SMITH MOORE LLP

ATTORNEYS AT LAW

SDMS DocID 268735

April 17, 2007

BY CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Peterson/Puritan
11.9
sdms# 268735

U.S. EPA Records Center
c/o Peterson/Puritan, Inc. Superfund Site
1 Congress Street
Boston, MA 02114-2023

Re: Peterson/Puritan Superfund Site
Operable Unit 2

Dear Sir/Madame:

This letter responds to the information requests directed to Avnet, Inc. in your letter dated February 15, 2007. The numbered paragraphs below correspond to the numbers of the questions you submitted.

1. General Information About Respondent

a. Avnet, Inc., 2211 S. 47th Street, Phoenix, Arizona 85034.

b. Stephen W. Earp, counsel for Avnet, Inc., Smith Moore LLP, 300 North Greene Street, Suite 1400, Greensboro, North Carolina 27401, telephone 336-378-5314, fax 336-433-7430, e-mail steve.earp@smithmoorelaw.com.

c. Stephen W. Earp, Smith Moore LLP, 300 North Greene Street, Suite 1400, Greensboro, North Carolina 27401, telephone 336-378-5314, fax 336-433-7430, e-mail steve.earp@smithmoorelaw.com.

d. Avnet has no knowledge or information regarding when Carol Cable conducted business at the locations listed in your request. Avnet acquired Carol Cable in 1968 and operated it as a division. Avnet sold the assets of its Carol Cable division on September 15, 1981 to Carol Cable Company, Inc., a Delaware corporation. A copy of the sale agreement is enclosed. Avnet retained no documents or employees connected with Carol Cable, and no one currently employed at Avnet has any knowledge of Carol Cable's operations. The only information Avnet has obtained regarding Carol Cable's operations has come from the following sources: (1) EPA's

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Atlanta Charlotte Greensboro Raleigh Wilmington

notice letter dated February 15, 2007, with attachments; (2) correspondence sent to EPA by counsel for General Cable Industries, Inc. regarding the Site; (3) correspondence sent by counsel for Carol Cable Company, Inc. to EPA in 1989 regarding the L&RR Site in North Smithfield, Rhode Island; and (4) Avnet's 1990 responses to EPA's information requests regarding the L&RR Site. Enclosed are copies of the correspondence regarding the L&RR Site. Because Avnet has so little information regarding Carol Cable, all of which is available to EPA, Avnet is not able to provide any additional information regarding the former Carol Cable locations, businesses, operations or relationship to the Site.

e. Avnet has no current connection with any of the Carol Cable locations you listed. As noted above, Avnet sold its Carol Cable division on September 15, 1981.

f. As noted above, Avnet has no knowledge or information regarding the nature of Carol Cable's business at each location during the 1954-86 time period.

g. Avnet has not submitted any surveys, studies or collections of data to any local, state, federal or private entities about Carol Cable's waste disposal/recycling practices.

2. Respondent's Legal and Financial Status

a. Avnet has approximately 11,000 employees.

b-c. To respond fully to these questions would require a vast amount of research over the 52 years of Avnet's history. Avnet has done business under a variety of names. It does not maintain records regarding the number of employees it has employed in each of its 52 years of operation.

Avnet does not understand the relevance or materiality of the information sought, but if EPA nevertheless believes that such information is necessary, please give me a call so that we can discuss reasonable measures that would accomplish the agency's goals without unduly burdening the company.

d. Avnet's annual reports for the most current three years are enclosed.

e. i-ii. Avnet was incorporated in New York on July 22, 1955.

iii. Avnet's agent for service of process is CT Corporation System, Inc., 111 8th Avenue, New York, New York 10011.

iv. Avnet's officers include the following:

Roy Valley, Chairman of the Board and Chief Executive Officer
David Birk, Senior Vice President, General Counsel and Secretary
Steve Church, Senior Vice President, Chief Human Resources Development Officer
Harley Feldberg, Corporate Vice President; President, Avnet Electronics Marketing/Global
Rick Hamada, Senior Vice President and Chief Operating Officer
Ed Kamins, Senior Vice President and Chief Operational Excellence Officer
Alan Maag, Vice President; Chief Communications Officer
Steve Phillips, Senior Vice President and Chief Information Officer
Jim Smith, President, Avnet Logistics
Raymond Sadowski, Senior Vice President, Chief Financial Officer and Assistant Secretary
John Paget, President, Avnet Technology Solutions, Global
Bob Brown, Vice President, Director of Corporate Audit
John Clark, Vice President, Director of Credit
Ger Coppus, Vice President; President, Avnet Technology Solutions – EMEA
Bill Crowell, Vice President; Group Financial Officer, Avnet Technology Solutions
Fred Cuen, Vice President; President, Avnet Technology Solutions, Americas
Greg Frazier, Executive Vice President, Supply Chain Services, Worldwide
Philip Gallagher, Vice President; President, Avnet Electronics Marketing Americas
Jeff Ittel, Vice President; Senior Vice President, Semiconductor Business Group
Patrick Jewett, Vice President; Director, Administrative Services for Shared Business Services
Tom McCartney, Senior Vice President, Avnet IP&E Worldwide, Avnet Electronics Marketing
David Rapier, Vice President; Senior Vice President, Business Operations, Operational Excellence
Patrick Zammit, Vice President; President, EBV Elektronik

v. Avnet's directors include the following:

Roy Vallee
Dr. Eleanor Baum
J. Veronica Biggins
Lawrence Clarkson
Ehud Houminer
James Lawrence
Fran Noonan
Ray M. Robinson

Gary L. Tooker

vi. Avnet's stock is publicly traded on the New York Stock Exchange. Avnet is not in a position to disclose the names of its shareholders without further protections and assurances. If EPA believes that this information is necessary, please give me a call so that we can make appropriate arrangements.

vii-ix. To provide the names of all persons who served as officers and directors of Avnet, and those who owned more than 5% of Avnet's stock, during the period 1954-86 would require extensive and burdensome research. Avnet does not believe that the exercise would provide any meaningful information regarding the Site or Carol Cable. If EPA nevertheless wishes that information, please contact me so that we can discuss reasonable measures that would accomplish the agency's goals without unduly burdening the company.

f. Avnet does not conduct business as a partnership.

g. Avnet does not conduct business as a trust.

h. Since its incorporation in 1955, Avnet has not been a subsidiary of, otherwise owned or controlled by, or otherwise affiliated with another corporation or entity. A list of Avnet's current US subsidiaries is enclosed.

i. Avnet has no predecessors-in-interest.

j. Because Avnet is a viable, active corporation, this question is not applicable.

k. Avnet continues to exist as the same legal entity it was during the relevant time period.

l. This question is not applicable to Avnet.

3. <u>Information Regarding Avnet's Legal Relationship to Carol Cable</u>

a. i. Avnet has not been able to locate a copy of the agreement under which Avnet acquired Carol Cable in 1968.

ii. As noted above, Avnet has no knowledge or information regarding Carol Cable's operations either before or after Avnet acquired it.

ii. As noted above, on September 15, 1981, Avnet sold the assets of its Carol Cable division to Carol Cable Company, Inc., a Delaware corporation. Avnet had no involvement with Carol Cable after that date.

4. Information About Others

a. Avnet has no knowledge or information regarding the operation of the Site or the source, content or quantity of materials placed/disposed at the Site.

b. General Cable Industries, Inc. has responded to EPA's requests for information regarding Carol Cable, and it listed various persons who might have responsive information. Avnet knows of no other person who might be able to provide more complete and detailed responses.

c. As noted above, Avnet is unaware of any current or former Avnet employees who have knowledge or information about the Site.

5. Compliance With This Request

a. Alan S. Lazar, Assistant General Counsel, Avnet, Inc., 2211 S. 47th Street, Phoenix, Arizona 85034.

Stephen W. Earp, Smith Moore LLP, 300 North Greene Street, Suite 1400, Greensboro, North Carolina 27401.

No records or documents have been reviewed other than those that have been provided by EPA, and those that were sent to EPA by General Cable Industries, Inc.

6. Respondent's Operations

As noted above, Avnet has no knowledge regarding the nature of Carol Cable's operations or its raw materials, products, equipment or wastes. Avnet sold the assets of its Carol Cable division more than 25 years ago and retained no documents related to Carol Cable. Avnet has not identified any current or former Avnet employee who has any knowledge about Carol Cable.

