and DDI increased operating income slightly, while the favorable effects of foreign exchange rates added \$1.8 million to operating income in 2005 compared to the year ago period. Excluding the acquisitions of Infast and DDI and the favorable effects of foreign exchange rates, operating

income for 2005 would have been \$159.5 million, which represents an operating margin of 5.7% and a \$39.3 million increase in operating profits versus 2004.

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	December 30, 2005	Years ended December 31, 2004 (In millions)	Percent Change
Net sales	\$ 726.1	\$ 554.3	31.0%
Gross profit	\$ 181.9	\$ 141.0	29.0%
Operating expenses	\$ 164.0	\$ 131.1	25.1%
Operating income	\$ 17.9	\$ 9.9	80.0%

Net Sales: Europe net sales in 2005 increased 31.0% to \$726.1 million from \$554.3 million in 2004. Excluding sales of Infast (acquired in July 2005) of \$115.6 million and the favorable impact of exchange rates of \$0.2 million, Europe net sales were \$610.3 million in 2005, which represents an increase of \$56.0 million, or approximately 10.1%, compared to the prior year. The increase is due to an increase in sales in the OEM supply market and an increase in the number of large projects. Sales in the OEM supply market in 2005 increased 124.5% to \$243.8 million from \$108.6 million in 2004. Excluding Infast, OEM supply sales increased \$19.6 million, or 18.0%, in 2005.

Gross Margins: Europe's gross margins decreased to 25.1% in 2005 from 25.4% in the same period in 2004. The decrease is primarily due to large projects at reduced margins and overall competitive pricing. Infast added 30 basis points to Europe's gross margins in 2005.

Operating Income: As a result of strong sales growth, tight expense controls and substantial improvement in the OEM supply business, operating margins were 2.5% for 2005 compared to 1.8% in 2004. Operating expenses increased \$32.9 million, or 25.1%, in 2005 from 2004. The Infast acquisition increased operating expenses by \$28.3 million, while changes in exchange rates decreased operating expenses by \$0.3 million. Excluding the acquisition and the effects from changes in exchange rates, operating expenses increased approximately \$4.9 million, or 3.7%, primarily due to variable costs associated with 10.1% organic growth in sales.

Improved operating margins on higher sales generated an increase in operating income of \$8.0 million, or 80.0% in 2005 compared to the prior year. The acquisition of Infast increased operating income by \$2.2 million, while the favorable effects of foreign exchange rates added \$0.2 million to operating income in 2005 compared to the year ago period. In 2004, Europe operating margins were unfavorably affected by a high percentage of large projects at reduced margins, significant pricing pressures and severance costs associated with a staff reduction. Excluding the acquisition of Infast and the favorable effects of foreign exchange, operating income for 2005 would have been \$15.5 million, which represents an operating margin of 2.5% and an increase in operating profits versus the prior year of \$5.6 million.

Emerging Markets Results of Operations

	December 30, 2005	Years ended December 31, 2004 (In millions)	Percent Change
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Net sales	\$	270.5	\$	226.4	19.5%
Gross profit	\$	54.8	\$	47.1	16.4%
Operating expenses	\$	44.6	\$	39.2	13.8%
Operating income	\$	10.2	\$	7.9	29.0%

Net Sales: Emerging Markets (Asia Pacific and Latin America) net sales were up 19.5% to \$270.5 million in 2005 from \$226.4 million in the corresponding period in 2004, including a \$4.9 million favorable impact from changes in exchange rates. Latin America sales were up 27.2%, while Asia Pacific increased 1.4% compared to the corresponding fiscal 2004. Latin America growth was spread throughout the region. The Asia Pacific low sales growth was due to some major projects in 2004 which were not expected to, and did not repeat in 2005, and a general slowdown in economic activity.

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Gross Margins: During 2005, Emerging Markets gross margins decreased to 20.3% from 20.8% in the corresponding period in 2004. The decline is primarily a result of large project sales at reduced margins in Latin America.

Operating Income: Emerging Markets operating income increased \$2.3 million from \$7.9 million in 2004 to \$10.2 million in 2005. Operating expenses increased 13.8% compared to the corresponding period in 2004. Primarily as a result of the Latin America sales growth and resulting leveraging of the expense structure, operating margins increased to 3.8% in 2005 from 3.5% in the corresponding period in 2004. Exchange rate changes had a \$0.2 million favorable impact on operating income.

Critical Accounting Policies and Estimates

The Company believes that the following are critical areas that either require significant judgement by management or may be affected by changes in general market conditions outside the control of management. As a result, changes in estimates and general market conditions could cause actual results to differ materially from future expected results. Historically, the Company's estimates in these critical areas have not differed materially from actual results.

Allowance for Doubtful Accounts: Each quarter the Company segregates the doubtful receivable balances into the following major categories and determines the bad debt reserve required as outlined below:

Customers that have refused to pay their balances are reserved based on the historical write-off percentages;

Risk accounts are individually reviewed and the reserve is based on the probability of potential default; and

The outstanding balance for customers who have declared bankruptcy is reserved at 100%.

If circumstances change (i.e., higher/lower than expected defaults or an unexpected material change in a major customer's ability to meet its financial obligations to the Company), the Company's estimates of the recoverability of amounts due to the Company could be reduced/increased by a material amount.

Inventory Obsolescence: At December 29, 2006 and December 30, 2005, the Company reported inventory of \$904.9 million and \$711.5 million, respectively. Each quarter the Company reviews the excess inventory and makes an assessment of the realizable value. There are many factors that management considers in determining whether or not a reserve should be established. These factors include the following:

Return or rotation privileges with vendors;

Price protection from vendors;

Expected usage during the next twenty-four months;

Whether or not a customer is obligated by contract to purchase the inventory;

Current market pricing; and

Risk of obsolescence.

If circumstances change (i.e., unexpected shift in market demand, pricing or customer defaults), there could be a material impact on the net realizable value of the inventory.

Pension Expense: On December 29, 2006, the Company adopted the recognition and disclosure provisions of SFAS No. 158. The effect of adopting SFAS No. 158 on the Company's balance sheet at December 29, 2006 has been included in the accompanying consolidated financial statements. SFAS No. 158 did not have an effect on the Company's historical consolidated financial statements for the fiscal years ended December 30, 2005 or December 31, 2004. Under the provisions of SFAS No. 158, balance sheet recognition of the funded status of a single-employer defined benefit postretirement plan is required as an initial adjustment to the ending balance of other comprehensive income, net of tax. Subsequent changes in the funded status shall be recorded as a component of comprehensive income to the extent the changes have not yet been recognized as a component of net periodic cost pursuant to SFAS No. 87, Employers' Accounting for Pensions, or SFAS No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions. See Note 11. Pension Plans, Post-Retirement Benefits and Other Benefits for further discussion of the effect of adopting SFAS No. 158 on the Company's consolidated financial statements.

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SFAS No. 87 and the policies used by the Company generally reduce the volatility of the net benefit cost from changes in pension liability discount rates and the performance of the pension plan's assets, as significant actuarial gains/losses are amortized over the service lives of the plan participants. A significant element in determining the Company's net periodic benefit cost in accordance with SFAS No. 87 is the expected return on plan assets. The Company has assumed that the weighted-average expected long-term rate of return on plan assets will be 7.44%. This expected return on plan assets is included in the net periodic benefit cost. The plan assets produced an actual return of approximately 13% in 2006. If significant, the difference between this expected return and the actual return on plan assets is amortized over the service lives of the plan participants.

At the end of each year, the Company determines the discount rate to be used to discount the plan liabilities. The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the end of the year. In estimating this rate, the Company looks to rates of return on relevant market indices (Citigroup pension liability index, Moody's Aa corporate bond yield and Bloomberg AAA/AA 15 + year). These rates are adjusted to match the duration of the liabilities associated with the pension plans. At December 29, 2006, the Company determined this rate to be 5.55% on a consolidated basis.

As of December 29, 2006, the Company's consolidated pension liability was \$62.0 million, up from \$47.7 million at the end of 2005. For the year ended December 29, 2006, the Company recognized a consolidated pre-tax net periodic cost of \$13.9 million, up from \$11.3 million in 2005. Due to its long duration, the pension liability is very sensitive to changes in the discount rate. As a result of an increase in the weighted average discount rate and other actuarial gains and losses, the Company estimates its 2007 net periodic cost to decrease by approximately 10%. As a sensitivity measure, the effect of a 50-basis-point decline in the assumed discount rate would result in an increase in the 2007 pension expense of approximately \$3.6 million and an increase in the projected benefit obligations at December 29, 2006 of \$30.4 million.

Deferred Tax Assets: The Company applies a three-year cumulative taxable income test for foreign subsidiaries whose results are not included in the U.S. tax return in determining whether to recognize an income tax benefit for their respective foreign NOL carryforwards, with a resultant adjustment to the valuation allowance. Qualitative factors surrounding a particular subsidiary are also examined and, in certain circumstances (e.g., projections of further losses for that subsidiary in the short-term), an income tax benefit may not be recorded (and therefore, the valuation allowance not adjusted) even when the three-year cumulative taxable income is positive for a given subsidiary.

Tax Contingencies: The Company believes it has a reasonable basis in the tax law for all of the positions it takes on the various tax returns it files. However, in recognition of the fact that various taxing authorities may take opposing views on some issues, that the costs and hazards of litigation in maintaining the positions that the Company has taken on various returns might be significant and that the taxing authorities may prevail in their attempts to overturn such positions, the Company maintains tax reserves. The amounts of such reserves, the potential issues they are intended to cover and their adequacy to do so are topics of frequent review internally and with outside tax professionals. Where necessary, periodic adjustments are made to such reserves to reflect the lapsing of statutes of limitations, closings of ongoing examinations or the commencement of new examinations.

As of December 29, 2006, the Company has recorded a current income tax payable of \$33.2 million. The aggregate amount of global income tax reserves and related interest recorded in current taxes payable was approximately \$11.2 million. These reserves cover a wide range of issues and involve numerous different taxing jurisdictions. The single largest item (\$3.5 million) relates to a dispute with the state of Wisconsin concerning income taxes payable upon the 1993 sale of a short-line railroad that operated solely within such state. Other significant exposures for which reserves exist include, but are not limited to, a variety of foreign jurisdictional transfer pricing disputes and foreign withholding tax issues related to inter-company transfers and services.

New Accounting Pronouncements

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

Table of Contents**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

The Company is exposed to the impact of interest rate changes and fluctuations in foreign currencies, as well as changes in the market value of its financial instruments. The Company periodically enters into derivatives in order to minimize these risks, but not for trading purposes. The Company's strategy is to negotiate terms for its derivatives and other financial instruments to be perfectly effective, such that the change in the value of the derivative perfectly offsets the impact of the underlying hedged item. Any resulting gains or losses from hedge ineffectiveness are reflected directly in income. See Note 1. Summary of Significant Accounting Policies (Interest rate agreements and Foreign currency forward contracts) and Note 8. Debt to the Notes to the Consolidated Financial Statements for further detail on interest rate agreements and outstanding debt obligations. Approximately 34%, 31% and 30% of the Company's sales were denominated in foreign currency in 2006, 2005 and 2004, respectively. The Company's exposure to currency rate fluctuations primarily relate to Canada (Canadian dollar) and Europe (Euro and British Pound). The Company also has exposure to currency rate fluctuations related to more volatile markets such as Venezuela (Bolívar), Brazil (Real) and Mexico (Peso).

The Company's investments in several subsidiaries are recorded in currencies other than the U.S. dollar. As these foreign currency denominated investments are translated at the end of each period during consolidation, fluctuations of exchange rates between the foreign currency and the U.S. dollar increase or decrease the value of those investments. These fluctuations are recorded within stockholders' equity as a component of accumulated other comprehensive income (loss). In addition, as the Company's subsidiaries maintain investments denominated in currencies other than local currencies, exchange rate fluctuations will occur. Borrowings are raised in certain foreign currencies to minimize the translation risk.

As of December 29, 2006 and December 30, 2005, the Company had a significant amount of assets and liabilities that are denominated in currencies other than the functional currency of the reporting entity. The absolute value of these assets and liabilities at December 29, 2006 and December 29, 2005, was approximately \$207.3 million and \$177.1 million, respectively. The Company has purchased approximately \$62.0 million of short-term foreign currency forward contracts to minimize the effect of fluctuating foreign currencies. If there were a 10 percent adverse change in the exchange rates, the Company would record a foreign exchange loss of approximately \$14.5 million.

As of December 29, 2006 and December 30, 2005, the Company utilized interest rate agreements that effectively fix or cap, for a period of time, the GBP London Interbank Offered Rate (GBP-LIBOR) and the Bankers Acceptance/Canadian Dollar Offered Rate (BA/CDOR) components of the interest rates on a portion of its floating-rate obligations. At December 29, 2006, the Company had interest rate swap agreements outstanding with a notional amount of GBP 30 million and \$40 million Canadian. At December 30, 2005 the Company had interest rate swap agreements outstanding with a notional amount of GBP 30 million and \$50 million Canadian. The GBP-LIBOR swap agreements obligate the Company to pay a fixed rate of approximately 4.6% through July 2012 and the BA/CDOR swap agreement obligated the Company to pay a fixed rate of approximately 4.2% through December 2010. At December 29, 2006 and December 30, 2005, the interest rate on 56.3% and 72.0% of debt obligations, respectively, was fixed.

The Company prepared sensitivity analyses of its derivatives and other financial instruments assuming a 1% adverse change in interest rates and a 10% adverse change in the foreign currency contracts outstanding. Holding all other variables constant, the hypothetical adverse changes would have increased interest expense by \$2.8 million and \$1.9 million in 2006 and 2005, respectively, and decreased the value of foreign currency forward contracts by \$6.6 million and \$8.1 million in 2006 and 2005, respectively. The estimated fair market value of the Company's outstanding fixed rate debt at December 29, 2006 and December 30, 2005 was \$489.8 million and \$411.0 million,

respectively. If interest rates were to increase by 1%, the fair market value of the fixed rate debt would decrease by 5.1% and 3.8% for 2006 and 2005, respectively. If interest rates were to decrease by 1%, the fair market value of the fixed rate debt would increase by 5.5% and 4.1% for 2006 and 2005, respectively. Changes in the market value of the Company's debt do not affect the reported results of operations unless the Company is retiring such obligations prior to their maturity. These analyses did not consider the effects of a changed level of economic activity that could exist in such an environment and certain other factors. Further, in the event of a change of this magnitude, the Company could take action to further mitigate its exposure to possible changes. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analyses assume no changes in the Company's financial structure.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Anixter International Inc.:

We have audited the accompanying consolidated balance sheets of Anixter International Inc. as of December 29, 2006 and December 30, 2005 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 29, 2006. Our audits also included the financial statement schedules listed in the Index at Item 15(a)(2). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Anixter International Inc. at December 29, 2006 and December 30, 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 29, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As disclosed in Note 1. to the consolidated financial statements, the Company changed its method of accounting for stock-based compensation in accordance with the guidelines provided in Statement of Financial Accounting Standards No. 123(R) Share Based Payments during the first quarter of fiscal 2006 and changed its method of accounting for defined benefit pension plans in accordance with the guidance provided in Statement of Financial Accounting Standards No. 158 Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans during the fourth quarter of fiscal 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Anixter International Inc.'s internal control over financial reporting as of December 29, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 22, 2007 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Chicago, Illinois
February 22, 2007

Table of Contents**ANIXTER INTERNATIONAL INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(In millions, except per share amounts)

	December 29, 2006	Years Ended December 30, 2005	December 31, 2004
Net sales	\$ 4,938.6	\$ 3,847.4	\$ 3,275.2
Cost of operations:			
Cost of goods sold	3,739.3	2,922.3	2,484.9
Operating expenses	857.5	732.5	647.8
Amortization of intangibles	4.7	3.2	2.7
Impairment charge			1.8
Total costs and expenses	4,601.5	3,658.0	3,137.2
Operating income	337.1	189.4	138.0
Other (expense) income:			
Interest expense	(38.8)	(27.2)	(13.8)
Extinguishment of debt		(1.2)	(0.7)
Other, net	4.7	(3.6)	(2.9)
Income before income taxes and extraordinary gain	303.0	157.4	120.6
Income tax expense	93.7	67.4	47.0
Income before extraordinary gain	209.3	90.0	73.6
Extraordinary gain, net of tax of \$0.6			4.1
Net income	\$ 209.3	\$ 90.0	\$ 77.7
Basic income per share:			
Income before extraordinary gain	\$ 5.36	\$ 2.37	\$ 2.00
Extraordinary gain	\$	\$	\$ 0.11
Net income	\$ 5.36	\$ 2.37	\$ 2.11
Diluted income per share:			
Income before extraordinary gain	\$ 4.86	\$ 2.22	\$ 1.90
Extraordinary gain	\$	\$	\$ 0.11
Net income	\$ 4.86	\$ 2.22	\$ 2.01
Dividends declared per common share	\$	\$ 4.00	\$ 1.50

See accompanying notes to the consolidated financial statements.