7. Respondent's Wastes and Waste Streams

As noted above, Avnet has no knowledge regarding the nature of Carol Cable's operations or its raw materials, products, equipment or wastes. Avnet sold the assets of its Carol Cable division more than 25 years ago and retained no documents related to Carol Cable. Avnet has not identified any current or former Avnet employee who has any knowledge about Carol Cable.

8. Respondent's Role of Knowledge of Disposal/Treatment/Storage/Recycling/Sale of Waste

As noted above, Avnet has no knowledge regarding the nature of Carol Cable's operations or its raw materials, products, equipment or wastes. Avnet sold the assets of its Carol Cable division more than 25 years ago and retained no documents related to Carol Cable. Avnet has not identified any current or former Avnet employee who has any knowledge about Carol Cable.

9. Site Operations

Avnet has no knowledge or information regarding any operations, events or workers at the Site.

10. Storage, Consolidation or Transfer

As noted above, Avnet has no knowledge regarding the nature of Carol Cable's operations or its raw materials, products, equipment or wastes. Avnet sold the assets of its Carol Cable division more than 25 years ago and retained no documents related to Carol Cable. Avnet has not identified any current or former Avnet employee who has any knowledge about Carol Cable.

Sincerely,

Stephen W. Earp

Enclosures

cc: Mr. Alan S. Lazar

[Composite Conformed Copy]

PURCHASE AGREEMENT

Dated as of September 15, 1981

Among

AVNET, INC.,

CANADA WIRE AND CABLE LIMITED

and

CAROL CABLE COMPANY, INC.

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(a) the real estate and real estate interests described on Schedule B hereto, together with all buildings, fixtures and all other appurtenances thereto;

(b) all property, plant and equipment and interests therein of the Division, including machinery, test equipment and other equipment, operating supplies, office furniture and fixed assets;

(c)(i) with respect to the U.S. Assets, all trade accounts receivable, inventories, prepayments, cash on hand and in banks and deferred items of or related to the Division; (ii) with respect to the Canadian Assets, all prepaid and deferred items listed on the Canadian Closing Date Statement (as hereinafter defined);

(d) all the right, title and interest of the Seller and International in the patents, patent applications, inventions, trademarks, trademark registration applications, trade names (including without limitation the names "Carol Wire & Cable Co." and "Carol Cable Co." and any similar variations thereon), trade secrets, copyrights, royalty rights and license rights associated with, used or employed in the business of the Division (whether such are in the name of the Seller or International or others);

(e) all sales literature, promotional literature and other selling material associated with, used or employed by the Seller or International in connection with the business of the Division;

(f) all books of account (other than the general ledgers of the Seller and International), records, files, invoices, customer lists, supplier lists, blueprints, specifications, designs, drawings, business records and plans, operating data and other data associated with, used or employed by the Division;

(g) all rights of the Seller and International under all claims, contracts, licenses, leases, commitments, sales orders and purchase

(iii) the Seller's and International's obligations to complete sales and purchase orders entered into in the ordinary course of the Division's business to the extent unfilled on the Closing Date, and those relating to the handling of customer complaints to the extent provided in subsection 1.2(b)(viii) below; and

(iv) any other liabilities or obligations incurred by the Seller or International with respect to the Division with the written approval of the Purchaser.

(b) Notwithstanding any other provision of this Agreement, the Purchaser does not assume, agree to perform or discharge, indemnify the Seller or International against or otherwise have any responsibility for any liabilities or obligations, fixed or contingent, and whether arising prior to, on or after the Closing Date, other than those to be reflected as liabilities on the Closing Date Statement, including but not limited to the following:

(i) any indebtedness to the Seller or International or any Affiliate of the Seller or International;

(ii) any liabilities of the Seller or International resulting from any failure by the Seller or International to be licensed or qualified to do business in any jurisdiction;

(iii) any liabilities of the Seller or International for or relating to any taxes which are based on or measured by income (except those for current and deferred state and federal taxes referred to in subsection 1.2(c) below);

(iv) any liabilities or obligations arising out of any pension, thrift, employee savings, bonus or other plan for employee benefits, except as set forth in Article VIII hereof;

(v) any liabilities or obligations to Transferred Employees for severance payment obligations or other separation benefits incurred under any employee benefit plan, compensation policy or collective bargaining or other agreement, or under

purchase price thereof; but provided further that with respect to such customer complaints, to the extent the cost of replacement, repair or refund of such merchandise is insured under any product warranty insurance of the Seller or International, the Seller or International will file claims with the carriers of such insurance and cause any payments thereunder to be paid to the Purchaser; and provided further that the Seller agrees to name the Purchaser as an additional insured under its and International's product liability insurance for a period of five years from the Closing Date and that, in the event the date of sale of merchandise cannot reasonably be determined, the Purchaser shall handle any claims relating thereto, with the final cost to be shared equally between the Purchaser and the Seller; and provided further that the Purchaser, the Seller and International shall cause their respective employees, at no cost to the other parties, to cooperate with one another in connection with the handling of any such claim, litigation, action, proceeding or insurance claim.

(c) Current and deferred state and federal taxes reflected as liabilities to be assumed by the Purchaser on the Division Balance Sheet and Closing Date Statement will be discharged by payment to the Seller in accordance with Schedule R hereto.

1.3 Purchase Price. (a) The purchase price for the Division Assets shall be U.S.$140,000,000 plus the liabilities of the Division set forth on the Closing Date Statement, plus or minus the Adjustment Amount determined pursuant to Section 3.2(b), minus the Pension Plan Liability set forth in Section 1.4.

(b) The purchase price shall be payable as follows:

(i) At the Closing, the Purchaser

(A) shall deliver to the Seller

(1) a U.S.$30,000,000 Note of the Purchaser in the form of Exhibit 3, payable to the Seller, with the principal thereof due seven years from the Closing Date and interest

In the absence of notice of such election at least 3 business days prior to the date on which a payment is due, such payment shall be made by certified check in New York Clearing House funds (or, if attributable to the Canadian assets, payable in Toronto).

(d) As an example of the foregoing, if no amount is deductible pursuant to Section 1.4 and the Estimated Net Book Value is U.S. $108,530,000, the Estimated Adjustment Amount shall be U.S.$2,000,000, the amount of cash to be paid under subsection 1.3(b)(i)(A)(3) above shall be U.S.$112,000,000, and

(i) if Closing Date Net Book Value plus Closing Date Canadian Asset Value is determined pursuant to Section 3.1 to be U.S.$111,530,000, then the Purchaser shall pay U.S.$3,000,000 immediately to the Seller with interest as set forth in subsection 1.3(b)(ii) above, and any dispute shall be resolved pursuant to Section 3.1; or

(ii) if Closing Date Net Book Value plus Closing Date Canadian Asset Value is determined pursuant to Section 3.1 to be U.S.$104,530,000, then the Seller shall pay U.S.$4,000,000 immediately to the Purchaser with interest as set forth in subsection 1.3(b)(ii) above, and any dispute shall be resolved pursuant to Section 3.1.

(e) The Purchase Price and the manner of payment shall be allocated among the assets being purchased as set forth on Schedule Q.

1.4 Pension Plan Liability. The Seller and the Purchaser agree that, on account of past service liability attributable to certain single employer union pension plans, the Seller will pay to the Purchaser, 10 years after the date of Closing, the sum of U.S.$1,100,000. At the Purchaser's option, to be exercised by the date of Closing, the Purchaser may deduct from the Purchase Price an amount equal to the present value on the date of Closing of such amount, discounted at a rate of 15% per annum (or U.S.$271,903).

(c) At the Closing, the Purchaser shall deliver to the Seller and International a Note, a Guaranty and cash in accordance with Section 1.3 and an Assumption of Liabiities substantially in the form of Exhibit 2 hereto.

(d) At or prior to the Closing, the Seller will pay or cause to be paid any and all transfer or stamp taxes or duties and recording or filing fees (other than in connection with the recordation of real estate deeds) or charges payable in connection with the sale or transfer of the Division Assets.