Table of Contents**ANIXTER INTERNATIONAL INC.****CONSOLIDATED BALANCE SHEETS**

(In millions, except share amounts)

	December 29, 2006	December 30, 2005
ASSETS		
Current assets		
Cash and cash equivalents	\$ 50.9	\$ 21.8
Accounts receivable (less allowances of \$20.6 and \$19.6 in 2006 and 2005, respectively)	1,016.1	772.3
Inventories	904.9	711.5
Deferred income taxes	32.0	16.5
Other current assets	16.4	14.6
Total current assets	2,020.3	1,536.7
Property and equipment, at cost	205.0	194.7
Accumulated depreciation	(143.0)	(141.6)
Net property and equipment	62.0	53.1
Goodwill	364.8	320.2
Other assets	119.1	102.1
	\$ 2,566.2	\$ 2,012.1
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 506.8	\$ 436.0
Short-term debt	212.3	1.0
Accrued expenses	203.4	167.1
Total current liabilities	922.5	604.1
Long-term debt	597.0	625.1
Other liabilities	84.7	76.5
Total liabilities	1,604.2	1,305.7
Stockholders equity		
Common stock \$1.00 par value, 100,000,000 shares authorized, 39,500,734 and 38,378,182 shares issued and outstanding in 2006 and 2005, respectively	39.5	38.4
Capital surplus	113.0	79.6
Retained earnings	803.3	594.0
Accumulated other comprehensive income (loss):		
Foreign currency translation	23.4	(1.5)
Pension liability	(19.6)	(4.9)
Unrealized gain on derivatives	2.4	0.8

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Total accumulated other comprehensive income (loss)	6.2	(5.6)
Total stockholders' equity	962.0	706.4
	\$ 2,566.2	\$ 2,012.1

See accompanying notes to the consolidated financial statements.

Table of Contents**ANIXTER INTERNATIONAL INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)

	December 29, 2006	Years Ended December 30, 2005	December 31, 2004
Operating activities			
Net income	\$ 209.3	\$ 90.0	\$ 77.7
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Loss on extinguishment of debt		1.2	0.7
Depreciation	19.3	18.3	16.4
Amortization of stock compensation	10.5	8.1	5.8
Amortization of intangible assets and deferred financing costs	5.5	3.9	3.4
Accretion of zero coupon convertible notes	5.1	7.3	9.3
Deferred income taxes	(3.1)	3.7	(16.7)
Extraordinary gain			(4.1)
Impairment of intangible asset			1.8
Stock option income tax benefits		7.1	3.9
Excess income tax benefit from employee stock plans	(12.0)		
Changes in assets and liabilities:			
Accounts receivable	(200.1)	(101.1)	(57.5)
Inventories	(159.5)	(103.3)	(57.4)
Accounts payable and other current assets and liabilities, net	72.8	64.0	74.4
Other, net	12.2	1.3	(0.7)
Net cash (used in) provided by operating activities	(40.0)	0.5	57.0
Investing activities			
Acquisition of businesses	(90.5)	(71.8)	(34.8)
Capital expenditures	(24.8)	(15.0)	(14.5)
Net cash used in investing activities	(115.3)	(86.8)	(49.3)
Financing activities			
Proceeds from long-term borrowings	685.6	882.6	446.9
Repayment of long-term borrowings	(528.4)	(818.4)	(466.7)
Proceeds from issuance of common stock	16.1	15.0	20.9
Excess income tax benefit from employee stock plans	12.0		
Payment of cash dividend	(0.8)	(153.7)	(55.1)
Deferred financing costs	(0.1)	(2.3)	(1.6)
Bond proceeds		199.6	
Retirement of notes payable		(69.9)	
Proceeds from interest rate hedge		1.8	
Other, net			(0.1)
Net cash provided by (used in) financing activities	184.4	54.7	(55.7)

Increase (decrease) in cash and cash equivalents	29.1	(31.6)	(48.0)
Cash and cash equivalents at beginning of year	21.8	53.4	101.4
Cash and cash equivalents at end of year	\$ 50.9	\$ 21.8	\$ 53.4

See accompanying notes to the consolidated financial statements.

Table of Contents**ANIXTER INTERNATIONAL INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(In millions)

	Common Stock		Capital	Retained	Accumulated Other Comprehensive Income	Comprehensive Income
	Shares	Amount	Surplus	Earnings	(Loss)	
Balance at January 2, 2004	36.4	\$ 36.4	\$ 21.8	\$ 638.2	\$ (5.6)	
Net income				77.7		\$ 77.7
Other comprehensive income:						
Foreign currency translation					21.4	21.4
Minimum pension liability, net of tax of \$0.6					(1.3)	(1.3)
Change in fair market value of foreign exchange contracts, net of tax of \$0.2					0.3	0.3
Comprehensive income						\$ 98.1
Dividends declared on common stock (\$1.50 per share)				(55.8)		
Issuance of common stock and related tax benefits	1.0	1.0	28.9			
Balance at December 31, 2004	37.4	37.4	50.7	660.1	14.8	
Net income				90.0		\$ 90.0
Other comprehensive income:						
Foreign currency translation					(18.1)	(18.1)
Minimum pension liability, net of tax of \$1.6					(3.1)	(3.1)
Change in fair market value of derivatives, net of tax of \$0.6					0.8	0.8
Comprehensive income						\$ 69.6
Dividends declared on common stock (\$4.00 per share)				(156.1)		
Issuance of common stock and related tax benefits	1.0	1.0	28.9			
Balance at December 30, 2005	38.4	38.4	79.6	594.0	(5.6)	
Net income				209.3		\$ 209.3
Other comprehensive income:						
Foreign currency translation					24.9	24.9
					1.6	1.6

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Change in fair market value of derivatives, net of tax of \$0.7							
Minimum pension liability, net of tax of \$2.0						4.3	\$ 4.3
Comprehensive income							\$ 240.1
Adjustment to initially apply FASB Statement No. 158, net of tax of \$10.0 (See Note 11)						(19.0)	
Issuance of common stock and related tax benefits	1.1	1.1	33.4				
Balance at December 29, 2006	39.5	\$ 39.5	\$ 113.0	\$ 803.3	\$	6.2	

See accompanying notes to the consolidated financial statements.

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ANIXTER INTERNATIONAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANIXTER INTERNATIONAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Anixter International Inc. (the Company), formerly known as Itel Corporation, which was incorporated in Delaware in 1967, is engaged in the distribution of communications and specialty wire and cable products, fasteners and small parts through Anixter Inc. and its subsidiaries (collectively Anixter).

Basis of presentation: The consolidated financial statements include the accounts of Anixter International Inc. and its majority-owned subsidiaries. The Company s fiscal year ends on the Friday nearest December 31 and included 52 weeks in 2006, 2005 and 2004. Certain amounts have been reclassified to conform to the current year presentation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents: Cash equivalents consist of short-term, highly liquid investments that mature within three months or less. Such investments are stated at cost, which approximates fair value.

Receivables and allowance for doubtful accounts: The Company carries its accounts receivable at their face amounts less an allowance for doubtful accounts. On a regular basis, the Company evaluates its accounts receivable and establishes the allowance for doubtful accounts based on a combination of specific customer circumstances, as well as credit conditions and history of write-offs and collections. A receivable is considered past due if payments have not been received within the agreed upon invoice terms. The provision for doubtful accounts was \$10.7 million, \$11.3 million and \$10.5 million in 2006, 2005 and 2004, respectively. Write-offs are deducted from the allowance account for customer specific circumstances such as insolvency or bankruptcy.

Accounts receivable program: Anixter s accounts receivable securitization program allows the Company to sell, on an ongoing basis without recourse, a majority of the accounts receivable originating in the United States to Anixter Receivables Corporation (ARC), a wholly-owned, bankruptcy-remote special purpose entity. The assets of ARC are not available to creditors of Anixter in the event of bankruptcy or insolvency proceedings. ARC may in turn sell an interest in these receivables to a financial institution for proceeds of up to \$225.0 million. The program is set to expire within one year of December 29, 2006; therefore, the funding is considered short-term at the end of 2006. ARC is consolidated for accounting purposes only in the financial statements of the Company. Additionally, Anixter s investment in ARC and the inter-company note between Anixter and ARC is eliminated in consolidation.

Prior to the consolidation of the accounts receivable securitization facility at the end of the third quarter of 2004, interest expense of ARC was not recorded in the Company s income statement. Generally accepted accounting principles required that the interest expense be classified as other expense when it was accounted for by the equity method as part of the Company s 100% ownership of ARC. Interest expense of ARC included in the Consolidated Statement of Operations was \$10.3 million and \$5.3 million during fiscal 2006 and 2005, respectively, and

\$1.2 million in the fourth quarter of 2004.

Prior to consolidation, ARC net income of \$3.6 million was recorded as Other, net in the 2004 Consolidated Statements of Operations as ARC was previously unconsolidated. The 2004 net income consisted of a gain on collection of receivables by ARC of \$27.8 million offset by a loss on sales of receivables of \$22.1 million and \$2.1 million of interest expense incurred by ARC.

At the inception of this program, the Company recorded a charge of \$8.8 million for the initial discounting of the receivables sold to ARC. In the intervening years, due to a decline in the amount of accounts receivable in the program, \$2.4 million of the initial discount costs had been recouped. In 2004, there was a net \$3.6 million gain recorded related to ARC, which primarily represents the \$6.4 million of initial discount costs recouped during the fourth quarter of 2004, partially offset by \$2.8 million of funding costs incurred during the first nine months of 2004 (included in the \$27.8 million gain on the collection of receivables of ARC).

Table of Contents**ANIXTER INTERNATIONAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Inventories: Inventories, consisting primarily of finished goods, are stated at the lower of cost or market. Cost is determined using the average-cost method. The Company has agreements with some of its vendors that provide a right to return products. This right is typically limited to a small percentage of the Company's total purchases from that vendor. The Company can return slow-moving product and the vendor will replace it with faster-moving product chosen by the Company. Some vendor agreements contain price protection provisions that require the manufacturer to issue a credit in an amount sufficient to reduce the Company's current inventory carrying cost down to the manufacturer's current price. The Company considers these agreements in determining its reserve for obsolescence.

Property and equipment: At December 29, 2006, net property and equipment consisted of \$45.8 million of equipment and computer software and approximately \$16.2 million of buildings and leasehold improvements. At December 30, 2005, net property and equipment consisted of \$43.7 million of equipment and computer software and \$9.4 million of buildings and leasehold improvements. Equipment and computer software are recorded at cost and depreciated by applying the straight-line method over their estimated useful lives, which range from 3 to 10 years. Leasehold improvements are depreciated over the useful life or over the term of the related lease, whichever is shorter. Upon sale or retirement, the cost and related depreciation are removed from the respective accounts and any gain or loss is included in income. Maintenance and repair costs are expensed as incurred. Depreciation expense charged to operations was \$19.3 million, \$18.3 million and \$16.4 million in 2006, 2005 and 2004, respectively.

Goodwill: Goodwill is the excess of cost over the fair value of the net assets of businesses acquired. Goodwill is reviewed annually for impairment. The Company performs its impairment tests utilizing the two-step process outlined in Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and other Intangible Assets*. If the carrying amount of a reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss would be recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill. The Company currently expects the carrying amount to be fully recoverable.

Intangible assets: Intangible assets primarily consist of customer relationships that are being amortized over periods ranging from 8 to 15 years. The Company continually evaluates whether events or circumstances have occurred that would indicate the remaining estimated useful lives of its intangible assets warrant revision or that the remaining balance of such assets may not be recoverable. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable. At December 29, 2006 and December 30, 2005, the Company's gross carrying amount of intangible assets subject to amortization was \$65.8 million and \$37.9 million, respectively. Accumulated amortization was \$13.0 million and \$7.8 million at December 29, 2006 and December 30, 2005, respectively.

In 2004, a new brand name, Anixter Fastenerssm, was introduced to reflect the combined capabilities of Pentacon, Walters Hexagon and DDI. As a result of this new brand name introduction, the Company recorded an asset impairment charge of \$1.8 million in 2004 to write-down to fair value the value assigned to the Pentacon name when that business was acquired by Anixter, as the Pentacon tradename will no longer be used in the industrial fastener operations.

Interest rate agreements: The Company uses interest rate swaps to reduce its exposure to adverse fluctuations in interest rates. The objective of the currently outstanding interest rate swaps (cash flow hedges) is to convert variable interest to fixed interest associated with forecasted interest payments resulting from revolving borrowings in the U.K. and Canada. Changes in the value of the interest rate swaps are expected to be highly effective in offsetting the

changes attributable to fluctuations in the variable rates. When entered into, these financial instruments were designated as hedges of underlying exposures (interest payments associated with the U.K. and Canada borrowings) attributable to changes in the respective benchmark rates. The interest rate swaps were revalued at current interest rates, with the changes in valuation reflected directly in other comprehensive income, net of deferred taxes. The offsetting gain/loss is recorded as a derivative asset or liability, net of accrued interest.

Table of Contents**ANIXTER INTERNATIONAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 29, 2006 and December 30, 2005, the Company utilized interest rate agreements that effectively fix or cap, for a period of time, the GBP London Interbank Offered Rate (GBP-LIBOR) and the Bankers Acceptance/Canadian Dollar Offered Rate (BA/CDOR) components of the interest rates on a portion of its floating-rate obligations. At December 29, 2006, the Company had interest rate swap agreements outstanding with a notional amount of GBP 30 million and \$40 million Canadian. At December 30, 2005 the Company had interest rate swap agreements outstanding with a notional amount of GBP 30 million and \$50 million Canadian. The GBP-LIBOR swap agreements obligate the Company to pay a fixed rate of approximately 4.6% through July 2012 and the BA/CDOR swap agreement obligated the Company to pay a fixed rate of approximately 4.2% through December 2010.