ARTICLE III

Closing Date Determinations

3.1 Closing Date Statement. As promptly as practicable after the Closing Date, but no later than 60 days thereafter, the Seller will prepare or cause to be prepared, utilizing the employees of the Division at no additional cost to the Seller,

(a) a statement (the "Closing Date Statement") setting forth (i) the book value (less applicable reserves and depreciation) of the U.S. Assets (set forth in the same categories of assets as shown on the Division Balance Sheet as at June 30, 1981 described in Section 4.3) acquired by the Purchaser pursuant to Section 1.1 hereof (the "Book Assets") and (ii) the book amount of the liabilities and obligations assumed by the Purchaser pursuant to Section 1.2 hereof (the "Book Liabilities"), each as of the Closing Date; and

(b) a statement (the "Canadian Closing Date Statement") setting forth the book value (less applicable reserves and depreciation) of the Canadian Assets (set forth in the same categories of assets as shown on the Canadian Asset Statement as at June 30, 1981 described in Section 4.3) acquired by the Purchaser pursuant to Section 1.1 hereof (the "Closing Date Canadian Asset Value").

The Closing Date Statement and the Canadian Closing Date Statement shall each be prepared in accordance with the specific accounting and auditing methods and procedures set forth in Exhibit 5 hereto and Section 8.1 hereof and, as to

parties hereto for the purpose of computing any adjustment required pursuant to Section 3.2 hereof unless by February 28, 1982 the Purchaser gives written notice to the Seller that it disputes the amount of the Closing Date Net Book Value or the Closing Date Canadian Asset Value as set forth thereon. The term "Closing Date Net Book Value" shall mean the difference between the Book Assets and the Book Liabilities, in each case as set forth on the Closing Date Statement. Such notice shall specify each item in dispute and copies thereof shall be delivered to Laventhol and Clarkson. If the Purchaser and the Seller shall not, within 30 calendar days following receipt of such notice, resolve each item in dispute, such dispute shall be referred to the Providence office of Price Waterhouse & Co. (or if such office of Price Waterhouse & Co. is unable or unwilling to act hereunder, to such of the eight largest firms of independent public accountants in the United States as may be selected by agreement between Laventhol and Clarkson). The determination of any such firm shall be final, conclusive and binding on the parties hereto, and judgment upon any such determination may be entered in any court having jurisdiction, or application may be made to such court for judicial acceptance of such determination and an order of enforcement, as the case may be. The fees and expenses of any such firm shall be allocated between the parties in proportion to the final resolution of their respective positions as determined by such firm. For example, if the claims of one party are wholly allowed or wholly disallowed, the other party shall pay all or none of such firm's fees and expenses, as the case may be; if 20% in dollar amount of the claims made by a party are finally allowed then such party shall pay 80% of the fees and disbursements of such firm and the other party shall pay 20%. The fees and expenses of Laventhol attributable to its services in connection with the preparation of the Closing Date Statement and the Canadian Closing Date Statement shall be paid by the Seller and the fees and expenses of Clarkson shall be paid by the Purchaser.

3.2 Adjustment of Purchase Price. The Adjustment Amount shall be calculated and payable as follows:

(a) An "Estimated Adjustment Amount" shall be calculated, equal to the difference between (i) U.S.$106,530,000 and (ii)(X) the difference between Book Assets and Book Liabilities as of June 30, 1981, as reflected on the Division Balance Sheet plus (Y) the June 30 Canadian Asset Value (not to

order, arbitration award, judgment or decree to which the Seller is a party or by which the Seller is bound, subject to receipt of required consents as set forth in the Schedules herein described. The Seller has taken all action required by law, its Certificate of Incorporation or By-Laws or otherwise to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby. This Agreement is a valid and binding agreement of the Seller.

4.2 Subsidiaries.

(a) Organization, Existence, Title to Shares and Capital Stock of CCC.

(i) CCC is a corporation duly organized, validly existing and in good standing under the laws of the state of Rhode Island, and neither owns, leases nor operates any property or assets nor carries on any business in Rhode Island or in any other jurisdiction. The execution and delivery of this Agreement by the Seller do not, and the consummation of the transactions contemplated hereby will not, violate any provision of CCC's Certificate of Incorporation or other charter document or By-Laws. CCC is not a party to nor is it bound by any mortgage, lien, lease agreement, instrument, order, arbitration award, judgment or decree. No action by CCC is required for the execution, delivery and performance by the Seller of this Agreement.

(ii) The authorized capital stock of CCC consists of 10 shares of common stock, without par value, of which 10 shares are issued and oustanding. Such issued and outstanding shares constitute all of the issued and outstanding capital stock of CCC. All of such shares are duly authorized and validly issued and outstanding, fully paid and nonassessable, and were not issued in violation of any preemptive or other similar rights of any stockholder. All of such shares are owned of record and beneficially by the Seller, registered in its name, and the Seller has good and marketable title thereto, free and clear of any lien, charge, encumbrance, security interest, option or claim whatsoever. Upon delivery of the certificates representing such shares at the Closing and payment therefor as provided in Article I, the Purchaser will acquire good and marketable title thereto, free and clear of any lien, charge,

statement presents fairly and accurately the June 30 Canadian Asset Value, in conformity with generally accepted accounting principles applied on a consistent basis.

4.4 Employees. Schedule D lists the Division's key officers and employees, and all employees of the Division in Canada, and indicates the names of those who have stated that they will resign or retire as a result of the transactions contemplated by this Agreement.

4.5 Real and Personal Property. (a) Schedule B contains a list and a brief description of all the real property (which shall be deemed to include buildings, improvements, material fixtures, and all other appurtenances to the real property) in which interests are to be transferred hereby as a part of the Division (the "Real Property") which the Seller or International owns, leases or subleases, has agreed (or has an option) to purchase, sell or lease or sublease, or may be obligated to purchase, sell or lease or sublease, any Encumbrances thereon with respect to any real property owned in fee, all surveys and any title insurance or guarantee policies with respect thereto which the Seller or International may have, if any, specifying in the case of leases or subleases, the date thereof and of any amendments or modifications thereof, the name of the lessor or sublessor and the lease term. Except as disclosed on Schedule B, neither the Seller nor International has mortgaged any lease or sublease or subjected any lease or sublease to a security interest, and either the Seller or International has exclusive possession of all the Real Property. The Seller will deliver or cause to be delivered to the Purchaser at or prior to the Closing all correspondence and other documents reasonably required for the use by the Purchaser of the Real Property.

(b) Except as disclosed in Schedule B and except for any Permitted Lien, the Seller has insurable title, at standard rates, to, and owns free and clear of all Encumbrances, all Real Property listed as owned by the Seller on Schedule B, and the Seller has received no notice of any violation of any law, regulation or ordinance (including without limitation laws, regulations or ordinances relating to zoning, environmental, city planning or similar matters) relating to any Real Property, other than violations which individually or in the aggregate will not have a material adverse effect on the business of the Division and will not materially detract from the value or the use of any Real Property.

(e) The Division Assets are adequate for the conduct of the business of the Division as currently conducted and include all Proprietary Rights and trade secrets and other properties and assets, including all goodwill and tangible and intangible assets, applicable to or used in connection with the business of the Division, other than as set forth in Schedule E. Except as so set forth in Schedules B or E, the consummation of the transactions contemplated hereby will effectively convey to the Purchaser all of the Division Assets. All machinery and equipment currently in use which constitute part of the Division Assets are in good condition and repair, except for ordinary wear and tear. The Real Property is being conveyed in its "as is" condition as of the date of signing of this Agreement, subject to normal wear and tear.

4.6 Trademarks, Patents, etc. Schedule F sets forth a list of the following Division Assets and related matters: (a) all trademarks, service marks, trade names, label filings, patents, copyrights, royalty rights, logos, applications therefor and registrations thereof and inventions owned or used (pursuant to license agreements or otherwise) by the Seller or International in or applicable to the business of the Division (collectively, the "Proprietary Rights"), and in the case of any such assets which are so owned the jurisdictions in or by which such assets or any of them have been registered, filed or issued and (b) contracts, agreements or understandings pursuant to which the Seller or International has authorized any person to use any of the assets listed in (a) above as are so owned. The Proprietary Rights listed or referred to in such Schedule are all those used in or applicable to the business of the Division.