As of December 31, 2004, the Company had interest rate swap agreements outstanding with a notional amount of \$30 million, which effectively fixed the London Interbank Offered Rate component of the interest rate on a portion of its floating-rate debt obligations. These swap agreements obligated the Company to pay a fixed rate of approximately 3.5% through October 2007. These swap obligations were cancelled upon the issuance of the 5.95% Notes.

As of December 29, 2006 and December 30, 2005, as a result of these agreements, the interest rate on 56.3% and 72.0% of debt obligations, respectively, was fixed. The fair market value of outstanding interest rate agreements, which is the estimated amount that the Company would have received or (paid) to enter into similar interest rate agreements at the current interest rate, was \$2.1 million and \$(0.3) million at December 29, 2006 and December 30, 2005, respectively. The impact of interest rate agreements to interest expense was minimal in 2006 and 2005 and an increase of \$0.6 million to interest expense in 2004. The Company does not enter into interest rate transactions for speculative purposes.

Foreign currency forward contracts: The Company uses foreign currency forward contracts to reduce its exposure to adverse fluctuations in foreign exchange rates. When entered into, these financial instruments are designated as hedges of underlying exposures. The Company does not enter into derivative financial instruments for trading purposes.

The Company purchased foreign currency forward contracts to minimize the effect of fluctuating foreign currency denominated payables (fair value hedges) on its reported income. The forward contracts were revalued at current foreign exchange rates, with the changes in valuation reflected directly in income offsetting the transaction gain/loss recorded on the foreign currency denominated payable. The net impact of these foreign currency forward contracts on the income statement was insignificant in 2006, 2005 and 2004. At December 29, 2006 and December 30, 2005, the face amount of the foreign currency forward contracts outstanding was approximately \$62.0 million and \$74.6 million, respectively. The Company recognized the difference between the face amount and the fair value of its forward contracts and recorded a liability of \$0.1 million and \$0.4 million at December 29, 2006 and December 30, 2005, respectively.

Foreign currency translation: The results of operations for foreign subsidiaries, where the functional currency is not the U.S. dollar, are translated into U.S. dollars using the average exchange rates during the year, while the assets and liabilities are translated using period-end exchange rates. The related translation adjustments are recorded in a separate component of Stockholders' equity, Foreign currency translation. Gains and losses from foreign currency transactions are included in Other, net in the consolidated statements of operations. The Company recognized \$2.7 million, \$4.1 million and \$5.6 million in net foreign exchange losses in 2006, 2005 and 2004.

Revenue recognition: Sales to customers, resellers and distributors and related cost of sales are recognized upon transfer of title, which occurs upon shipment of products.

Table of Contents**ANIXTER INTERNATIONAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In those cases where the Company does not have goods in stock and delivery times are critical, product is purchased from the manufacturer and drop-shipped to the customer. The Company takes title to the goods when shipped by the manufacturer and then bills the customer for the product upon transfer of the title.

Advertising and sales promotion: Advertising and sales promotion costs are expensed as incurred. Advertising and promotion costs were \$11.4 million, \$10.7 million and \$9.7 million in 2006, 2005 and 2004, respectively.

Shipping and handling fees and costs: The Company incurred shipping and handling costs totaling \$99.4 million, \$90.7 million and \$78.3 million for the years ended 2006, 2005 and 2004, respectively. These costs are included in Operating expenses in the consolidated statements of operations.

Income taxes: Using the liability method, provisions for income taxes include deferred taxes resulting from temporary differences in determining income for financial and tax purposes. Such temporary differences result primarily from differences in the carrying value of assets and liabilities.

In December 2004, the FASB issued Staff Position No. 109-2 (FAS 109-2), *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004*. The AJCA introduced a limited-time 85% dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer (repatriation provision), provided certain criteria are met. FAS 109-2 provides accounting and disclosure guidance for the repatriation provision. During 2005, the Company adopted a repatriation plan and the Company's Canadian subsidiary declared and paid a gross dividend (before withholding taxes and other statutory holdbacks) of \$75.0 million. For further information, see Note 10. Income Taxes.

Stock-based compensation: In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 123 (Revised 2004), *Share-Based Payment* (SFAS No. 123(R)), which became effective for annual reporting periods beginning after June 15, 2005. The Company adopted SFAS No. 123(R) in the first quarter of fiscal 2006 using the modified version of prospective application. Under this transition method, compensation cost is recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards previously calculated under SFAS No. 123 for pro forma disclosure purposes. Also, in accordance with the modified version of prospective application of adopting SFAS No. 123(R), the Company has classified the tax benefits received associated with employee stock compensation as a financing cash flow item in its consolidated statement of cash flows for the fiscal year ended December 29, 2006. The financial statements for periods prior to the date of adoption have not been restated in accordance with the modified prospective application.

Prior to the adoption of SFAS No. 123(R), the Company elected to apply the intrinsic value method of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related interpretations in accounting for its stock-based compensation plans. In accordance with the APB Opinion No. 25, compensation cost of stock options issued were measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the option exercise price and was charged to operations over the vesting period. In accordance with SFAS No. 123(R), the Company measures the cost of all employee share-based payments to employees, including grants of employee stock options, using a fair-value-based method. Compensation costs for the plans have been determined based on the fair value at the grant date using the Black-Scholes option pricing model and amortized on a straight-line basis over the respective vesting period representing the requisite service period.

Based on the number of options outstanding at December 31, 2005 (the beginning of fiscal year 2006 for the Company), the adoption of SFAS No. 123(R) by the Company resulted in additional expense of \$0.7 million in 2006. The value of stock options outstanding for which the remaining requisite service period had yet to be rendered at the beginning of 2006 has been fully expensed. As a result of adopting Statement No. 123(R) on December 31, 2005, the Company's income before income taxes and net income for 2006 are \$0.7 million and \$0.4 million lower, respectively, than if it had continued to account for share-based compensation under APB Opinion No. 25. The

Table of Contents**ANIXTER INTERNATIONAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

effect of adopting SFAS No. 123(R) on December 31, 2005 did not have a material effect on the Company's basic and diluted earnings per share for 2006. During 2006, the Company granted an additional 168,000 stock options and began amortizing the grant date fair value of \$3.5 million over the vesting period under the provisions of SFAS No. 123(R). As a result of the additional 2006 stock options issued, the Company's income before income taxes and net income for 2006 are lower by \$0.5 million and \$0.3 million, respectively. For further information, see Note 5. Preferred Stock and Common Stock.

Prior to the adoption of SFAS No. 123(R), the Company applied the disclosure-only provisions of SFAS No. 123. Accordingly, since the exercise price of the Company's grants equaled the stock price on the date of grant, no compensation expense had been recognized in the condensed consolidated statements of operations for the stock option plans. The pro forma disclosures previously permitted under SFAS No. 123 are no longer an alternative to financial statement recognition. However, pro forma net income and net income per share amounts are presented in the table below for 2005 and 2004 as if the Company had used a fair-value-based method similar to the methods required under SFAS No. 123(R) to measure compensation expense for employee stock incentive awards.

	2005	2004
	(In millions, except per share data)	
Basic earnings per share		
Net income as reported	\$ 90.0	\$ 77.7
Add: APB Opinion No. 25 Stock-based employee compensation included in net income, net	5.0	3.5
Deduct: SFAS No. 123 Stock-based employee compensation expense, net	(7.8)	(8.8)
Pro forma net income	\$ 87.2	\$ 72.4
Basic earnings per share:		
As reported	\$ 2.37	\$ 2.11
Pro forma	\$ 2.30	\$ 1.96
Diluted earnings per share:		
As reported	\$ 2.22	\$ 2.01
Pro forma	\$ 2.14	\$ 1.87

The weighted average fair value of the Company's 2001 and 2002 stock options was \$14.92 and \$14.74 per share, respectively, as estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions applicable to the grants: expected stock price volatility of 46%; expected dividend yield of zero; risk-free interest rate of 4.7%; and an average expected life of 8 years.

Recently issued accounting pronouncements: In May 2005, the FASB issued SFAS No. 154, *Accounting for Changes and Error Corrections - A Replacement of APB Opinion No. 20 and FASB Statement No. 3* (SFAS No. 154). SFAS 154 requires retrospective application to prior period financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The provisions of this statement became effective for the Company at the beginning of fiscal 2006 and did not have an

effect on the Company's consolidated financial statements.

In November 2005, the FASB issued FASB Staff Position 123(R)-3 (FSP 123(R)-3), *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*, which describes an alternative transition method for calculating the tax effects of stock-based compensation pursuant to SFAS 123(R). Applying the provisions of FSP 123(R)-3 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Table of Contents**ANIXTER INTERNATIONAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 requires that the tax benefit related to a position taken or expected to be taken in a tax return of a Company be recognized in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be upheld upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Company estimates that the impact of the recognition and measurement requirements of FIN 48 on existing tax positions is between zero and \$2.0 million, which would result in a reduction to the opening balance of retained earnings in the first quarter of 2007. This estimate may vary from the actual impact of implementing FIN 48. FIN 48 requires that subsequent to initial adoption a change in judgment that results in subsequent recognition, derecognition or change in a measurement of a tax position taken in a prior annual period (including any related interest and penalties) be recognized as a discrete item in the period in which the change occurs.

FIN 48 also requires expanded disclosures including identification of tax positions for which it is reasonably possible that total amounts of unrecognized tax benefits will significantly change in the next twelve months, a description of tax years that remain subject to examination by major tax jurisdiction, a tabular reconciliation of the total amount of unrecognized tax benefits at the beginning and end of each annual reporting period, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate and the total amounts of interest and penalties recognized in the statements of operations and balance sheet. FIN 48 is effective for fiscal years beginning after December 15, 2006 (i.e., the year beginning December 30, 2006 for the Company).

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements but does not change existing guidance as to whether or not an instrument is carried at fair value. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 (i.e., the fiscal year beginning December 29, 2007 for the Company), and interim periods within those fiscal years. The Company is evaluating the provisions of SFAS No. 157 to determine the impact, if any, on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans (an amendment of FASB Statements No. 87, 88, 106, and 132(R))* (SFAS No. 158). On December 29, 2006, the Company adopted the recognition and disclosure provisions of SFAS No. 158. The effect of adopting SFAS No. 158 on the Company's balance sheet at December 29, 2006 has been included in the accompanying consolidated financial statements. SFAS No. 158 did not have an effect on the Company's historical consolidated financial statements for the fiscal years ended December 30, 2005 or December 31, 2004. Under the provisions of SFAS No. 158, balance sheet recognition of the funded status of a single-employer defined benefit postretirement plan is required as an initial adjustment to the ending balance of other comprehensive income, net of tax. Subsequent changes in the funded status shall be recorded as a component of comprehensive income to the extent the changes have not yet been recognized as a component of net periodic cost pursuant to SFAS No. 87, *Employers Accounting for Pensions*, or SFAS No. 106, *Employers Accounting for Postretirement Benefits Other than Pensions*. SFAS No. 158's provisions regarding the change in the measurement date of postretirement benefit plans are not applicable as the Company already uses a measurement date as of the Company's fiscal year end. See Note 11. Pension Plans, Post-Retirement Benefits and Other Benefits for further discussion of the effect of adopting SFAS No. 158 on the Company's consolidated financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements* (SAB 108), which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement for the purpose of a materiality assessment. SAB 108 is effective for fiscal years ending after November 15, 2006. Upon implementation, SAB 108 did not have a material impact on the consolidated financial statements of the Company.

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In October 2006, the FASB issued FASB Staff Position 123(R)-6 (FSP 123(R)), *Technical Corrections of FASB Statement No. 123(R)*, which is effective the beginning of fiscal year 2007 for the Company. This statement addresses certain technical corrections of SFAS No. 123(R). SFAS No. 123(R), which was adopted by the Company in the first quarter of fiscal 2006, was applied by the Company in a manner consistent with the provisions of FSP 123(R)-6. Therefore, the issuance of this statement had no impact on the Company's consolidated financial statements.

NOTE 2. INCOME PER SHARE

The table below sets forth the computation of basic and diluted income per share:

	Years Ended		
	December 29, 2006	December 30, 2005	December 31, 2004
	(In millions, except per share data)		
Basic Income per Share:			
Income before extraordinary gain	\$ 209.3	\$ 90.0	\$ 73.6
Extraordinary gain, net			4.1
Net income	\$ 209.3	\$ 90.0	\$ 77.7
Weighted-average common shares outstanding	39.1	38.0	36.9
Income per share before extraordinary gain	\$ 5.36	\$ 2.37	\$ 2.00
Extraordinary gain per share	\$	\$	\$ 0.11
Net income per share	\$ 5.36	\$ 2.37	\$ 2.11
Diluted Income per Share:			
Income before extraordinary gain	\$ 209.3	\$ 90.0	\$ 73.6
Net interest impact of assumed conversion of convertible notes		0.7	
Adjusted income before extraordinary gain	209.3	90.7	73.6
Extraordinary gain, net			4.1
Net income	\$ 209.3	\$ 90.7	\$ 77.7
Weighted-average common shares outstanding	39.1	38.0	36.9
Effect of dilutive securities:			
Stock options and units	1.5	1.4	1.3
Convertible notes due 2033	2.5	1.1	0.4
Convertible notes due 2020		0.3	
Weighted-average common shares outstanding	43.1	40.8	38.6

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Income per share before extraordinary gain	\$	4.86	\$	2.22	\$	1.90
Extraordinary gain per share	\$		\$		\$	0.11
Net income per share	\$	4.86	\$	2.22	\$	2.01

The Convertible Notes due 2033 are convertible into the equivalent of 15.067 shares of the Company's common stock in any fiscal quarter if:

the sales price of its common stock reaches specified thresholds;

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ANIXTER INTERNATIONAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

during any period in which the credit rating assigned to the Convertible Notes due 2033 is below a specified level;

the Convertible Notes due 2033 are called for redemption; or

specified corporate transactions have occurred.

Upon conversion, the Company is required to deliver an amount of cash equal to the accreted principal amount and a number of common stock shares with a value equal to the amount, if any, by which the conversion value exceeds the accreted principal amount at the time of conversion. During 2006, the sales price of the Company's common stock met specified thresholds and approximately 5,000 Convertible Notes due 2033 were converted. At the time of conversion, the Company was required to deliver approximately \$2.1 million of cash (equal to the accreted principal value amount) and approximately 38,000 shares of common stock (an amount of shares equal in value to the amount that the conversion value of the notes converted exceeded the accreted value).

As a result of the conversion value exceeding the accreted principal in 2006, 2005 and 2004, the Company included 2.5 million, 1.1 million and 0.4 million additional shares related to the Convertible Notes due 2033 in the diluted weighted average common shares outstanding.

In June 2005, the Company repurchased the remaining 7% zero coupon convertible notes due 2020 (Convertible Notes due 2020). The Company included in its calculation of diluted income per share 0.3 million of common stock equivalents relating to the Convertible Notes due 2020 and excluded \$0.7 million of related net interest expense. In 2004, the Company excluded from its calculation of diluted income per share 1.5 million of common stock equivalents relating to the Convertible Notes due 2020, as the effect was anti-dilutive. Because the convertible notes were not included in the diluted shares outstanding, the related \$2.7 million of net interest expense was not excluded from the determination of income in the calculation of diluted income per share for 2004.