To the Seller's knowledge, and except as indicated in Schedule F, (A) either the Seller or International has the right to use each of the Proprietary Rights, (B) there are no claims or demands of any person, firm or corporation (other than attorneys' fees for services and expenses) pertaining to the Proprietary Rights or the rights of the Seller or International thereunder, (C) no proceedings have been instituted or are pending or threatened which challenge the rights of the Seller or International in respect thereof, (D) none of the issued trademarks, service marks, trade names, label filings, patents, copyrights, royalty rights, logos, registrations thereof, or, as the case may be, the rights granted to the Seller or International in respect thereof and listed in such Schedule, infringes on or is being infringed upon by

(a) all union or collective bargaining agreements, and all employment contracts, which are not terminable on 30 days' notice or less without penalty or legal obligation to make payments after the expiration of such 30-day period and all plans, contracts or arrangements providing for bonuses, pensions, deferred compensation, retirement payments, profit-sharing or the like providing for payment of U.S.$10,000 or more per annum in the aggregate;

(b) all options, contracts or commitments for capital expenditures or the acquisition of fixed assets providing for payments in excess of U.S.$50,000 in the aggregate;

(c) all contracts relating to the rental or use of equipment, other personal property or fixtures, involving payment of fixed or contingent annual rentals or sums in excess of U.S.$50,000;

(d) all contracts relating in any way to indebtedness for borrowed money or evidenced by a bond, debenture, note or other evidence of indebtedness (whether secured or unsecured) including but not limited to, indebtedness by way of lease or installment purchase arrangement, guarantee, undertaking on which others rely in extending credit, or otherwise, and all conditional sales contracts, chattel and purchase money mortgages and other security arrangements with respect to any equipment, other personal property or fixtures, except in each case for contracts involving not more than U.S.$50,000;

(e) to the extent applicable to the business of the Division, all contracts limiting the freedom of the Seller or International to engage in or to compete in any line of business or with any person or in any area or to use or disclose any information in its possession;

(f) all license agreements (other than those set forth on Schedule F), either as licensor or licensee;

Seller nor International is in violation of any applicable U.S. or Canadian federal, state, provincial, local or foreign or other law, regulation or order or any other requirement of any governmental, regulatory or administrative agency or authority or court or other tribunal relating to it (including, but not limited to, any law, regulation, order or requirement relating to properties, business, products, manufacturing processes, advertising, sales or employment practices, terms and conditions of employment, wages and hours, safety, occupational safety, health or welfare conditions relating to premises occupied, environmental protection, product safety and liability or civil rights), which violation could reasonably be expected to have a materially adverse effect on the business of the Division or on the Division Assets. Neither the Seller nor International is now charged with, or to the knowledge of the Seller is now under investigation with respect to, any possible violation of any applicable law, regulation, order or requirement relating to any of the foregoing in connection with the business of the Division, and the Seller and International have filed all reports required to be filed with any governmental, regulatory or administrative agency or authority on or before the date hereof if a failure to file such report could result in a materially adverse effect on the business of the Division or on the Division Assets.

4.10 Certain Interests. Except as disclosed in Schedule J, neither the Seller nor International nor any Affiliate thereof nor any officer or director of the Seller or International or any Affiliate thereof or, to the knowledge of the Seller, any relative of any such officer or director, is a party to or has an interest with respect to any material contract or commitment which relates to or affects the business of the Division or by which any of the Division Assets may be bound or has any material interest in any property, real or personal, tangible or intangible, used in or pertaining to the business of the Division. Except as specifically set forth in Schedule J, on the Closing Date there was or will be no advance to or investment (whether direct or indirect, by guarantee or otherwise) in the Seller or International or any Affiliate thereof by the Division or any indebtedness of the Seller or International or any Affiliate thereof to the Division, and there will not be any indebtedness of the Division to the Seller or International or any Affiliate thereof on the Closing Date, except for current and deferred taxes listed on the Division Balance Sheet, the Closing Date Statement and the Canadian Closing

regulations currently in effect including but not limited to ERISA and the Code, applicable to such Employee Plans. None of the Employee Plans which are subject to Title IV of ERISA has been terminated and the Seller does not reasonably expect any such Employee Plan to be terminated within the meaning of Title IV of ERISA; with respect to any Employee Plan which is a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA, the Seller has not incurred and does not reasonably expect to incur any withdrawal liability under Title IV of ERISA other than as set forth in Schedule G; nor has any Employee Plan subject to Part III of Subtitle B of Title I of ERISA or Section 412 of the Code, or both, incurred any "accumulated funding deficiency" (as defined in ERISA), whether or not waived; nor has the Seller failed to make any contributions or pay any amounts due and owing as required by the terms of any Employee Plan; nor has there been any "reportable event" within the meaning of Section 4043(b)(1)-(8), 4062(e), 4063(a) or 4041(f) of ERISA with respect to any Employee Plan (other than the transactions contemplated by this Agreement).

(e) Each Employee Plan intended to qualify under Section 401(a) of the Code has heretofore been determined by the Internal Revenue Service to so qualify, and the trusts created thereunder have heretofore been determined to be exempt from tax under the provisions of Section 401(a) of the Code, and all subsequent amendments to such plans or trusts have been determined by the Internal Revenue Service to so qualify, except as disclosed on Schedule K-1.

(f) With respect to Transferred Employees of International, there are no employee retirement or health plans in force. This is not meant to include mandatory retirement and health benefits required under applicable Canadian and provincial law.

4.12 Governmental Authorizations. The Seller and International have all licenses, permits or other authorizations of governmental, regulatory or administrative agencies or authorities required for the production and sale of the products of the Division or the conduct of its business, each of which will be in full force and effect on the date of Closing. Schedule L sets forth a list of each such license, permit or authorization so required or used. To the best of the Seller's knowledge, except as specified in Schedule L, no registrations, filings, applications, notices, transfers, consents, approvals, orders, qualifications, waivers or other

is material and adverse to the business, financial condition, results of operations or prospects of the Division, or any change in the nature of the business, or manner of conducting the business, of the Division which has had, or may reasonably be expected to have, a material adverse effect on the business, financial condition, results of operations, prospects, assets, licenses or permits of the Division;

(b) any damage, destruction or other casualty loss (whether or not covered by insurance) materially and adversely affecting the business, financial condition, results of operations or prospects of the Division;

(c) any increase in the rate of compensation or in the benefits payable or to become payable by the Seller or International to any employee of the Division over the levels in effect at June 30, 1981, other than (i) normal merit increases for salaried employees of the Division and (ii) increases required by union contracts or by applicable law;

(d) any amendment or termination by the Seller or International of any claim, contract, license, lease, commitment, sales order or purchase order applicable to the Division which amendment or termination is material to the business, operations or prospects of the Division; or

(e) any disposition by the Seller or International of any asset constituting part of the Division other than in the ordinary course of business or as otherwise permitted or contemplated by this Agreement.

4.17 Suppliers. Schedule O sets forth a list of the 15 major suppliers of materials to the Division during the twelve-month period from January, 1980 through February, 1981, indicating the existing contractual arrangements with each such firm.

4.18 Customers. Schedule P sets forth a list of the 15 largest customers (by dollar volume) of the Division during the twelve-month period ended June 30, 1981,

herein and therein not misleading in light of the circumstances in which made.

Information may be supplied in any Schedule by cross-reference to any other Schedule.

ARTICLE V

Representations and Warranties by the Purchaser and Canada Wire

The Purchaser and Canada Wire represent and warrant to the Seller as follows:

5.1 Organization and Authority of the Purchaser. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of Delaware, has the corporate power to execute, deliver and perform this Agreement and has taken all action required by law, its certificate of incorporation, by-laws or otherwise to authorize such execution, delivery and performance; such execution and delivery do not, and the consummation of the transactions contemplated hereby will not, violate any provision of the certificate of incorporation or by-laws of the Purchaser or any provision of any mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree to which the Purchaser is a party or by which it is bound; and this Agreement is a valid and binding agreement of the Purchaser.

5.2 Organization and Authority of Canada Wire. Canada Wire is a corporation duly organized and validly existing under the laws of the Province of New Brunswick (Canada), has the corporate power to execute deliver and perform this Agreement and has taken all action required by law, its governing documents or otherwise to authorize such execution, delivery and performance; such execution and delivery do not, and the consummation of the transactions contemplated hereby will not, violate any provision of the governing documents of Canada Wire or any provision of any mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree to which Canada Wire is a party or by which it is bound; and this Agreement is a valid and binding agreement of Canada Wire.

Division in the ordinary course (including, without limitation, using its best efforts to preserve beneficial relationships between the Division and its employees, lessors, suppliers and customers) and will continue normal marketing, advertising and promotional expenditures during the period from the date hereof until the date of Closing, except as may be permitted hereby or as otherwise agreed in writing by the Purchaser. Credit and payment terms in respect of sales of goods will continue to be made generally on the same terms and conditions as in the past.

6.2 No Encumbrances. Prior to the date of Closing, the Seller will not create or suffer to exist any Encumbrances on any of the Division Assets or enter into any transaction or make any commitment relating to any of the Division Assets otherwise than in the ordinary course of business, except as may be permitted hereby or with the written consent of the Purchaser.

6.3 Books and Records. At all reasonable times after the date of Closing, the Seller shall make available without cost for inspection or copying by the Purchaser or Canada Wire any of the Seller's or International's books and records, including the general ledgers of the Seller and International, relating to the Division which are not to be transferred to the Purchaser pursuant to Section 1.1; provided that in lieu of making such books and records available for inspection or copying the Seller may at its option deliver same to the Purchaser or Canada Wire, in which event the Purchaser or Canada Wire shall store such books and records and shall, at all reasonable times thereafter, make them available without cost for inspection or copying by the Seller or International. At all reasonable times after the date of Closing, the Purchaser shall make available without cost for inspection or copying by the Seller any of the Seller's or International's books and records which are to be transferred to the Purchaser hereunder; provided further that any such inspection or copying shall be conducted in such a manner as not to interfere with the normal conduct of business. Any of the Seller's or International's books and records delivered to the Purchaser or Canada Wire hereunder shall be preserved by the Purchaser or Canada Wire until such time as there has been a final determination of the liability for taxes by the Seller and International for all periods up to and including the Closing Date. Neither party shall dispose of any books and records relating to the Division without first giving notice to the other party and permitting

which are indicated on Schedule H hereof as the consents which the Seller or International will endeavor to obtain.

6.7 Additional Agreements. (a) The Seller, at the request of the Purchaser, at or after the Closing, will promptly execute and deliver, or cause to be executed and delivered, to the Purchaser such assignments, bills of sale, consents and other such instruments in addition to those otherwise required by this Agreement, in form and substance satisfactory to the Purchaser, as the Purchaser may reasonably deem necessary or desirable to carry out or implement any term of this Agreement.

(b) To the extent that any of the contracts, licenses, leases, commitments, sales orders or purchase orders for which assignment to Purchaser is provided herein are not assignable without the consent of another party, this Agreement shall not constitute an assignment or an attempted assignment thereof if such assignment or attempted assignment would constitute a breach thereof. If any such consent shall not be obtained by the Closing (whether because it is not a consent which the Seller or International is required to endeavor to obtain as specified on Schedule H or whether the Purchaser shall have waived in writing the requirement that such consent be obtained or for any other reason), the Seller agrees to cooperate, and to cause International to cooperate, with the Purchaser in any reasonable arrangement designed to provide for the Purchaser the benefits under any such contract, license, lease, commitment, sales order or purchase order, including purchasing under outstanding purchase orders and reselling to the Purchaser at invoice price, without any charge for such service; and the Purchaser shall assume all the Seller's or International's obligations and responsibilities under any such contract, license, lease, commitment, sales order or purchase order. The Seller hereby authorizes the Purchaser, at the Purchaser's expense, to perform all of the Seller's or International's obligations after the Closing pursuant to any such contract, license, lease, commitment, sales order or purchase order; the Seller hereby grants to the Purchaser an appropriate power of attorney to act in the name of the Seller or International with respect thereto; the Seller agrees to remit, or cause International to remit, promptly to the Purchaser all collections received by Seller or International in respect thereof.

(c) The Seller hereby authorizes the Purchaser from and after the Closing to receive and open all mail and

the acquisition of the Division or any part thereof to a person other than in connection with the transactions contemplated herein. After the Closing, the Seller will not use or disclose to third parties, and will not allow its Affiliates to use or disclose to third parties, any trade or business secrets relating to the business of the Division; provided that (i) the Seller may use or disclose any such information which has been publicly disclosed (other than by the Seller or any Affiliate thereof after the date hereof) and (ii) to the extent that the Seller or any Affiliate thereof may become legally compelled to disclose any of such information, the Seller or such Affiliate may disclose such information if they have used their best efforts, and shall have afforded the Purchaser the opportunity, to obtain an appropriate protective order, or other satisfactory assurance of confidential treatment, for the information required to be so disclosed.

6.10 Hart-Scott-Rodino Filings. The Seller will use its best efforts to file or cause to be filed as promptly as practicable with the Federal Trade Commission and the Antitrust Division of the United States Department of Justice any required supplements or further filings with respect to the Notification and Report Form and related material filed by it on August 5, 1981 pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "Antitrust Improvements Act") and the rules and regulations promulgated thereunder.

6.11 Employees. (a) The Seller will use its best efforts to persuade the officers and employees of the Division, and in particular those listed on Schedule D or otherwise designated by the Purchaser, to continue in their positions and become employees of the Purchaser after the date of Closing. The Seller's covenant to use its best efforts hereunder shall not include any obligation by the Seller to expend other than incidental funds.

(b) The Seller will not transfer any officer or employee of the Division or, for a period of two years after the Closing Date, solicit any such officer or employee for employment with the Seller or any of its Affiliates, without first obtaining in writing the approval, which will not be unreasonably withheld, of the Purchaser.

6.12 Agreement Not to Compete. (a) For a period of five years after the Closing Date, the Seller and its

ARTICLE VII

Covenants of the Purchaser and Canada Wire

The Purchaser and Canada Wire covenant and agree with the Seller as set forth below:

7.1 Confidentiality. In the event of termination of this Agreement, the Purchaser will use all reasonable efforts to cause to be delivered to the Seller, and will retain no copies of, all documents, work papers and other material obtained by the Purchaser or on its behalf from the Seller, whether so obtained before or after the execution hereof, and neither the Purchaser nor any Affiliate thereof will itself use or intentionally disclose, directly or indirectly, any information so obtained, or otherwise obtained from the Seller hereunder or in connection herewith, and will use all reasonable efforts to have all such information kept confidential and not used in any way detrimental to the Seller; provided that (a) the Purchaser may use and disclose any such information which has been publicly disclosed (other than by the Purchaser or any Affiliate thereof in breach of their obligations under this Section 7.1) or has rightfully come into the possession of the Purchaser or any Affiliate thereof (other than from the Seller) and (b) to the extent that the Purchaser or any Affiliate thereof may become legally compelled to disclose any of such information, the Purchaser or such Affiliate may disclose such information if they shall have used all reasonable efforts, and shall have afforded the Seller the opportunity, to obtain an appropriate protective order, or other satisfactory assurance of confidential treatment, for the information required to be so disclosed.

7.2 Closing. The Purchaser will, to the extent within its, its Affiliates' or their agents' control, use its best efforts to cause the conditions specified in Section 10.2 to be satisfied on or as soon as practicable after the date of Closing.

7.3 Hart-Scott-Rodino Filings. The Purchaser will use its best efforts to file or cause to be filed as promptly as practicable with the Federal Trade Commission and the Antitrust Division of the United States Department of Justice any required supplements or further filings with respect to the Notification and Report Form and related material filed by it on August 5, 1981 pursuant to the Antitrust

Employee Plans adopted or continued by the Purchaser on or after the Closing Date shall be reflected as a liability (and any prepayment shall be reflected as an asset) of the Division on the Closing Date Statement.

8.2 Welfare Plans. The Purchaser will establish, continue or otherwise provide welfare plans (as defined in Section 3(1) of ERISA) which are comparable, in the aggregate, to those maintained by the Seller or which are required by applicable collective bargaining agreements for Transferred Employees on the Closing Date. The Seller will cancel coverage under its insured welfare plans (including self-insured plans) for such employees as of the Closing Date, and all claims of such employees and their dependents under such plans arising on or prior to or arising out of events occurring on or prior to such date (including without limitation open and unreported claims) shall be covered by the Seller's plan or plans.

8.3 Avnet Pension Plan. No assets or liabilities with respect to Transferred Employees shall be transferred, as a result of this Agreement, from the Avnet Pension Plan (the "Avnet Plan") to any plan established by the Purchaser. The Seller shall retain all obligations to fund or otherwise provide benefits accrued by Transferred Employees under the Avnet Plan through the Closing Date. All Transferred Employees shall vest under the Avnet Plan taking into account periods of service with the Purchaser on or after the Closing Date. Such benefits shall be payable to Transferred Employees pursuant to the terms of the Avnet Plan and shall constitute the sole benefit entitlement of Transferred Employees covered by the Avnet Plan in respect of periods of service with the Seller prior to the Closing Date. The Purchaser shall undertake to provide for such Transferred Employees a retirement plan with pension benefit accruals at least comparable to the Avnet Plan as in effect on the Closing Date for service with the Purchaser following the Closing Date and prior to attainment of age 65 provided that for purposes of determining eligibility for participation and vesting under such plan, service on and prior to the Closing Date to the extent taken into account for such purposes under the Avnet Plan shall be taken into account under the plan established by the Purchaser. The Seller and the Purchaser agree to provide each other with information required to make benefit determinations under their respective plans with respect to Transferred Employees. The Seller agrees to provide the Purchaser, as soon as practicable after the Closing Date, a

required to be posted by the Purchaser under subsection (b) above.