In 2006, 2005 and 2004, the Company issued 1.1 million, 1.0 million and 1.0 million shares, respectively, due to stock option exercises, vesting of stock units and the employee stock purchase plan (discontinued in 2004).

NOTE 3. EXTRAORDINARY GAIN

In December 2003, the Company received \$4.7 million from an escrow account established in connection with the 1983 bankruptcy of ITEL Corporation, the predecessor of the Company. As of January 2, 2004, the Company was unable to determine the appropriate beneficiary of this receipt and was in the process of an investigation to determine its proper disposition. As of January 2, 2004, the Company had not recorded income associated with this receipt because of the uncertainty of the beneficiary. During the first quarter of 2004, the Company completed the investigation and concluded that the funds are the property of the Company. Accordingly, in the first quarter of 2004, the Company recorded a \$4.1 million extraordinary after-tax gain as a result of the receipt.

NOTE 4. IMPAIRMENT CHARGE

Following the September 2002 acquisition of the assets and operations of Pentacon, Anixter acquired Walters Hexagon as well as the assets and operations of DDI. All three of these businesses are engaged in the supply of C Class inventory components to original equipment manufacturers throughout the United States and the United Kingdom, France and Italy. As a part of bringing these businesses together to form an industry leading supply chain solution that combines the individual strengths and expertise of the acquired companies with the financial strength and global capabilities of Anixter, a new brand name, Anixter Fastenerssm was introduced in 2004 to reflect the combined capabilities. As a result of this new brand name introduction, the Company recorded an asset impairment charge in its North America business segment of \$1.8 million in 2004 to write-down to fair value the value assigned to the Pentacon name when that business was acquired by Anixter, as the Pentacon tradename will no longer be used in the industrial operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5. SPECIAL DIVIDENDS

On September 15, 2005 and February 11, 2004, the Company's Board of Directors declared a special dividend of \$4.00 and \$1.50 per common share, respectively, as a return of excess capital to shareholders. The 2005 and 2004 special dividends of \$156.1 million and \$55.8 million, respectively, were paid to or accrued for shareholders of record as of October 14, 2005 and March 16, 2004, respectively. On October 31, 2005 and March 31, 2004, the Company paid \$153.5 million and \$55.1 million of the dividends, respectively. During 2005 and 2006, an additional \$0.2 million and \$0.8 million, respectively, was paid on vesting dates to holders of stock units. At December 29, 2006, the remaining \$2.3 million balance was accrued and will be paid on the vesting date to holders of employee stock units.

In accordance with the provisions of the stock option and enhanced incentive plans, the exercise price and the number of options and stock units outstanding were adjusted in 2005 and 2004 to reflect both special dividends. The changes resulted in no additional compensation expense. For further information regarding the adjustments to the stock options and stock units, see Note 12. Preferred Stock and Common Stock.

The conversion rate of the Convertible Notes due 2033 was adjusted in 2005 and 2004 to reflect both special dividends. Holders of the Convertible Notes due 2033 may convert each Note into 15.067 shares of the Company's common stock. For further information regarding the adjustments to the conversion rate of the Convertible Notes due 2033, see Note 8. Debt.

NOTE 6. ACQUISITION OF BUSINESSES

On October 31, 2006, the Company acquired all of the outstanding shares of MFU Holding S.p.A. (MFU), a privately held fastener distributor based in Italy. The Company paid approximately \$61.1 million in cash consideration for MFU and assumed approximately \$5.8 million of outstanding debt obligations. The purchase of the shares was funded from additional borrowings under the Company's revolving credit facilities. MFU's fastener distribution business employs approximately 100 people and complements the Company's existing product offerings in Europe as well as its value-added services and inventory management programs. Included in the results of the Company for 2006 are approximately 9 weeks of MFU sales of \$10.9 million and operating income of \$0.8 million. On a preliminary basis the Company has estimated tangible net assets acquired at \$24.3 million and intangible assets as shown below. These values will be adjusted when the Company receives a final valuation report from an independent third party.

\$17.9 million of intangible assets with a finite life of 10 years (customer relationships); and

\$18.9 million of goodwill.

In May of 2006, the Company acquired all of the outstanding shares of IMS, Inc. (IMS), a wire and cable distributor in the U.S., for \$28.3 million, of which \$3.0 million was held back to cover various representations and warranties. During 2006, certain representations were settled and the Company paid an additional \$0.5 million, leaving \$2.5 million of holdbacks to cover remaining representations and warranties outstanding at December 29, 2006. In addition, a net asset adjustment and a potential earn-out payment will be made during the next four months that is expected to increase the purchase price by less than \$2.3 million. IMS complements the Company's existing electrical wire and cable business in North America while employing approximately 100 people. Included in the results of the Company for 2006 are 31 weeks of IMS sales of \$30.9 million and operating income of \$2.8 million. The Company

has estimated tangible net assets acquired at \$7.3 million. Based upon a third-party valuation, intangible assets have been recorded as follows:

\$10.6 million of intangible assets with a finite life of 15 years (customer relationships); and

\$10.4 million of goodwill.

Table of Contents**ANIXTER INTERNATIONAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company also acquired a small company in Eastern Europe for \$3.8 million during 2006, of which \$0.2 million was held back to cover various representations and warranties.

On July 8, 2005, the Company acquired Infast, a UK-based distributor of fasteners and other C Class inventory components to original equipment manufacturers. Based on the offer price of 34 pence per Infast share, the Company paid approximately \$71.8 million for all of the outstanding shares of Infast, including transaction-related costs. Included in the results of the Company for 2006 and the final six months of 2005 are Infast sales of \$275.7 million and \$126.4 million, respectively, and operating income of \$5.1 million and \$1.7 million, respectively.

On June 22, 2004, the Company purchased substantially all of the assets and operations of DDI for \$32.9 million, inclusive of legal and advisory fees. Also, in accordance with the stock purchase agreement under which Walter Hexagon was acquired in 2003, the Company paid additional consideration of \$1.9 million in the fourth quarter of 2004. The additional consideration paid was based only on actual operating performance of Walters Hexagon and was recorded as an adjustment to the purchase price. DDI and Walters Hexagon, headquartered in the United States and United Kingdom, respectively, were privately held value-added distributors of fasteners, hardware and related products specializing in inventory logistics management programs directed at supporting the production lines of original equipment manufacturers across a broad spectrum of industries.

These acquisitions were accounted for as purchases and their respective results of operations are included in the condensed consolidated financial statements from the dates of acquisition. Had these acquisitions occurred at the beginning of the year of each acquisition, the impact on the Company's operating results would not have been significant. Intangible amortization expense is expected to be approximately \$6.5 million per year for the next five years.

NOTE 7. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	December 29, 2006	December 30, 2005
	(In millions)	
Salaries and fringe benefits	\$ 91.3	\$ 73.9
Other accrued expenses	112.1	93.2
Total accrued expenses	\$ 203.4	\$ 167.1

Table of Contents**ANIXTER INTERNATIONAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 8. DEBT**

Debt is summarized below:

	December 29, 2006	December 30, 2005
	(In millions)	
Revolving lines of credit	\$ 237.4	\$ 139.3
Senior notes due 2015	200.0	200.0
Accounts receivable securitization	200.0	130.0
Convertible notes	158.8	155.8
Other	13.1	1.0
Total debt	809.3	626.1
Less: short-term debt	(212.3)	(1.0)
Total long-term debt	\$ 597.0	\$ 625.1

Revolving Lines of Credit

At December 29, 2006, the primary liquidity source for Anixter is the \$275.0 million, five-year revolving credit agreement maturing on June 18, 2009, of which \$176.8 million was included in long-term debt outstanding. The borrowing rate under the revolving credit agreement is LIBOR plus 97.5 basis points. The agreement, which is guaranteed by the Company, contains covenants that, among other things, restricts the leverage ratio and sets a minimum fixed charge coverage ratio. Facility fees payable on this credit agreement (equal to 27.5 basis points) totaled \$0.8 million in 2006 and 2005 and \$0.7 million in 2004 and were included in interest expense in the consolidated statements of operations. The Company is in compliance with all of these covenant ratios and believes that there is adequate margin between the covenant ratios and the actual ratios given the current trends of the business. Under the leverage ratio, as of December 29, 2006, the total availability of all revolving lines of credit at Anixter would have been permitted to be borrowed, of which \$180.8 million would have been able to be used to pay dividends to the Company.

In November of 2005, Anixter Canada Inc. entered into a \$40.0 million (Canadian dollar) unsecured revolving credit facility maturing on June 18, 2009 for general corporate purposes and to finance, in part, the payment of a dividend through intervening affiliates to Anixter Inc. The Canadian dollar-borrowing rate under the agreement is the Banker Acceptance/Canadian Dollar Offered Rate (BA/CDOR) plus the applicable bankers acceptance fee (currently 125.0 basis points) for Canadian dollar advances or the prime rate plus the applicable margin (currently 27.5 basis points). The borrowing rate for U.S. dollar advances is the base rate plus the applicable margin. In addition, there are standby fees on the unadvanced balance currently equal to 27.5 basis points. At December 29, 2006, \$19.0 million (U.S. dollar) was borrowed under the facility and included in long-term debt outstanding.

Excluding the primary \$275.0 million revolving credit facility and the \$40.0 million (Canadian dollar) facility at December 29, 2006 and December 30, 2005, certain foreign subsidiaries had long-term borrowings under bank revolving lines of credit of \$41.6 million and \$2.9 million, respectively.

Senior Notes Due 2015

On February 24, 2005, the Company's primary operating subsidiary, Anixter Inc., issued \$200.0 million of Senior Notes, which are fully and unconditionally guaranteed by the Company. Interest of 5.95% on the Senior Notes is payable semi-annually on March 1 and September 1 of each year. Issuance costs related to the offering were approximately \$2.1 million, offset by proceeds of \$1.8 million, resulting from entering into an interest rate hedge prior to the offering. Accordingly, net issuance costs of approximately \$0.3 million associated with the notes are

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

being amortized through March 1, 2015 using the straight-line method. The proceeds for the Senior Note issuance were \$199.6 million and were used to reduce borrowings under revolving lines of credit, redeem the Convertible Notes due 2020 for \$69.9 million and acquire the shares of Infast (see Note 6. Acquisition of Businesses).

The face value outstanding at December 29, 2006 and December 30, 2005 was \$200.0 million, which was equal to the book value outstanding at that date.

Accounts Receivable Securitization Program

Anixter's accounts receivable securitization program allows the Company to sell, on an ongoing basis without recourse, a majority of the accounts receivable originating in the United States to Anixter Receivables Corporation (ARC), a wholly-owned, bankruptcy-remote special purpose entity. The assets of ARC are not available to creditors of Anixter in the event of bankruptcy or insolvency proceedings. ARC may in turn sell an interest in these receivables to a financial institution for proceeds of up to \$225.0 million. The program is set to expire within one year of December 29, 2006, therefore, the funding is considered short-term at the end of 2006. ARC is consolidated for accounting purposes only in the financial statements of the Company. For further information, see Note 1. Significant Accounting Policies. The average outstanding funding extended to ARC during 2006 and 2005 was approximately \$182.5 million and \$130.9 million, respectively. The effective rate on the ARC funding was 5.6%, 4.0% and 2.0% in 2006, 2005 and 2004, respectively.

Convertible Notes

On June 28, 2005, the Company retired all of its remaining Convertible Notes due 2020 for \$69.9 million. As a result, the Company wrote-off the related unamortized issuance costs resulting in a pre-tax loss of \$1.2 million (\$0.7 million after-tax, or \$0.02 per diluted share). No repurchase activity occurred in 2004.

The Company's 3.25% zero coupon Convertible Notes due 2033 (Convertible Notes due 2033), with an aggregate principal amount at maturity of \$378.1 million, are convertible in any fiscal quarter based on certain conditions. Based on the Company's stock price at the end of 2006, the Convertible Notes due 2033 were convertible. The conversion of the Convertible Notes due 2033 will be settled in cash up to the accreted principal amount. If the conversion value exceeds the accreted principal amount of the convertible note at the time of conversion, the amount in excess of the accreted value will be settled in stock.

The Company may redeem the Convertible Notes due 2033, in whole or in part, on July 7, 2011 for cash at the accreted value. Additionally, holders may require the Company to purchase all or a portion of their Convertible Notes due 2033 at various prices on certain future dates beginning July 7, 2007. The Company is required to pay the purchase price in cash.

The Convertible Notes due 2033 are structurally subordinated to the indebtedness of Anixter. Although the notes were convertible at the end of 2006, they are classified as long-term as the Company has the intent and ability to refinance the accreted value under existing long-term financing agreements available at December 29, 2006. The book value of the Convertible Notes due 2033 was \$158.8 million and \$155.8 million at December 29, 2006 and December 30, 2005, respectively.

Other

Interest paid in 2006, 2005 and 2004 was \$32.4 million, \$14.1 million and \$3.7 million, respectively.

Certain debt agreements entered into by the Company's subsidiaries contain various restrictions, including restrictions on payments to the Company. The Company has guaranteed substantially all of the debt of its subsidiaries. Restricted net assets of its subsidiaries were approximately \$1,281.1 million and \$927.3 million at December 29, 2006 and December 30, 2005, respectively.

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Aggregate annual maturities of debt at December 29, 2006 were as follows: 2007 \$212.3 million; 2008 \$0.2 million; 2009 \$396.4 million; 2010 \$0.2 million; 2011 \$0.2 million; and \$200.0 million thereafter.

The estimated fair value of the Company's debt at December 29, 2006 and December 30, 2005 was \$936.7 million and \$680.3 million, respectively, based on public quotations and current market rates.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Substantially all of the Company's office and warehouse facilities and equipment are leased under operating leases. A certain number of these leases are long-term operating leases containing rent escalation clauses and expire at various dates through 2023. Most operating leases entered into by the Company contain renewal options.

As a result of the acquisition of Infast, the Company assumed a guarantee related to a lease obligation of a previously owned operating division of Infast. During the first quarter of 2006, the former Infast affiliate defaulted on its lease obligation and the Company received \$3.0 million that was held in escrow in the event of such default. After taking into account the receipt of the escrow funds and the additional fair value liability established at acquisition date, the Company has estimated the future sublease revenue that it expects to realize during the lease term to be less than the amount due under the guarantee. Therefore, during the first quarter of 2006, the Company recorded a \$1.1 million provision related to this lease guarantee.

Minimum lease commitments under operating leases at December 29, 2006 are as follows:

	(In millions)
2007	\$ 53.7
2008	43.6
2009	35.4
2010	29.1
2011	21.9
2012 and thereafter	86.2
Total	\$ 269.9

Total rental expense was \$67.1 million, \$61.4 million and \$57.8 million in 2006, 2005 and 2004, respectively. Aggregate future minimum rentals to be received under non-cancelable subleases at December 29, 2006 were \$5.9 million.

From time to time, in the ordinary course of business, the Company and its subsidiaries become involved as plaintiffs or defendants in various legal proceedings. The claims and counterclaims in such litigation, including those for punitive damages, individually in certain cases and in the aggregate, involve amounts that may be material. However, it is the opinion of the Company's management, based upon the advice of its counsel, that the ultimate disposition of

pending litigation will not be material to the Company's financial position and results of operations.

NOTE 10. INCOME TAXES

The Company and its U.S. subsidiaries file their federal income tax return on a consolidated basis. As of December 29, 2006, the Company had no net operating loss (NOL) or tax credit carryforwards for U.S. federal income tax purposes.