The Seller agrees to be secondarily liable for any withdrawal liability it would have had to any such Multiemployer Plan but for Section 4204(a)(1) of ERISA if (a) the Purchaser withdraws or partially withdraws from the Multiemployer Plan with respect to the operations purchased from the Seller during the first five plan years subsequent to the Closing Date, and (b) if the Purchaser does not pay its liability with respect to the Multiemployer Plan.

The Purchaser and the Seller agree that the provisions of this Section 8.5 are intended to comply in all respects with the provisions of Section 4204 of the Act providing that a sale of assets by an employer to a purchaser in a bona fide arms length sale will not result in the employer being deemed to have completely or partially withdrawn from a multiemployer plan under the Act. Accordingly, the Purchaser and the Seller agree to execute any documents, including but not limited to representations to any Multiemployer Plan and applications for any surety bond, as may be required to effectuate the provisions of Section 4204 of the Act exonerating the Seller from withdrawal liability under the Act as a result of the sale of assets to the Purchaser.

ARTICLE IX

Termination of Agreement

9.1 Termination by the Purchaser or the Seller. This Agreement and the transactions contemplated hereby may be terminated at any time prior to the Closing:

(a) Mutual Consent. By mutual written consent of the Seller and of the Purchaser;

(b) Cut-Off Date. By the Seller or by the Purchaser if the Closing shall not have occurred on or before October 31, 1981, or such other date, if any, as the Seller and the Purchaser shall agree in writing;

(c) Misrepresentation or Breach. By the Purchaser if there has been a material misrepresentation or breach of warranty or covenant on the part

materially and adversely affect the consummation of the acquisition contemplated hereby.

ARTICLE X

Conditions to the Closing

10.1 Conditions to Obligations of the Purchaser. Unless waived in writing by the Purchaser, the obligations of the Purchaser to consummate the transactions contemplated by this Agreement are subject to the satisfaction at or prior to the Closing of the following conditions:

(a) Performance. Each of the acts and undertakings of the Seller to be performed at or before the Closing pursuant hereto shall have been duly performed in all material respects;

(b) Corporate Action. The Seller shall have furnished to the Purchaser:

(i) a copy of the Seller's Restated Certificate of Incorporation, certified as of a recent date by the Secretary of State of New York;

(ii) certified copies of the resolution or resolutions duly adopted by the Board of Directors of the Seller authorizing the execution, delivery and performance of this Agreement by the Seller; and

(iii) a certified copy of the By-Laws of the Seller together with a certificate of the Secretary of the Seller as to the incumbency and signatures of officers, no amendment of the Certificate of Incorporation or By-Laws, and no proceeding for dissolution or liquidation;

(c) Opinion of Counsel to the Seller. The Purchaser shall have received an opinion satisfactory in form and scope to Messrs. McMillan, Binch, counsel to the Purchaser and Canada Wire, and to

consent;

(i) No Litigation. No court, other tribunal or governmental, regulatory or administrative agency or authority having competent jurisdiction, shall have issued any order restraining or prohibiting the effective operation of the business of the Division after the Closing Date. No proceeding challenging this Agreement shall have been instituted or threatened by any Federal, state, local or foreign governmental, regulatory or administrative agency or authority, or instituted by any other person; and no such agency, authority or person shall have initiated any proceeding or, except as to those matters listed in any Schedule, threatened any proceeding against or affecting the Division or entered any ruling or decree finding or asserting a violation of any law, regulation or other requirement applicable to the Division, or taken any other action with respect to the Division, if the effect or potential effect of such proceeding, ruling, decree or action would, in the reasonable business judgment of the Purchaser or Canada Wire, so adversely affect the business or prospects of the Division as to make it inadvisable for the Purchaser to proceed with the purchase of the Division Assets;

(j) No Material Adverse Change. Since June 30, 1981 there shall have been no damage to or destruction of a material part of the property, plant or equipment included in the Division Assets and no change in the business, assets, properties, financial condition or results of operations of the Division other than changes contemplated by this Agreement or the Schedules or changes in the ordinary and usual course of business which, in the reasonable business judgment of the Purchaser, are not expected to be materially adverse to the Division;

(k) Legal Matters Satisfactory to Counsel. All legal matters relating to this Agreement and the consummation of the transactions contemplated hereby shall have been completed to the satisfaction of Messrs. McMillan, Binch, counsel to the Purchaser and Canada Wire, and of Davis Polk &

(iv) certified copies of the By-Laws of the Purchaser and Canada Wire together with a certificate of each of their respective Secretaries or Assistant Secretaries as to the incumbency and signatures of officers, no amendment of the charter documents or By-Laws, and no proceeding for dissolution or liquidation;

(c) Opinions of Counsel to the Purchaser, Canada Wire and the Guarantor. The Seller shall have received opinions satisfactory in form and scope to Weil, Gotshal & Manges, counsel to the Seller, of respective counsel to the Purchaser, Canada Wire and the Guarantor, dated the date of Closing, in substantially the forms of Exhibits 7, 8 and 9 hereto, and of Davis Polk & Wardwell, special counsel to the Purchaser and Canada Wire, dated the date of Closing, in substantially the form of Exhibit 10 hereto;

(d) Representations and Warranties True. The representations and warranties of the Purchaser and Canada Wire contained in this Agreement and in any certificate or other writing delivered pursuant hereto or in connection with the transactions contemplated hereby shall be true in all material respects on and as of the date of Closing with the same effect as though made on and as of such date, and the Seller shall have received at the Closing a certificate of the Purchaser and Canada Wire to such effect dated the date of Closing and executed on behalf of the Purchaser by its President or any Vice President and on behalf of Canada Wire by its President or any Vice President;

(e) No Violation of Statutes, Orders, etc. There shall not be any statute, rule or regulation which makes it illegal for the Seller to consummate the transactions contemplated hereby or any order, decree or judgment which enjoins the Seller from consummating the transactions contemplated hereby;

party hereto (subject to the satisfaction of the respective conditions to their obligations under Article X) to proceed with the Closing and the consummation of the other transactions contemplated hereby, and (b) if any party hereto fails to perform its obligation under Section 1.1 hereof or shall otherwise breach this Agreement with respect to any provision which is within its control, any other party shall have the right to require that such party specifically perform the Agreement.

ARTICLE XII

Survival; Indemnification

12.1 Survival; Remedy for Breach. The covenants, agreements, representations and warranties of the parties hereto contained herein or in any Schedule or certificate delivered pursuant hereto or in connection herewith shall survive the Closing for a period of thirty-six months, unless the claim of the breach of any such covenant, agreement, representation or warranty is not based on any claim made by a third party, in which case such covenant, agreement, representation or warranty shall survive the Closing for a period of eighteen months. Notwithstanding the preceding sentence, any covenant, agreement, representation or warranty in respect of which indemnity may be sought under Section 12.2 or 12.3 shall survive the time at which it would otherwise terminate pursuant to such sentence, if notice of the inaccuracy or breach thereof giving rise to such indemnity shall have been given to the party against whom such indemnity may be sought prior to such time. After the Closing, the sole and exclusive remedy of the Purchaser and Canada Wire and of the Seller, for any breach or inaccuracy of any such representation or warranty by the Seller, or by the Purchaser or Canada Wire, shall be the indemnities contained in Sections 12.2 and 12.3, respectively, which shall survive the Closing for the period set forth above. The Seller's covenants, agreements, representations and warranties provided above are intended to survive, notwithstanding any language to the contrary in the assignment and assumption agreements pursuant to which the leases listed on Schedule B are being assigned to the Purchaser. Notwithstanding any other provision of this Agreement, nothing herein is intended to create any rights in any

or more, the Seller shall be liable for U.S.$150,000 of such de minimus claims and also liable for all three such single claims.