At December 29, 2006, various foreign subsidiaries of the Company had aggregate cumulative NOL carryforwards for foreign income tax purposes of approximately \$105.9 million, which are subject to various provisions of each respective country. Approximately \$21.8 million of this amount expires between 2007 and 2016 and \$84.1 million of the amount has an indefinite life.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Of the \$105.9 million NOL carryforwards of foreign subsidiaries mentioned above, \$72.9 million relates to losses that have already provided a tax benefit in the U.S. due to rules permitting flow-through of such losses in certain circumstances. Without such losses included, the cumulative NOL carryforwards at December 29, 2006 were approximately \$33.0 million, which are subject to various provisions of each respective country. Approximately \$10.0 million of this amount expires between 2007 and 2016 and \$23.0 million of the amount has an indefinite life. The deferred tax asset and valuation allowance, shown below relating to foreign NOL carryforwards, have been adjusted to reflect only the carryforwards for which the Company has not taken a tax benefit in the United States. In 2006 and 2005, the Company recorded a valuation allowance related to its foreign NOL carryforwards to reduce the deferred tax asset to the amount that is more likely than not to be realized.

Domestic income before income taxes was \$183.6 million, \$99.3 million and \$85.8 million for 2006, 2005 and 2004, respectively. Foreign income before income taxes was \$119.4 million, \$58.1 million and \$34.8 million for 2006, 2005 and 2004, respectively.

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$204.1 million at December 29, 2006. Historically, the Company considered those earnings to be indefinitely reinvested (see paragraph below regarding unusual, non-recurring exception to this philosophy) and, accordingly, no provision for U.S. federal and state income taxes or any withholding taxes has been recorded. Upon distribution of those earnings in the form of dividends or otherwise, the Company may be subject to both U.S. income taxes (subject to adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. With respect to the countries that have undistributed earnings as of December 29, 2006, according to the foreign laws and treaties in place at that time, estimated U.S. federal income tax of approximately \$28.4 million and various foreign jurisdiction withholding taxes of approximately \$5.6 million would be payable upon the remittance of all earnings at December 29, 2006.

During 2006, the Company recorded interest income of \$6.9 million associated with tax settlements in the U.S. and Canada. Also during 2006, the Company recorded net tax benefits of \$20.1 million (\$22.8 million benefit less \$2.7 tax expense associated with interest income of \$6.9 million) primarily related to the tax settlements and the initial establishment of deferred tax assets associated with its foreign operations. The total effect on the fiscal year 2006 net income was a gain of \$27.0 million, or \$0.63 per diluted share.

In December 2005, the Company completed the repatriation of accumulated foreign earnings under the American Jobs Creation Act (AJCA). The Company's Canadian subsidiary declared and paid a gross dividend (before withholding taxes and other statutory holdbacks) of \$75.0 million. The repatriation was funded through a combination of on-hand cash balances and bank borrowings by the Company's Canadian subsidiary. As a result of this transaction, the Company recorded an additional tax provision of approximately \$7.7 million in the fourth quarter of 2005, which reduced net income by approximately \$0.19 per diluted share. The funds received through the repatriation were deployed under a qualified investment plan as defined by the AJCA. The principal use of repatriated funds were to fund pension plan contributions and ongoing non-executive compensation costs in the United States.

In 2005, the Company recorded a tax benefit of \$1.4 million, or \$0.03 per diluted share, related to a favorable tax ruling in Europe.

The Company made net payments for income taxes in 2006, 2005 and 2004 of \$93.5 million, \$63.9 million and \$20.7 million, respectively.

As of December 29, 2006, the Company has recorded a current income tax payable of \$33.2 million. The aggregate amount of global income tax reserves and related interest recorded in current taxes payable was approximately \$11.2 million. These reserves cover a wide range of issues and involve numerous different taxing jurisdictions. The single largest item (\$3.5 million) relates to a dispute with the state of Wisconsin concerning income taxes payable upon the 1993 sale of a short-line railroad that operated solely within such state. Other

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significant exposures for which reserves exist include, but are not limited to, a variety of foreign jurisdictional transfer pricing disputes and foreign withholding tax issues related to inter-company transfers and services.

Significant components of the Company's deferred tax assets and (liabilities) were as follows:

	December 29, 2006	December 30, 2005
	(In millions)	
Accreted interest	\$ (8.9)	\$ (6.1)
Depreciation, amortization and other	(1.7)	
Gross deferred tax liabilities	(10.6)	(6.1)
Deferred compensation	32.0	25.3
Foreign NOL carryforwards and other	15.6	15.2
Inventory reserves	22.0	9.0
Allowance for doubtful accounts	5.0	1.8
Depreciation and amortization		3.4
Other	13.0	7.4
Gross deferred tax assets	87.6	62.1
Gross net deferred tax assets	77.0	56.0
Valuation allowance	(21.8)	(13.1)
Net deferred tax assets	\$ 55.2	\$ 42.9
Net current deferred tax assets	\$ 32.0	\$ 16.5
Net non-current deferred tax assets	23.2	26.4
Net deferred tax assets	\$ 55.2	\$ 42.9

Income tax expense (benefit) was comprised of:

	December 29, 2006	Years Ended December 30, 2005	December 31, 2004
	(In millions)		
Current:			
Foreign	\$ 43.7	\$ 23.5	\$ 15.1

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State	7.9	5.1	9.5
Federal	45.2	35.1	39.1
	96.8	63.7	63.7
Deferred:			
Foreign	(2.1)	0.3	(5.7)
State	0.1	0.4	(4.0)
Federal	(1.1)	3.0	(7.0)
	(3.1)	3.7	(16.7)
Income tax expense	\$ 93.7	\$ 67.4	\$ 47.0

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Reconciliations of income tax expense to the statutory corporate federal tax rate of 35% were as follows:

	December 29, 2006	Years Ended December 30, 2005 (In millions)	December 31, 2004
Statutory tax expense	\$ 106.1	\$ 55.1	\$ 42.2
Increase (reduction) in taxes resulting from:			
Repatriation of foreign earnings		7.7	
State income taxes, net	6.5	3.6	3.6
Favorable European tax ruling		(1.4)	
Other foreign tax effects	0.4	2.3	0.8
Audit activity*	(22.8)	0.6	2.8
Foreign tax NOLs	0.4	0.3	(2.9)
Other, net	3.1	(0.8)	0.5
Income tax expense	\$ 93.7	\$ 67.4	\$ 47.0

* Charges in 2005 and 2004 associated with the conclusion of the examination of the 1999-2001 federal income tax returns by the IRS. Benefits in 2006 primarily associated with the conclusion of the 1996-1998 examination.

NOTE 11. PENSION PLANS, POST-RETIREMENT BENEFITS AND OTHER BENEFITS

The Company has various defined benefit and defined contribution pension plans. The defined benefit plans of the Company are the Anixter Inc. Pension Plan, Executive Benefit Plan and Supplemental Executive Retirement Plan (together the Domestic Plans) and various pension plans covering employees of foreign subsidiaries (Foreign Plans). The majority of the Company's pension plans are non-contributory and cover substantially all full-time domestic employees and certain employees in other countries. Retirement benefits are provided based on compensation as defined in both the Domestic and Foreign Plans. The Company's policy is to fund all plans as required by the Employee Retirement Income Security Act of 1974 (ERISA), the Internal Revenue Service and applicable foreign laws. Assets in the various plans consisted primarily of equity securities and fixed income investments.

The investment objective of both the Domestic and Foreign Plans is to ensure, over the long-term life of the Plans, an adequate level of assets to fund the benefits to employees and their beneficiaries at the time they are payable. In meeting this objective, Anixter seeks to achieve a high level of total investment return consistent with a prudent level of portfolio risk. The risk tolerance of Anixter indicates an above average ability to accept risk relative to that of a typical defined benefit pension plan as the duration of the projected benefit obligation is longer than the average company. The risk preference indicates a willingness to accept some increases in short-term volatility in order to maximize long-term returns. However, the duration of the fixed income portion of the Domestic Plan matches the duration of the projected benefit obligation to reduce the effect of changes in discount rates that are used to measure the funded status of the Plan. The measurement date for all plans of the Company is December 31st.

Table of Contents**ANIXTER INTERNATIONAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Domestic Plans and Foreign Plans asset mixes as of December 29, 2006 and December 30, 2005 and the Company's asset allocation guidelines for such plans are summarized as follows:

	Domestic Plans				
	December 29, 2006	December 30, 2005	Allocation Guidelines		
			Min	Target	Max
Large capitalization U.S. stocks	30.8%	30.4%	20%	30%	40%
Small capitalization U.S. stocks	18.2	15.3	15	20	25
International stocks	20.3	15.5	15	20	25
Convertible investments		8.0			
Total equity securities	69.3	69.2		70	
Fixed income investments	28.9	28.7	25	30	35
Other investments	1.8	2.1			
	100.0%	100.0%		100%	

	Foreign Plans		
	December 29, 2006	December 30, 2005	Allocation Guidelines Target
Equity securities	57.9%	78.4%	51%
Fixed income investments	41.3	21.0	49
Other investments	0.8	0.6	
	100.0%	100.0%	100%

The pension committees meet regularly to assess investment performance and re-allocate assets that fall outside of its allocation guidelines.

The North American investment policy guidelines are as follows:

Each asset class is actively managed by one investment manager;

Each asset class may be invested in a commingled fund, mutual fund, or separately managed account;

Each manager is expected to be fully invested with minimal cash holdings;

The use of options and futures is limited to covered hedges only;

Each equity asset manager has a minimum number of individual company stocks that need to be held and there are restrictions on the total market value that can be invested in any one industry and the percentage that any one company can be of the portfolio total. The domestic equity funds are limited as to the percentage that can be invested in international securities;

The international stock fund is limited to readily marketable securities; and

The fixed income fund has a duration that matches the duration of the projected benefit obligations.

The investment policies for the European plans are the responsibility of the various trustees. Generally, the investment policy guidelines are as follows:

Make sure that the obligations to the beneficiaries of the Plan can be met;

Maintain funds at a level to meet the minimum funding requirements; and

Table of Contents**ANIXTER INTERNATIONAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The investment managers are expected to provide a return, within certain tracking tolerances, close to that of the relevant market's indices.

The expected long-term rate of return on both the Domestic and Foreign Plans' assets reflects the average rate of earnings expected on the invested assets and future assets to be invested to provide for the benefits included in the projected benefit obligation. The weighted average expected rate of return on plan assets for 2006 is 7.44%.

On December 29, 2006, the Company adopted the recognition and disclosure provisions of SFAS No. 158. The effect of adopting SFAS No. 158 on the Company's balance sheet at December 29, 2006 has been included in the accompanying consolidated financial statements. SFAS No. 158 did not have an effect on the Company's historical consolidated financial statements for the fiscal years ended December 30, 2005 or December 31, 2004. Under the provisions of SFAS No. 158, balance sheet recognition of the funded status of a single-employer defined benefit postretirement plan is required as an initial adjustment to the ending balance of other comprehensive income, net of tax. Subsequent changes in the funded status shall be recorded as a component of comprehensive income to the extent the changes have not yet been recognized as a component of net periodic cost pursuant to SFAS No. 87, *Employers Accounting for Pensions*, or SFAS No. 106, *Employers Accounting for Postretirement Benefits Other than Pensions*.

Although SFAS No. 158 eliminated the additional minimum liability concept included in the SFAS No. 87, it requires companies to first compute and recognize any additional minimum liability amounts prior to making the entries to other comprehensive income to recognize the full funded status under the provisions of SFAS No. 158. In accordance with the provisions of SFAS No. 158 at December 29, 2006, the Company reduced additional minimum liabilities by \$4.6 million (related to its Domestic Plans) and \$3.4 million (related to its Foreign Plans), pursuant to the provisions of SFAS No. 87. There was no income statement impact. The offset to the minimum pension liability adjustment for the Domestic Plans was a reduction to the intangible asset of \$1.7 million while \$1.9 million was offset to other comprehensive income, net of deferred taxes of \$1.0 million. The offset to the minimum pension liability adjustment for the Foreign Plans was \$2.4 million to other comprehensive income, net of deferred taxes of \$1.0 million.

In 2005, the Company was required to record a minimum pension liability of \$4.4 million relating to the Domestic Plans. There was no income statement impact. The offset to the minimum pension liability adjustment for the Domestic Plans in 2005 was an intangible asset of \$0.6 million while \$2.5 million was offset to other comprehensive income, net of deferred taxes of \$1.3 million. In 2005, the Company also recorded a minimum pension liability adjustment for its Foreign Plans of \$0.7 million. The Foreign Plans' offset, net of deferred taxes of \$0.2 million, was to other comprehensive income of \$0.5 million.

The effect of recognizing the net reductions to additional minimum pension liabilities under SFAS No. 87, related to its Domestic and Foreign Plans, is included in the following table in the column labeled "Before Application of Statement No. 158." The adjustments before application of SFAS No. 158 are included in the total accumulated other comprehensive income (loss) of \$25.2 million.

The requirement to recognize the funded status using the projected benefit obligation in SFAS No. 158 eliminates any need to recognize an additional minimum pension liability. The elimination of remaining minimum pension liabilities is included in the same table below in the column labeled "SFAS No. 158 Adjustments." Also included in the "SFAS No. 158 Adjustments" column is the balance sheet recognition of the funded status of the Company's defined

benefit post retirement plans. The adjustments to recognize the Company's liability (arising from the funded status of the defined benefit pension plans as of December 29, 2006) was an increase to total pension liabilities of \$25.9 million. A net reduction in stockholders' equity of \$19.0 million and an increase in net

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other assets of \$6.9 million offset the pension liability adjustments. The following summarizes the incremental impact of applying SFAS No. 158 on individual line items in the balance sheet as of December 29, 2006:

	Before Application of Statement 158	SFAS No. 158 Adjustments (In millions)	After Application of Statement 158
Other assets	\$ 112.2	\$ 6.9	\$ 119.1
Total assets	\$ 2,559.3	\$ 6.9	\$ 2,566.2
Other liabilities	\$ 58.8	\$ 25.9	\$ 84.7
Total liabilities	\$ 1,578.3	\$ 25.9	\$ 1,604.2
Accumulated other comprehensive loss (pension liability)	\$ (0.6)	\$ (19.0)	\$ (19.6)
Total accumulated other comprehensive income (loss)	\$ 25.2	\$ (19.0)	\$ 6.2
Total stockholders' equity	\$ 981.0	\$ (19.0)	\$ 962.0
Total liabilities and equity	\$ 2,559.3	\$ 6.9	\$ 2,566.2

Included in accumulated other comprehensive income as of December 29, 2006 are the unrecognized prior service cost, unrecognized net actuarial loss and unrecognized transition obligation of \$2.8 million, \$16.7 million, and \$0.1 million, respectively. The net actuarial loss and prior service cost for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit costs over the next fiscal year are \$0.8 million and \$1.4 million, respectively. The amount of the transition obligation to be amortized over the next fiscal year will be insignificant.