(d) The Seller agrees to indemnify the Purchaser for and hold the Purchaser harmless from any liability and expense (including any professional fees and expenses in connection with any action, suit or proceeding against the Purchaser arising from a partial or complete withdrawal by the Purchaser from a Multiemployer Plan with respect to any portion of such liability attributable to the participation of the Seller in such Multiemployer Plan for the period ending with the Closing Date.

(e) The Purchaser or Canada Wire agrees to give prompt notice to the Seller of the assertion of any claim, or the commencement of any suit, action or proceeding, in respect of which indemnity may be sought hereunder. The Seller shall have the right to, and shall, at the request of the Purchaser, assume the defense of any such action, suit or proceeding at the Seller's expense; provided that the parties shall jointly control (and bear their respective expenses in) the defense of any such action, suit or proceeding to the extent that the Purchaser may bear any liability therefor as a result of the second sentence of subparagraph (b) above or because the action, suit or proceeding involves matters relating to the operation of the Division's business both before and after the Closing Date.

(f) The Seller shall not be liable under this Section 12.2 for any settlement effected without its consent of any claim, litigation or proceeding in respect of which indemnity may be sought hereunder. Except to the extent provided in the last sentence of Section 6.4, no investigation by the Purchaser or Canada Wire at or prior to the Closing shall relieve the Seller of any liability hereunder.

12.3 Indemnification by the Purchaser and Canada Wire. (a) The Purchaser and Canada Wire hereby indemnify the Seller against and agree to hold it harmless from any and all damage, loss, liability and expense (including without limitation, reasonable expenses of investigation and attorneys' fees and

To Canada Wire:

Canada Wire and Cable
Limited
147 Laird Drive
Toronto, Canada
M4G 3WI
Attn.: Bernard T. Ness, President

With copies in each case to:

Robert M. Turnbull, Q.C.
McMillan, Binch
P.O. Box 38
South Tower Royal Bank Plaza
Toronto, Canada
M5J 2J7

and

E. Deane Leonard, Esq.
Davis Polk & Wardwell
1 Chase Manhattan Plaza
New York, New York 10005
U.S.A.

To the Seller:

Avnet, Inc.
767 Fifth Avenue
New York, New York 10153
U.S.A.
Attn.: Leon Machiz, President

With a copy to:

Stephen E. Jacobs, Esq.
Weil, Gotshal & Manges
767 Fifth Avenue
New York, New York 10153
U.S.A.

or such other addresses as shall be furnished by like notice by such party. Any such notice or communication given by mail shall be deemed to have been given when received, and any such notice or communication given by telex shall be deemed to have been given when sent by

employees covered by the applicable collective bargaining agreements referred to in Schedule H annexed hereto who are employed at the Closing Date by the Seller in the Division and who become employees of the Purchaser on and after the Closing Date.

ARTICLE XV

Miscellaneous

15.1 Brokers. The Seller represents to each of the Purchaser and Canada Wire that, except for the obligations of the Seller to Lehman Brothers Kuhn Loeb Incorporated for which the Seller is solely liable, they have not employed any investment banker, broker, finder or intermediary in connection with the transactions contemplated hereby who might be entitled to a fee from the Purchaser or Canada Wire or any commission upon consummation of the transactions contemplated hereby. The Purchaser and Canada Wire each represent to the Seller that they have not employed any such person in such connection who might be so entitled to any such fee from the Seller or any such commission.

15.2 Expenses and Sales Taxes. (a) Except as specifically set forth elsewhere in this Agreement, all legal and other costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

(b) The Seller will pay or cause to be paid when due any and all sales, use or other similar taxes or duties incurred or to be incurred in connection with the sale or transfer of the Division Assets. The Seller will notify the Purchaser of such payment, and the Purchaser will reimburse the Seller for one-half of all such taxes or duties paid by the Seller

15.3 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns; provided, that neither this Agreement nor any right hereunder may be assigned by any party without the consent of the other parties hereto.

have been signed by the Seller and delivered to the Purchaser and Canada Wire.

15.8 Agreement to Take Necessary and Desirable Actions. The Seller, the Purchaser and Canada Wire each agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by this Agreement.

15.9 Headings. The Table of Contents and Headings of Articles and Sections herein are inserted for convenience of reference only and shall be ignored in the construction or interpretation hereof.

15.10 Severability. To the extent, if any, that a court having jurisdiction over the parties shall have determined that any portion of this Agreement is unenforceable in its present form, it is the intention of the parties that this Agreement shall not be abrogated, but instead that the court shall enforce this Agreement to the maximum extent permissible under applicable law or principles of equity.

15.11 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, this Agreement has been executed on behalf of each of the parties hereto as of the day and year first above written.

AVNET, INC.

By /s/ Leon Machiz
Title: President

Exhibit 1A
to
Purchase Agreement

Form of General Bill of Sale
and Assignment (U.S.)
(pursuant to Section 2.1(b)(iii)
of the Purchase Agreement)

GENERAL BILL OF SALE AND ASSIGNMENT

Avnet, Inc., a New York corporation (the "Seller"), for and in consideration of the Purchase Price (as defined in the Purchase Agreement referred to below) and other good and valuable consideration, the receipt of which is hereby acknowledged, paid to it this day in New York, New York by Carol Cable Company, Inc., a Delaware corporation (the "Purchaser"), pursuant to a Purchase Agreement dated as of September 15, 1981 among the Seller, Canada Wire and Cable Limited and the Purchaser (the "Purchase Agreement"), does hereby grant, bargain, sell, convey, transfer, set over and assign unto the Purchaser all the properties, business and assets owned by the Seller used in or applicable to the business of its Carol Wire and Cable Group (the "Division"), consisting of the manufacturing and distribution operations of the Seller described on Schedule A to the Purchase Agreement and located in the United States or to which the Seller shall be entitled on or after the date hereof, including, but not limited to, the following:

(i) the real estate and real estate interests described on Schedule B to the Purchase Agreement, together with all buildings, fixtures and all other appurtenances thereto;

(ii) all property, plant and equipment and interests therein of the Division, including machinery, test equipment and other equipment, operating supplies, office furniture and fixed assets,

(iii) all trade accounts receivable, inventories, prepayments, cash on hand and in banks inventories, prepayments and deferred items of or related to the Division;

(iv) all the right title and interest of the Seller in the patents, patent applications,

in the Seller's name and stead, but on behalf of and for the benefit of the Purchaser, its successors and assigns, to demand and receive any and all of the assets transferred hereunder and to give receipts and releases for and in respect of the same, and any part thereof, and from time to time to institute and prosecute in the Seller's name, or otherwise, at the expense and for the benefit of the Purchaser, its successors and assigns, any and all proceedings at law, in equity or otherwise, which the Purchaser, its successors or assigns, may deem proper for the collection or reduction to possession of any of the assets transferred hereunder or for the collection and enforcement of any claim or right of any kind hereby sold, conveyed, transferred, assigned and delivered, or intended so to be, and to do all acts and things in relation to the assets transferred hereunder which the Purchaser, its successors or assigns, shall deem desirable, the Seller hereby declaring that the foregoing powers are coupled with an interest and are and shall be irrevocable by the Seller in any manner for any reason whatsoever.

IN WITNESS WHEREOF, the Seller has caused this instrument to be executed in its corporate name by its officers thereunto duly authorized this 5th day of October 1981.

AVNET, INC.

By /s/ William S. Rose
Title: Vice President

(Corporate Seal)

Attest:

/s/ Florence M. Light
Assistant Secretary

trade secrets, copyrights, royalty rights and license rights associated with, used or employed in the business of the Division (whether such are in the name of International or others);

(v) all sales literature, promotional literature and other selling material associated with, used or employed by International in connection with the business of the Division;

(vi) all books of account (other than the general ledgers of International), records, files, invoices, customer lists, supplier lists, blueprints, specifications, designs, drawings, business records and plans, operating data and other data associated with, used or employed by the Division;

(vii) all rights of International under all claims, contracts, licenses, leases, commitments, sales orders and purchase orders which the Purchaser has agreed to assume pursuant to Section 1.2 of the Purchase Agreement;

(viii) all other assets and rights of every kind and nature, real or personal, tangible or intangible, of International associated with or used or employed in the business of the Division, except for inventories and accounts receivable of International. The inventories and accounts receivable of Internationa are not to be sold pursuant to this Agreement.

TO HAVE AND TO HOLD the above-described tangible and intangible business and assets to the Purchaser, its successors and assigns, to and for its and their own use forever.