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	Domestic		Pension Benefits Foreign		Total	
	2006	2005	2006	2005	2006	2005
	(In millions)					
<i>Change in projected benefit obligation:</i>						
Beginning balance	\$ 151.0	\$ 142.6	\$ 151.0	\$ 82.5	\$ 302.0	\$ 225.1
Service cost	6.4	5.7	5.3	4.1	11.7	9.8
Interest cost	8.5	7.6	8.2	5.8	16.7	13.4
Plan participants contributions			0.4	0.3	0.4	0.3
Actuarial (gain) loss	(4.8)	(1.8)	(2.0)	14.2	(6.8)	12.4
Acquisition				55.4		55.4
Benefits paid	(3.1)	(3.1)	(4.0)	(3.1)	(7.1)	(6.2)
Foreign currency exchange rate changes			17.8	(8.2)	17.8	(8.2)
Ending balance	\$ 158.0	\$ 151.0	\$ 176.7	\$ 151.0	\$ 334.7	\$ 302.0
<i>Change in plan assets at fair value:</i>						
Beginning balance	\$ 102.3	\$ 85.5	\$ 111.7	\$ 56.5	\$ 214.0	\$ 142.0
Actual return on plan assets	14.3	7.8	17.3	9.1	31.6	16.9
Acquisitions				48.0		48.0
Company contributions	10.0	12.1	9.8	6.2	19.8	18.3
Plan participants contributions			0.3	0.4	0.3	0.4
Benefits paid	(3.1)	(3.1)	(4.0)	(3.1)	(7.1)	(6.2)
Foreign currency exchange rate changes			14.1	(5.4)	14.1	(5.4)
Ending balance	\$ 123.5	\$ 102.3	\$ 149.2	\$ 111.7	\$ 272.7	\$ 214.0
<i>Reconciliation of funded status:</i>						
Projected benefit obligation	\$ (158.0)	\$ (151.0)	\$ (176.7)	\$ (151.0)	\$ (334.7)	\$ (302.0)
Plan assets at fair value	123.5	102.3	149.2	111.7	272.7	214.0
Funded status	(34.5)	(48.7)	(27.5)	(39.3)	(62.0)	(88.0)
Unrecognized net actuarial loss		24.5		22.5		47.0
Unrecognized prior service cost		5.1		0.2		5.3
Minimum pension liability		(8.6)		(3.4)		(12.0)
Accrued benefit cost*	\$ (34.5)	\$ (27.7)	\$ (27.5)	\$ (20.0)	\$ (62.0)	\$ (47.7)

*

The accrued benefit cost represents the funded status of all defined benefit plans. Included in the funded status is accrued benefit cost of approximately \$21.6 million related to two non-qualified plans, which cannot be funded pursuant to tax regulations.

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Short-term	\$ (6.0)	\$ (6.0)	\$ (4.4)	\$ (2.7)	\$ (10.4)	\$ (8.7)
Long-term	(28.5)	(21.7)	(23.1)	(17.3)	(51.6)	(39.0)
	\$ (34.5)	\$ (27.7)	\$ (27.5)	\$ (20.0)	\$ (62.0)	\$ (47.7)

*Weighted average assumptions
used for measurement of the
projected benefit obligation:*

Discount rate	6.00%	5.50%	5.14%	5.14%	5.55%	5.32%
Salary growth rate	4.48%	4.46%	3.75%	3.67%	4.15%	4.13%

Pension Benefits

	Domestic		Foreign			Total			
	2006	2005	2004	2006	2005	2004	2006	2005	2004

(In millions)

*Components of
net periodic cost:*

Service cost	\$ 6.4	\$ 5.7	\$ 6.0	\$ 5.3	\$ 4.1	\$ 3.9	\$ 11.7	\$ 9.8	\$ 9.9
Interest cost	8.5	7.6	7.4	8.2	5.8	3.7	16.7	13.4	11.1
Expected return on plan assets	(8.9)	(7.5)	(6.5)	(8.4)	(5.7)	(3.4)	(17.3)	(13.2)	(9.9)
Net amortization	2.0	1.0	0.9	0.8	0.3	0.2	2.8	1.3	1.1
Net periodic cost	\$ 8.0	\$ 6.8	\$ 7.8	\$ 5.9	\$ 4.5	\$ 4.4	\$ 13.9	\$ 11.3	\$ 12.2

*Weighted average
assumption used
to measure net
periodic cost*

Discount rate	5.50%	5.90%	6.25%	5.14%	5.59%	5.66%	5.32%	5.79%	6.03%
Expected return on plan assets	8.50%	8.50%	8.50%	6.56%	6.77%	7.11%	7.44%	7.60%	7.95%
Salary growth rate	4.46%	4.80%	5.44%	3.67%	3.80%	3.89%	4.13%	4.41%	4.83%

**Estimated Future Benefit
Payments**

	Domestic	Foreign	Total
2007	\$ 3.7	\$ 4.3	\$ 8.0
2008	3.9	4.7	8.6

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2009	4.2	5.3	9.5
2010	5.5	5.0	10.5
2011	5.8	5.3	11.1
2012-2016	37.3	33.8	71.1
Total	\$ 60.4	\$ 58.4	\$ 118.8

The accumulated benefit obligation in 2006 was \$129.1 million for the Domestic Plans and \$142.3 million for the Foreign Plans. In 2005, the accumulated benefit obligation was \$125.7 million for the Domestic Plans and \$123.8 million for the Foreign Plans. The Company had six plans in 2006 and 2005 where the accumulated benefit obligation was in excess of the fair value of plan assets. For pension plans with accumulated benefit obligations in excess of plan assets the aggregate pension accumulated benefit obligation was \$78.3 million and \$229.9 million for 2006 and 2005, respectively and aggregate fair value of plan assets was \$60.8 million and \$190.6 million for 2006 and 2005, respectively.

The Company currently estimates that it will make contributions of approximately \$10.4 million to its Domestic and Foreign Plans in 2007.

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ANIXTER INTERNATIONAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Non-union domestic employees of the Company hired on or after June 1, 2004 earn a benefit under a personal retirement account (cash balance account). Each year, a participant's account receives a credit equal to 2.0% of the participant's salary (2.5% if the participant's years of service at the beginning of the plan year are five or more). Interest earned on the credited amount is not credited to the personal retirement account, but is contributed to the participant's account in the Anixter Inc. Employee Savings Plan. The contribution equals the interest earned on the personal retirement account in the Domestic Plan and is based on the 10-year Treasury securities rate as of the last business day of December.

Anixter Inc. adopted the Anixter Inc. Employee Savings Plan effective January 1, 1994. The Plan is a defined-contribution plan covering all non-union domestic employees of the Company. Participants are eligible and encouraged to enroll in the tax-deferred plan on their date of hire, and are automatically enrolled approximately 60 days after their date of hire unless they opt out. The savings plan is subject to the provisions of ERISA. The Company makes a matching contribution equal to 25% of a participant's contribution, up to 6% of a participant's compensation. The Company's contributions to these plans are based upon various levels of employee participation. The total cost of all of the defined contribution plans was \$2.3 million, \$2.0 million and \$1.9 million in 2006, 2005 and 2004, respectively.

The Company has no other post-retirement benefits other than the pension plans and savings plans described herein.

A non-qualified deferred compensation plan was implemented on January 1, 1995. The plan permits selected employees to make pre-tax deferrals of salary and bonus. Interest is accrued monthly on the deferred compensation balances based on the average 10-year Treasury note rate for the previous three months times a factor of 1.4, and the rate is further adjusted if certain financial goals of the Company are achieved. The plan provides for benefit payments upon retirement, death, disability, termination or other scheduled dates determined by the participant. At December 29, 2006 and December 30, 2005, the deferred compensation liability was \$28.7 million and \$25.5 million, respectively.

Concurrent with the implementation of the deferred compensation plan, the Company purchased variable, separate account life insurance policies on the lives of the participants. To provide for the liabilities associated with the deferred compensation plan and an executive non-qualified defined benefit plan, fixed general account increasing whole life insurance policies were purchased on the lives of certain participants. Prior to 2006, the Company paid level annual premiums on the above company-owned policies. The last premium was paid in 2005. Policy proceeds are payable to the Company upon the insured participant's death. At December 29, 2006 and December 30, 2005, the cash surrender value of \$33.4 million and \$30.8 million, respectively, was recorded under this program and reflected in Other assets on the consolidated balance sheets.

NOTE 12. PREFERRED STOCK AND COMMON STOCK

Preferred Stock

The Company has the authority to issue 15.0 million shares of preferred stock, par value \$1.00 per share, none of which was outstanding at the end of 2006 and 2005.

Common Stock

The Company has the authority to issue 100.0 million shares of common stock, par value \$1.00 per share, of which 39.5 million shares and 38.4 million shares were outstanding at the end of 2006 and 2005, respectively.

Stock Units

Prior to 2003, the Company granted stock options to employees. Under the terms of the Company's 2001 Stock Incentive Plan, the Company may grant either stock options or stock units. Subsequently, the Company granted

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approximately 232,346, 262,183 and 244,630 stock units to employees in 2006, 2005 and 2004, respectively, with a weighted-average grant date fair value of \$46.29, \$37.39 and \$30.50 per share, respectively. The grant-date value of the stock units is amortized and converted to outstanding shares of common stock on a one-for-one basis over either a four-year or six-year vesting period from the date of grant based on the specific terms of the grant. Compensation expense associated with the stock units was \$8.3 million, \$6.7 million and \$4.6 million in 2006, 2005 and 2004, respectively.

In 1996, the Company adopted a Director Stock Unit Plan to pay its non-employee directors annual retainer fees in the form of stock units. Currently, these units are granted quarterly. Prior to 2005, these units were granted annually. These stock units convert to common stock outstanding of the Company at a pre-arranged time selected by each director. Stock units were granted to ten directors in 2006, nine directors in 2005 and eleven directors in 2004 having an aggregate value at grant date of \$1.3 million, \$0.6 million and \$1.0 million, respectively. Compensation expense associated with the director stock units was \$1.0 million, \$1.4 million and \$1.0 million in 2006, 2005 and 2004, respectively.

The following table summarizes the activity under the director and employee stock unit plans:

	Director Stock Units	Weighted Average Grant Date Value (Units in thousands)	Employee Stock Units	Weighted Average Grant Date Value
Balance at January 2, 2004	141.9	\$ 22.26	284.7	\$ 22.51
Adjustment*			2.8	18.81
Granted	30.4	33.24	244.6	30.50
Converted	(9.2)	26.87		
Cancelled			(6.4)	25.57
Balance at December 31, 2004	163.1	24.05	525.7	26.17
Granted	15.5	37.17	262.2	37.39
Converted	(45.6)	23.50	(132.1)	21.40
Cancelled			(6.2)	29.57
Balance at December 30, 2005	133.0	25.77	649.6	31.62
Granted	28.2	46.91	232.3	46.29
Converted	(31.2)	22.11	(154.1)	27.04
Cancelled			(29.1)	37.37
Balance at December 29, 2006	130.0	\$ 31.24	698.7	\$ 37.27

** In accordance with the provisions of the enhanced incentive plan, stock units granted in 2001 were adjusted to reflect the special dividend in 2004. As a result, the number of outstanding stock units associated with the 2001 grant increased from 53,680 to 56,531 in 2004. This change resulted in no additional compensation expense in 2004.*

The aggregate intrinsic value of units converted for 2006, 2005 and 2004 was \$2.7 million, \$1.4 million and \$0.1 million, respectively. The aggregate intrinsic value of converted units represents the total pre-tax intrinsic value (calculated as the difference between the Company's stock price on the date of conversion and the grant date fair market value, multiplied by the number of units) that was received by unit holders in 2006, 2005 and 2004, respectively.

The aggregate intrinsic value of units outstanding for 2006, 2005 and 2004 was \$14.9 million, \$6.6 million and \$7.1 million, respectively. The aggregate intrinsic value of units convertible for 2006, 2005 and 2004 was \$3.0 million, \$1.8 million and \$1.9 million, respectively. The aggregate intrinsic value of units outstanding and convertible represents the total pre-tax intrinsic value (calculated as the difference between the Company's closing

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stock price on the last trading day of the fiscal year and the grant date fair market value, multiplied by the number of units) that would have been received by the unit holders. These amounts change based on the fair market value of the Company's stock which was \$54.30, \$39.12 and \$35.99 at December 29, 2006, December 30, 2005 and December 31, 2004, respectively. The weighted-average remaining contractual term for outstanding employee units is 2.3 years.

Stock Options

During 2006, the Company's stockholders approved the 2006 Stock Incentive Plan (the Incentive Plan). A total of 1.7 million shares of the Company's common stock may be issued pursuant to the Incentive Plan.

At December 29, 2006, there were 1.7 million shares reserved from the 2006 plan and 0.2 million shares reserved from the previous plans for additional stock option awards or stock grants. Options previously granted under these plans have been granted with exercise prices at, or higher than, the fair market value of the common stock on the date of grant. All options expire ten years after the date of grant. The Company generally issues new shares to satisfy stock option exercises as opposed to adjusting treasury shares. In accordance with SFAS 123(R), the fair value of stock option grants is amortized over the respective vesting period representing the requisite service period.

During 2006, the Company granted an additional 168,000 stock options to employees and began amortizing the grant-date fair market value of approximately \$3.5 million over the six-year vesting period representing the requisite service period. The weighted-average fair value of the 2006 stock option grant was \$21.07 per share which was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: expected stock price volatility of 34%, expected dividend yield of zero; risk-free interest rate of 4.6%; and an average expected life of 7 years. Compensation expense associated with the stock options including those granted prior to 2006 was \$1.2 million for the year (\$0.5 million for 2006 options and \$0.7 million for 2002 options).

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The following table summarizes the activity under the employee and director option plans:

	Employee Options	Weighted Average Exercise Price (Options in thousands)	Director Options	Weighted Average Exercise Price
Balance at January 2, 2004	4,487.5	\$ 21.50	100.0	\$ 19.47
Adjustment*	224.9	20.28	4.5	18.75
Exercised	(846.0)	20.63	(62.4)	17.74
Cancelled	(15.9)	23.50		
Balance at December 31, 2004	3,850.5	20.37	42.1	19.65
Adjustment*	349.6	18.55		
Exercised	(824.8)	17.60	(42.1)	19.65
Cancelled	(5.7)	20.25		
Balance at December 30, 2005	3,369.6	18.55		
Granted	168.0	46.29		
Exercised	(945.8)	17.08		
Cancelled	(0.7)	22.39		
Balance at December 29, 2006	2,591.1	\$ 20.89		\$
Options exercisable at year-end:				
2004	3,000.9	\$ 19.20	42.1	\$ 19.65
2005	3,062.5	\$ 18.16		\$
2006	2,423.1	\$ 19.13		\$

* In accordance with the provisions of the stock option plan, the exercise price and number of options outstanding were adjusted to reflect the special dividends in 2005 and 2004. (See Note 5. *Special Dividends*). No adjustment was necessary in 2005 to director options as all previously outstanding options were exercised prior to the special dividend in 2005.

The aggregate intrinsic value of options exercised for 2006, 2005 and 2004 was \$31.1 million, \$18.4 million and \$10.1 million, respectively. The aggregate intrinsic value of options exercised represents the total pre-tax intrinsic value (calculated as the difference between the Company's stock price on the date of exercise and the exercise price, multiplied by the number of options) that was received by the option holders in 2006, 2005 and 2004, respectively.

The aggregate intrinsic value of options outstanding for 2006, 2005 and 2004 was \$86.6 million, \$69.3 million and \$60.8 million, respectively. The aggregate intrinsic value of options exercisable for 2006, 2005 and 2004 was \$85.2 million, \$64.2 million and \$51.1 million, respectively. The aggregate intrinsic value of options outstanding and

exercisable represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day each fiscal year and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options in 2006, 2005 and 2004, respectively. These amounts change based on the fair market value of the Company's stock which was \$54.30, \$39.12 and \$35.99 at December 29, 2006, December 30, 2005 and December 31, 2004, respectively. The weighted-average remaining contractual term for options outstanding and exercisable for 2006 was 3.8 years and 3.6 years, respectively.

Table of Contents**ANIXTER INTERNATIONAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Summary of Non-Vested Shares*

The following table summarizes the activity of unvested employee stock units and options:

	Non-vested Shares		Weighted Average Grant Date Fair Value
			(In thousands)
Non-vested shares at December 30, 2005	956.7	\$	28.67
Granted	400.3		46.29
Vested	(460.5)		23.98
Forfeited	(29.8)		37.00
Non-vested shares at December 29, 2006	866.7	\$	39.02

As of December 29, 2006, there was \$15.3 million of total unrecognized compensation cost related to unvested stock units and options granted to employees which is expected to be recognized over a weighted average period of 2.6 years.

NOTE 13. BUSINESS SEGMENTS

The Company is engaged in the distribution of communications and specialty wire and cable products and C Class inventory components from top suppliers to contractors and installers, and also to end users including manufacturers, natural resources companies, utilities and original equipment manufacturers. The Company is organized by geographic regions and, accordingly, has identified North America (United States and Canada), Europe and Emerging Markets (Asia Pacific and Latin America) as reportable segments. The Company obtains and coordinates financing, tax, information technology, legal and other related services, certain of which are rebilled to subsidiaries. Certain corporate expenses are allocated to the segments based primarily on specific identification, projected sales and estimated use of time. Interest expense and other non-operating items are not allocated to the segments or reviewed on a segment basis. Intercompany transactions are not significant.

In 2004, the Company recorded an extraordinary gain of \$4.1 million and an impairment charge of \$1.8 million in its North America segment. For more information, see Note 3. Extraordinary Gain and Note 4. Impairment

Table of Contents**ANIXTER INTERNATIONAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Charge. No customer accounted for 5% or more of sales in 2006, 2005 or 2004. Export sales were insignificant. Segment information for 2006, 2005 and 2004 was as follows:

	North America				Emerging	
	United	Canada	Total	Europe	Markets	Total
	States		(In millions)			
2006						
Net sales	\$ 3,055.1	\$ 556.6	\$ 3,611.7	\$ 980.4	\$ 346.5	\$ 4,938.6
Operating income	212.7	63.8	276.5	37.1	23.5	337.1
Depreciation	11.5	1.0	12.5	5.7	1.1	19.3
Amortization	11.8	0.3	12.1	3.5	0.4	16.0
Goodwill	260.6	14.3	274.9	82.8	7.1	364.8
Tangible long-lived assets	66.1	3.2	69.3	25.2	3.6	98.1
Total assets	1,487.4	218.1	1,705.5	669.9	190.8	2,566.2
Capital expenditures	15.2	0.3	15.5	7.7	1.6	24.8
2005						
Net sales	\$ 2,467.4	\$ 383.4	\$ 2,850.8	\$ 726.1	\$ 270.5	\$ 3,847.4
Operating income	132.1	29.2	161.3	17.9	10.2	189.4
Depreciation	12.4	0.9	13.3	4.1	0.9	18.3
Amortization	9.6	0.2	9.8	1.9	0.3	12.0
Goodwill	249.8	14.2	264.0	49.6	6.6	320.2
Tangible long-lived assets	59.1	3.3	62.4	19.3	3.0	84.7
Total assets	1,272.5	169.2	1,441.7	422.2	148.2	2,012.1
Capital expenditures	8.7	2.3	11.0	2.5	1.5	15.0
2004						
Net sales	\$ 2,169.9	\$ 324.6	\$ 2,494.5	\$ 554.3	\$ 226.4	\$ 3,275.2
Operating income	103.1	17.1	120.2	9.9	7.9	138.0
Depreciation	12.4	0.7	13.1	2.5	0.8	16.4
Amortization	8.3		8.3	0.9		9.2
Goodwill	248.4	13.8	262.2	24.4	7.0	293.6
Tangible long-lived assets	59.7	2.0	61.7	8.1	2.3	72.1
Total assets	1,163.7	145.4	1,309.1	271.8	125.7	1,706.6
Capital expenditures	10.5	0.7	11.2	2.5	0.8	14.5

NOTE 14. SUMMARIZED FINANCIAL INFORMATION OF ANIXTER INC.

The Company guarantees, fully and unconditionally, substantially all of the debt of its subsidiaries, which includes Anixter Inc. The Company has no independent assets or operations and all other subsidiaries other than Anixter Inc. are minor. Certain debt agreements entered into by Anixter Inc. contain various restrictions including restrictions on payments to the Company. Such restrictions have not had, and are not expected to have, an adverse

Table of Contents**ANIXTER INTERNATIONAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

impact on the Company's ability to meet its cash obligations. The following summarizes the financial information for Anixter Inc.:

**ANIXTER INC.
CONDENSED CONSOLIDATED BALANCE SHEETS**

	December 29, 2006	December 30, 2005
	(In millions)	
Assets:		
Current assets	\$ 2,024.4	\$ 1,541.5
Property, net	61.5	52.7
Goodwill and other intangibles	417.6	350.4
Other assets	81.5	79.9
	\$ 2,585.0	\$ 2,024.5
Liabilities and Stockholders' Equity:		
Current liabilities	\$ 919.7	\$ 582.5
Subordinated notes payable to parent	22.0	30.5
Long-term debt	438.2	469.3
Other liabilities	104.8	89.8
Stockholders' equity	1,100.3	852.4
	\$ 2,585.0	\$ 2,024.5

**ANIXTER INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	December 29, 2006	Years Ended December 30, 2005	December 31, 2004
	(In millions)		
Net sales	\$ 4,938.6	\$ 3,847.4	\$ 3,275.2
Operating income	\$ 341.5	\$ 194.0	\$ 141.9
Income before income taxes	\$ 307.9	\$ 161.8	\$ 121.4
Net income	\$ 211.7	\$ 92.4	\$ 72.8

NOTE 15. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited interim results of operations and the price range of the common stock composite for each quarter in the years ended December 29, 2006 and December 30, 2005. The Company has never paid regular cash dividends on its common stock. However, in 2005 and 2004, the Company declared two separate special dividends of \$4.00 and \$1.50 per common share, respectively, or \$156.1 million and \$55.8 million, respectively, as a return of excess capital to shareholders. See Note 5. Special Dividends for further details. As of February 20, 2007, the Company had 3,337 shareholders of record.

Table of Contents**ANIXTER INTERNATIONAL INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In millions, except per share amounts)			
Year ended December 29, 2006				
Net sales	\$ 1,070.5	\$ 1,239.8	\$ 1,330.5	\$ 1,297.8
Cost of goods sold	813.3	932.7	1,010.0	983.3
Operating income	59.6	91.0	96.1	90.4
Income before income taxes	51.0	80.5	94.3	77.2
Net income	31.3	49.4	76.2	52.4
Basic income per share	0.81	1.27	1.95	1.33
Diluted income per share	0.74	1.15	1.76	1.20
Composite stock price range:				
High	47.88	52.62	59.10	61.45
Low	38.67	44.45	44.42	51.27
Close	47.78	47.46	56.47	54.30
Year ended December 30, 2005				
Net sales	\$ 876.5	\$ 936.1	\$ 1,009.2	\$ 1,025.6
Cost of goods sold	664.1	713.6	769.6	775.0
Operating income	39.6	46.2	48.9	54.7
Income before income taxes	32.7	37.9	41.7	45.1
Net income	20.4	24.4	25.1	20.1
Basic income per share	0.54	0.64	0.66	0.53
Diluted income per share	0.51	0.61	0.62	0.49
Composite stock price range:				
High	38.43	39.00	42.16	40.65
Low	31.16	32.90	35.44	34.45
Close	35.82	36.99	40.33	39.12

NOTE 16. SUBSEQUENT EVENTS

In January 2007, the Company repurchased 1 million of its outstanding common shares, at an average price of \$52.30, under an authorized share repurchase program.

On February 16, 2007, the Company completed the issuance of \$300.0 million principal amount of Convertible Senior Notes due 2013. The notes were sold in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. The \$300.0 million principal amount includes \$25.0 million of notes issued pursuant to an overallotment option.

The notes will pay interest semiannually at a rate of 1.00% per annum. The notes will be convertible, at the holders option, at an initial conversion rate of 15.7530 shares per \$1,000 principal amount of notes, which represents a 15 percent conversion premium based on the last reported sale price of \$55.20 per share of the Company's common stock on February 12, 2007. The notes will be convertible, under certain circumstances, into 4,725,900 shares of the Company's common stock, subject to customary anti-dilution adjustments. Upon conversion, holders will receive cash

up to the principal amount, and any excess conversion value will be delivered, at the Company's election in cash, common stock or a combination of cash and common stock.

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ANIXTER INTERNATIONAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Concurrently with the issuance of the notes, the Company entered into a convertible note hedge transaction, comprised of a purchased call option and a sold warrant, with an affiliate of one of the initial purchasers. The transaction will generally have the effect of increasing the conversion price of the notes. The net cost to the Company was approximately \$36.8 million.

The purchased call options will cover 4,725,900 shares of our common stock, subject to customary anti-dilution adjustments. Concurrently with entering into the purchased call option, the Company entered into a warrant transaction with the counterparty. Pursuant to the warrant transaction, the Company sold to the counterparty a warrant to purchase 4,725,900 shares of its common stock, subject to customary anti-dilution adjustments. The warrant may not be exercised prior to the maturity of the notes.

Net proceeds from this offering were approximately \$292.5 million after deducting estimated discounts, commissions and expenses. The Company used net proceeds from the offering and proceeds of approximately \$52.0 million from the warrant transaction to purchase 2 million shares of its common stock at an average price of \$55.20. In addition, approximately \$88.8 million was used to fund the convertible note hedge transaction. The remaining proceeds from the transactions will be used for general corporate purposes, including reducing funding under the Company's accounts receivable securitization program and to reduce borrowings under its revolving credit facilities.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation as of December 29, 2006 of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (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 annual report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control - Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 29, 2006.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 29, 2006 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report below.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Directors and Shareholders
of Anixter International Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Anixter International Inc. maintained effective internal control over financial reporting as of December 29, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Anixter International Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Anixter International Inc. maintained effective internal control over financial reporting as of December 29, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Anixter International Inc. maintained, in all material respects, effective internal control over financial reporting as of December 29, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Anixter International Inc. as of December 29, 2006 and December 30, 2005, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 29, 2006 and our report dated February 22, 2007 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Chicago, Illinois
February 22, 2007

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

See Registrant's Proxy Statement for the 2007 Annual Meeting of Stockholders Election of Directors, Board and Committee Meetings, Corporate Governance and Section 16(a) Beneficial Ownership Reporting Compliance. The Company's Code of Ethics and changes or waivers, if any, related thereto are located on the Company's website at <http://www.anixter.com>.

Information regarding executive officers is included as a supplemental item at the end of Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

See Registrant's Proxy Statement for the 2007 Annual Meeting of Stockholders Compensation Discussion and Analysis, Executive Compensation, Non-Employee Director Compensation, Compensation Committee Report on Executive Compensation and Compensation Committee Interlocks and Insider Participation.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

See Registrant's Proxy Statement for the 2007 Annual Meeting of Stockholders Security Ownership of Management, Security Ownership of Principal Stockholders and Equity Compensation Plan Information.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

See Registrant's Proxy Statement for the 2007 Annual Meeting of the Stockholders Certain Relationships and Related Transactions, Corporate Governance and Board and Committee Meetings.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

See Registrant's Proxy Statement for the 2007 Annual Meeting of Stockholders Independent Auditors and their Fees.

Table of Contents**PART IV****ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES****(a) Index to Consolidated Financial Statements, Financial Statement Schedules and Exhibits.***(1) Financial Statements.*

The following Consolidated Financial Statements of Anixter International Inc. and Report of Independent Registered Public Accounting Firm are filed as part of this report.

	Page
Report of Independent Registered Public Accounting Firm	30
Consolidated Statements of Operations for the years ended December 29, 2006, December 30, 2005 and December 31, 2004	31
Consolidated Balance Sheets at December 29, 2006 and December 30, 2005	32
Consolidated Statements of Cash Flows for the years ended December 29, 2006, December 30, 2005 and December 31, 2004	33
Consolidated Statements of Stockholders' Equity for the years ended December 29, 2006, December 30, 2005 and December 31, 2004	34
Notes to the Consolidated Financial Statements	35

(2) Financial Statement Schedules.

The following financial statement schedules of Anixter International Inc. are filed as part of this report and should be read in conjunction with the Consolidated Financial Statements of Anixter International Inc.:

	Page
I. Condensed financial information of registrant	72
II. Valuation and qualifying accounts and reserves	76

All other schedules are omitted because they are not required, are not applicable, or the required information is shown in the Consolidated Financial Statements or notes thereto.

(3) Exhibit List.

Each management contract or compensation plan required to be filed as an exhibit is identified by an asterisk (*).

Exhibit No.	Description of Exhibit
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(3) Articles of Incorporation and by-laws.

- 3.1 Restated Certificate of Incorporation of Anixter International Inc., filed with Secretary of the State of Delaware on September 29, 1987 and Certificate of Amendment thereof, filed with the Secretary of Delaware on August 31, 1995 (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 3.1).
- 3.2 By-laws of Anixter International Inc. as amended through November 21, 2002. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended January 3, 2003, Exhibit 3.2).

(4) *Instruments defining the rights of security holders, including indentures.*

- 4.1 Indenture dated December 8, 2004, by and between Anixter International Inc. and Bank of New York, as Trustee, with respect to 3.25% zero coupon convertible notes due 2033. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 2004, Exhibit 4.6).

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Exhibit No.	Description of Exhibit
<i>(10) Material contracts.</i>	
10.1	Purchase Agreement between Mesirow Realty Sale-Leaseback, Inc. (Buyer) and Anixter-Real Estate, Inc., a subsidiary of the Company (Seller). (Incorporated by reference from Anixter International Inc., Quarterly Report on Form 10-Q for the quarterly period ended April 2, 2004, Exhibit 10.1).
10.2 *	Anixter International Inc. 1998 Stock Incentive Plan. (Incorporated by reference from Anixter International Inc. Registration Statement on Form S-8, file number 333-56935, Exhibit 4a).
10.3 *	Company s Key Executive Equity Plan, as amended and restated July 16, 1992. (Incorporated by reference from Intel Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 1992, Exhibit 10.8).
10.4 *	Company s Director Stock Option Plan. (Incorporated by reference from Intel Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Exhibit 10.24).
10.5 *	Form of Stock Option Agreement. (Incorporated by reference from Intel Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 1992, Exhibit 10.24).
10.6 *	Form of Indemnity Agreement with all directors and officers. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 10.24).
10.7 *	Anixter International Inc. 1996 Stock Incentive Plan. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 10.26).
10.8 *	Form of Stock Option Grant. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 10.27).
10.9*	Anixter Excess Benefit Plan. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 10.28).
10.10*	Forms of Anixter Stock Option, Stockholder Agreement and Stock Option Plan. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 10.29).
10.11*	(a) Anixter Deferred Compensation Plan. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 10.30). (b) Anixter 1999 Restated Deferred Compensation Plan. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 1999, Exhibit 10.15(b)). (c) Amendment No. 1 to Anixter 1999 Restated Deferred Compensation Plan. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 28, 2001, Exhibit 10.12(c)). (d) Amendment No. 2 to Anixter 1999 Restated Deferred Compensation Plan. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 28, 2001, Exhibit 10.12(d)). (e) Amendment No. 3 to Anixter 1999 Restated Deferred Compensation Plan. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended January 3, 2003, Exhibit 10.12(e)). (f) Amendment No. 4 to Anixter 1999 Restated Deferred Compensation Plan. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended January 2, 2004, Exhibit 10.12(f)).
10.12*	Anixter International 2006 Stock Incentive Plan. (Incorporated by reference from Anixter International Inc. Form 10-Q for the quarterly period ended June 30, 2006, Exhibit 10.1).
10.13*	Anixter International Inc. Management Incentive Plan effective May 20, 2004. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended

December 31, 2004, Exhibit 10.15).

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Exhibit No.	Description of Exhibit
10.14*	Anixter International Inc. 2001 Stock Incentive Plan. (Incorporated by reference from Anixter International Inc. Registration Statement on Form S-8, File number 333-103270, Exhibit 4a).
10.15*	First Amendment to the Anixter International Inc. 2001 Stock Incentive Plan effective May 20, 2004. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 2004, Exhibit 10.18).
10.16*	Anixter International Inc. 2001 Mid-Level Stock Option Plan. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended January 3, 2003, Exhibit 10.19).
10.17*	Anixter International Inc. 1998 Mid-Level Stock Option Plan. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended January 3, 2003, Exhibit 10.20).
10.18*	Form of Anixter International Inc. Restricted Stock Unit Grant Agreement. (Incorporated by reference from Anixter International Inc., Quarterly Report on Form 10-Q for the quarterly period ended April 4, 2003, Exhibit 10.1).
10.19*	Anixter Inc. Supplemental Executive Retirement Plan with Robert W. Grubbs and Dennis J. Letham, dated August 4, 2004. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 2004, Exhibit 10.22).
10.20*	Anixter Inc. Amended and Restated Supplemental Executive Retirement Plan with Robert W. Grubbs and Dennis J. Letham, dated January 1, 2006. (Incorporated by reference from Anixter International Inc. Form 10-K for the year ended December 30, 2005, Exhibit 10.19).
10.21*	First Amendment to the Anixter Inc. Amended and Restated Supplemental Executive Retirement Plan with Robert W. Grubbs and Dennis J. Letham, dated February 19, 2007.
10.22*	Employment Agreement with Robert W. Grubbs, dated January 1, 2006. (Incorporated by reference from Anixter International Inc. Current Report on Form 8-K dated January 1, 2006, Exhibit 10.1).
10.23*	Employment Agreement with Dennis J. Letham, dated January 1, 2006. (Incorporated by reference from Anixter International Inc. Current Report on Form 8-K dated January 1, 2006, Exhibit 10.2).
10.24	Five-year, \$275.0 million, Revolving Credit Agreement, dated June 18, 2004, among Anixter Inc., Bank of America, N.A., as Agent, and other banks named therein. (Incorporated by reference from Anixter International Inc., Quarterly Report on Form 10-Q for the quarterly period ended July 2, 2004, Exhibit 4.1).
10.25	First Amendment to Five-Year, \$275.0 million, Revolving Credit Agreement, dated November 10, 2005, among Anixter Inc., Bank of America, N.A., as Agent, and other banks named therein. (Incorporated by reference from Anixter International Inc. Form 10-K for the year ended December 30, 2005, Exhibit 10.23).
10.26	\$40.0 million (Canadian dollar) Credit Facility, dated November 18, 2005, among Anixter Canada Inc. and The Bank of Nova Scotia. (Incorporated by reference from Anixter International Inc. Form 10-K for the year ended December 30, 2005, Exhibit 10.24).
10.27	Amended and Restated Receivables Sale Agreement dated October 3, 2002, between Anixter Inc. and Anixter Receivables Corporation. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended January 3, 2003, Exhibit 4.6).
10.28	Amended and Restated Receivables Purchase Agreement dated October 3, 2002, among Anixter Receivables Corporation, as Seller, Anixter Inc., as Servicer, Bank One, NA, as Agent and the other financial institutions named herein. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended January 3, 2003, Exhibit 4.7).
10.29	Amendment No. 1 to Amended and Restated Receivables Sale Agreement dated October 2, 2003 between Anixter Inc. and Anixter Receivables Corporation. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended January 2, 2004, Exhibit 4.9).

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Exhibit No.	Description of Exhibit
10.30	Amendment No. 1 to Amended and Restated Receivables Purchase Agreement dated October 2, 2003 among Anixter Receivables Corporation, as Seller, Anixter Inc., as Servicer, Bank One, NA, as Agent and the other financial institutions named herein. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended January 2, 2004, Exhibit 4.10).
10.31	Amendment No. 2 to Amended and Restated Receivables Sale Agreement, dated September 30, 2004 between Anixter Inc. and Anixter Receivables Corporation. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 2004, Exhibit 4.9).
10.32	Amendment No. 2 to Amended and Restated Receivables Purchase Agreement, dated September 30, 2004 among Anixter Receivables Corporation, as Seller, Anixter Inc., as Servicer, JP Morgan Chase Bank, NA, as Agent and the other financial institutions named herein. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 2004, Exhibit 4.10).
10.33	Amendment No. 3 to Amended and Restated Receivables Purchase Agreement, dated September 29, 2005, among Anixter Receivables Corporation, as Seller, Anixter Inc., as Servicer, JP Morgan Chase Bank NA, as Agent and the other financial institutions named herein. (Incorporated by reference from Anixter International Inc. Form 10-K for the year ended December 30, 2005, Exhibit 10.31).
10.34	Amendment No. 4 to Amended and Restated Receivables Purchase Agreement, dated September 28, 2006, among Anixter Receivables Corporation, as Seller, Anixter Inc., as Servicer, JP Morgan Chase Bank, NA, as Agent and the other financial institutions named herein. (Incorporated by reference from Anixter International Inc. Form 10-Q for the quarterly period ended September 29, 2006, Exhibit 10.1).
(14)	<i>Code of ethics.</i>
14.1	Code of ethics. (Incorporated by reference from Anixter International Inc. Annual Report on Form 10-K for the year ended December 31, 2004, Exhibit 14.1).
(21)	<i>Subsidiaries of the Registrant.</i>
21.1	List of Subsidiaries of the Registrant.
(23)	<i>Consents of experts and counsel.</i>
23.1	Consent of Independent Registered Public Accounting Firm.
(24)	<i>Power of attorney.</i>
24.1	Power of Attorney executed by Lord James Blyth, Linda Walker Bynoe, Robert L. Crandall, Robert W. Grubbs, F. Philip Handy, Melvyn N. Klein, George Muñoz, Stuart M. Sloan, Thomas C. Theobald, Matthew Zell and Samuel Zell.
(31)	<i>Rule 13a-14(a)/15d-14(a) Certifications</i>
31.1	Robert W. Grubbs, President and Chief Executive Officer, Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Dennis J. Letham, Senior Vice President-Finance and Chief Financial Officer, Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32)	<i>Section 1350 Certifications.</i>
32.1	Robert W. Grubbs, President and Chief Executive Officer, Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Dennis J. Letham, Senior Vice President-Finance and Chief Financial Officer, Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Copies of other instruments defining the rights of holders of long-term debt of the Company and its subsidiaries not filed pursuant to Item 601(b)(4)(iii) of Regulation S-K and omitted copies of attachments to plans and material contracts will be furnished to the Securities and Exchange Commission upon request.

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ANIXTER INTERNATIONAL INC.

**SCHEDULE I CONDENSED FINANCIAL INFORMATION OF REGISTRANT
ANIXTER INTERNATIONAL INC. (PARENT COMPANY)**

STATEMENTS OF OPERATIONS

	December 29, 2006	Years Ended December 30, 2005 (In millions)	December 31, 2004
Operating loss	\$ (3.2)	\$ (3.4)	\$ (3.2)
Other income (expense):			
Interest income, including intercompany	4.6	4.4	5.7
Loss on extinguishment of debt		(1.2)	
Other	(0.2)	0.2	(1.0)
Income (loss) before income taxes, extraordinary gain and equity in earnings of subsidiaries	1.2		1.5
Income tax benefit			0.3
Income (loss) before extraordinary gain and equity in earnings of subsidiaries	1.2		1.8
Extraordinary gain, net of tax of \$0.6			4.1
Equity in earnings of subsidiaries	208.1	90.0	71.8
Net income	\$ 209.3	\$ 90.0	\$ 77.7

See accompanying note to the condensed financial information of registrant.

Table of Contents**ANIXTER INTERNATIONAL INC.****SCHEDULE I CONDENSED FINANCIAL INFORMATION OF REGISTRANT
ANIXTER INTERNATIONAL INC. (PARENT COMPANY)****BALANCE SHEETS**

	December 29, 2006	December 30, 2005
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2.8	\$ 0.1
Other receivables	11.0	
Income taxes, net	0.6	
Other assets		0.5
Total current assets	14.4	0.6
Investment in and advances to subsidiaries	1,125.9	883.3
Other assets	3.8	4.0
	\$ 1,144.1	\$ 887.9
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Accounts payable and accrued expenses, due currently	\$ 1.5	\$ 3.9
Amounts currently due to affiliates, net	20.7	6.3
Income taxes, net		13.2
Long-term debt	158.8	155.8
Other non-current liabilities	1.1	2.3
Total liabilities	182.1	181.5
Stockholders equity:		
Common stock	39.5	38.4
Capital surplus	113.0	79.6
Accumulated other comprehensive income (loss)	6.2	(5.6)
Retained earnings	803.3	594.0
Total stockholders equity	962.0	706.4
	\$ 1,144.1	\$ 887.9

See accompanying note to the condensed financial information of registrant.

Table of Contents**ANIXTER INTERNATIONAL INC.****SCHEDULE I CONDENSED FINANCIAL INFORMATION OF REGISTRANT
ANIXTER INTERNATIONAL INC. (PARENT COMPANY)****STATEMENTS OF CASH FLOWS**

	December 29, 2006	Years Ended December 30, 2005 (In millions)	December 31, 2004
Operating activities:			
Net income	\$ 209.3	\$ 90.0	\$ 77.7
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Accretion of zero coupon convertible notes	5.1	2.3	(0.2)
Depreciation and amortization	1.2	1.3	1.1
Deferred income taxes	1.4	0.7	20.4
Loss on extinguishment of debt		1.2	
Extraordinary gain			(4.1)
Equity in earnings of subsidiaries	(208.1)	(90.0)	(71.8)
Stock option income tax benefits		0.6	0.2
Excess income tax benefits from employee stock plans	(1.4)		
Intercompany transactions	(7.9)	7.3	
Income tax benefit	(3.2)		(0.3)
Change in other operating items	(16.8)	0.2	4.7
Net cash (used in) provided by operating activities	(20.4)	13.6	27.7
Investing activities:			
Investment in Anixter Inc.			(4.3)
Dividend from subsidiary		92.0	
Net cash provided by (used in) investing activities		92.0	(4.3)
Financing activities:			
Loans from (to) subsidiaries, net	8.5	32.5	(48.0)
Proceeds from issuance of common stock	16.1	15.0	20.9
Payment of cash dividend	(0.8)	(153.7)	(55.1)
Excess income tax benefits from employee stock plans	1.4		
Debt issuance costs			(0.4)
Conversion of 3.25% zero coupon convertible notes	(2.1)		
Net cash provided by (used in) financing activities	23.1	(106.2)	(82.6)
Increase (decrease) in cash and cash equivalents	2.7	(0.6)	(59.2)
Cash and cash equivalents at beginning of year	0.1	0.7	59.9
Cash and cash equivalents at end of year	\$ 2.8	\$ 0.1	\$ 0.7

See accompanying note to the condensed financial information of registrant.

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ANIXTER INTERNATIONAL INC.

**SCHEDULE I CONDENSED FINANCIAL INFORMATION OF REGISTRANT
ANIXTER INTERNATIONAL INC. (PARENT COMPANY)**

NOTE TO THE CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Note A Basis of Presentation

In the parent company condensed financial statements, the Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries since the date of acquisition. The Company's share of net income of its unconsolidated subsidiaries is included in consolidated income using the equity method. The parent company financial statements should be read in conjunction with the Company's consolidated financial statements.

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ANIXTER INTERNATIONAL INC.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

Years ended December 29, 2006, December 30, 2005 and December 31, 2004

Description	Balance at beginning of the period	Charged to income	Charged		Balance at end of the period
			to other accounts (In millions)	Deductions	
Year ended December 29, 2006:					
Allowance for doubtful accounts	\$ 19.6	\$ 10.7	\$ 0.3	\$ (10.0)	\$ 20.6
Allowance for deferred tax asset	\$ 13.1	\$ 0.4	\$ 8.3	\$	\$ 21.8
Year ended December 30, 2005:					
Allowance for doubtful accounts	\$ 18.0	\$ 11.3	\$ (0.8)	\$ (8.9)	\$ 19.6
Allowance for deferred tax asset	\$ 12.5	\$ 0.8	\$ (0.2)	\$	\$ 13.1
Year ended December 31, 2004:					
Allowance for doubtful accounts	\$ 17.3	\$ 10.5	\$ (0.2)	\$ (9.6)	\$ 18.0
Allowance for deferred tax asset	\$ 19.1	\$ (2.9)	\$ (3.7)	\$	\$ 12.5

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Glenview, State of Illinois, on the 23rd day of February 2007.

ANIXTER INTERNATIONAL INC.

By: /s/ Dennis J. Letham
 Dennis J. Letham
Senior Vice President Finance
and Chief Financial Officer

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

/s/ Robert W. Grubbs Robert W. Grubbs	President and Chief Executive Officer (Principal Executive Officer)	February 23, 2007
/s/ Dennis J. Letham Dennis J. Letham	Senior Vice President Finance (Principal Financial Officer)	February 23, 2007
/s/ Terrance A. Faber Terrance A. Faber	Vice President Controller (Principal Accounting Officer)	February 23, 2007
/s/ Lord James Blyth* Lord James Blyth	Director	February 23, 2007
/s/ Linda Walker Bynoe* Linda Walker Bynoe	Director	February 23, 2007
/s/ Robert L. Crandall* Robert L. Crandall	Director	February 23, 2007
/s/ Robert W. Grubbs Robert W. Grubbs	Director	February 23, 2007
/s/ F. Philip Handy* F. Philip Handy	Director	February 23, 2007

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/s/ Melvyn N. Klein*	Director	February 23, 2007
Melvyn N. Klein		
/s/ George Muñoz*	Director	February 23, 2007
George Muñoz		
/s/ Stuart M. Sloan*	Director	February 23, 2007
Stuart M. Sloan		
/s/ Thomas C. Theobald*	Director	February 23, 2007
Thomas C. Theobald		
/s/ Matthew Zell*	Director	February 23, 2007
Matthew Zell		
/s/ Samuel Zell*	Director	February 23, 2007
Samuel Zell		

*By /s/ Dennis J. Letham

Dennis J. Letham (*Attorney in fact*)

Dennis J. Letham, as attorney in fact for each person indicated