International hereby constitutes and appoints the Purchaser, its successors and assigns, International's true and lawful attorney and attorneys, with full power of substitution, in International's name and stead, but on behalf of and for the benefit of the Purchaser, its successors and assigns, to demand and receive any and all of the assets transferred hereunder and to give receipts and releases for and in respect of the same, and any part thereof, and from time to time to institute and prosecute in International's name, or otherwise, at the expense and for the benefit of the Purchaser, its successors and assigns, any and all proceedings

Exhibit 2
to
Purchase Agreement

Form of Assumption
of Liabilities
(pursuant to Section 2.1(c)
of the Purchase Agreement)

ASSUMPTION OF LIABILITIES

Reference is made to a Purchase Agreement (the "Agreement") dated as of September 15, 1981, among Avnet, Inc., a New York corporation (the "Seller"), Canada Wire and Cable Limited, a New Brunswick (Canada) corporation ("Canada Wire") and Carol Cable Company, Inc., a Delaware corporation (the "Purchaser"). Pursuant to the terms of the Agreement, the Purchaser is purchasing the Division Assets, including the U.S. Assets and the Canadian Assets. All terms used herein which are defined in the Agreement are deemed herein to have the same meanings as in the Agreement.

1. Pursuant to Section 2.1(c) of the Agreement, the Purchaser does hereby agree to assume and to pay, perform or discharge (and indemnify the Seller against), or reimburse the Seller for any payments made on the Seller's behalf, with respect to, only:

(a) the Seller's obligations under notes, trade and other accounts payable and other liabilities and accrued expenses (including the current and deferred federal taxes referred to in subsection 1.2(c) of the Agreement) of the Division outstanding on the Closing Date, which are to be reflected in the Closing Date Statement;

(b) the Seller's obligations and the obligations of Avnet International Limited ("International") under contracts, leases, mortgages, security agreements and commitments, including without limitation employment contracts and collective bargaining agreements, to be performed by their terms after the Closing Date, and which (1) are described on Schedules B or H (or which are obligations relating to the Division which are not required by the terms of the Agreement to be described thereon) or (2) have been entered into or incurred in accordance

Exhibit 3
to
Purchase Agreement

Form of Note
(pursuant to Section 1.3(b)(i)(A)(1)
of the Purchase Agreement)

This Negotiable Promissory Note has not been registered under the United States Securities Act of 1933, as amended, and may not be offered or sold except in compliance with such Act.

CAROL CABLE COMPANY, INC.

NEGOTIABLE PROMISSORY NOTE

New York, New York
$30,000,000 October 5, 1981

FOR VALUE RECEIVED, CAROL CABLE COMPANY, INC., a Delaware corporation (the "Company"), hereby promises to pay to the order of AVNET, INC., a New York corporation (the "Payee"), the principal sum of THIRTY MILLION DOLLARS (U.S.$30,000,000) on October 5, 1988, and interest on the unpaid principal amount hereof at the rate of ten percent (10%) per annum. Interest shall be payable in semi-annual installments of ONE MILLION FIVE HUNDRED THOUSAND DOLLARS (U.S.$1,500,000) on April 5, 1982 and on each October 5 and April 5 thereafter through and including October 5, 1988; provided, however, that any part of the principal amount of this Note which shall not be paid when due (whether at the stated maturity, by acceleration or otherwise) shall thereafter bear interest at a rate per annum equal to 2% above "Prime Rate" until paid in full. "Prime Rate" shall mean the prime lending rate of Chemical Bank from time to time in effect in New York, New York and publicly announced to be such by such bank.

Payments of both principal and interest are to be made at the principal executive offices of the Payee in New York or such other place as the Payee shall designate to the Company in writing, in lawful money of the United States of America.

This Note is the Note of the Company issued pursuant to a certain Purchase Agreement, dated as of September 15, 1981, by and among the Company, Canada Wire and Cable Limited ("Canada Wire") and the Payee (the "Purchase Agreement").

substantial part of the property or assets of an Obligor; all without the consent or acquiescence of such Obligor, and the continuance of any such petition, request, or appointment, unstayed and in effect, for a period of 60 consecutive days; or

(c) The filing by an Obligor of a voluntary petition for relief under Title 11 of the United States Code; the filing by an Obligor of any other petition or similar request with a court having competent jurisdiction for voluntary relief, looking to reorganization, arrangement, composition, readjustment, liquidation, dissolution, winding up or similar relief under any other present or future federal or state statute, law or regulation of the United States or Canada; the making by an Obligor of an assignment for the benefit of creditors; the general inability of an Obligor to pay its debts as such debts become due; the dissolution, liquidation or termination of existence of an Obligor or the consent to, or acquiescence in, or support of any of the actions described in this clause (c) or the preceding clause (b), including, without limitation, the taking of corporate action in furtherance of any such action.

Upon the occurrence of any such event of default, the holder of this Note, at its option, may by notice in writing to the Company declare the unpaid principal balance of this Note, with interest thereon as herein provided (or in the case of an event of default pursuant to subsection (b) or (c) above, the unpaid principal balance of this Note with interest thereon as herein provided shall thereupon automatically become) immediately due and payable, in either case without any legal requirement of further notice, entitlement to which is hereby waived by the Company.

Except as specifically set forth above, each and every party liable hereon, either as maker, endorser, guarantor, surety or otherwise, hereby (1) waives presentment, demand, protest and notices of ever kind and decription, and all suretyship defenses and defenses in the nature thereof; (2) waives any defenses based upon, and specifically assents to, any and all extensions and postponements of the time of payment and all other indulgences and forbearances which may be granted by the holder to any party liable hereon; and (3) agrees to be bound by all the terms contained in this Note and agrees that the obligations and agreements of all such parties shall be joint and several.

Exhibit 4
to
Purchase Agreement

Form of Guaranty
(pursuant to Section 1.3(b)(i)(A)(2)
of the Purchase Agreement)

GUARANTY

In order to induce Avnet, Inc. ("Avnet"), a New York corporation, to sell all of its right, title and interest in and to all of the properties, business and assets constituting its Carol Wire and Cable Group (the "Division") to Carol Cable Company, Inc. (the "Purchaser"), a Delaware corporation, pursuant to a certain Purchase Agreement dated as of September 15, 1981 among Canada Wire and Cable Limited, the Purchaser and Avnet (the "Purchase Agreement"), in exchange for (a) U.S.$110,000,000 in cash, subject to adjustment as provided in the Purchase Agreement, (b) a certain Negotiable Promissory Note of the Purchaser of even date herewith in the aggregate principal amount of U.S.$30,000,000 (the "Note") issued pursuant to the Purchase Agreement and (c) the assumption by the Purchaser of certain of the liabilities and obligations of the Division, and in consideration thereof and of the benefits to accrue to the undersigned by reason of such transactions, the undersigned hereby covenants and agrees with Avnet as follows:

1. The undersigned hereby irrevocably and unconditionally guarantees, to Avnet and to each other holder from time to time of the Note, the due and punctual payment of the principal of and interest on the Note and any renewal, extension, amendment or modification thereof, when and as the same shall become due and payable (whether at stated maturity or by optional prepayment or by declaration or otherwise) in accordance with the terms of the Note, including, without limitation, all expenses and reasonable attorneys' fees incurred in connection with the collection of the Note (all of which liabilities and obligations are hereinafter collectively referred to as the "Guaranteed Obligations").

2. The undersigned waives notice of acceptance of this Guaranty and notice of any liability to which it may apply, and waives diligence, presentment, demand of payment, protest, notice of dishonor or nonpayment of any such liability, suit or taking of other action by Avnet against, and any other notice to, any party liable thereon (including the undersigned).

Purchase Agreement or any of the instruments or agreements referred to therein, or otherwise amend, modify or supplement the Note or the Purchase Agreement or any of such instruments or agreements.

4. No invalidity, irregularity or unenforceability of all or any part of the Guaranteed Obligations or of any security therefor shall affect, impair or be a defense to this Guaranty. This Guaranty is a primary obligation of the undersigned and a continuing guaranty of payment and collectibility and is in no way conditional or contingent upon any attempt to collect from the Purchaser or upon any other action, occurrence or circumstance whatsoever. If the Purchaser shall fail so to pay any such principal, interest or other amount, the undersigned shall forthwith pay the same in the manner and at the place specified in the Note, to the holder of the Note, together with interest on any overdue principal and on any other overdue amount, from the date the same became due and payable to the date of payment at the rate of 2% per annum above the Prime Rate (as specified in the Note).

5. If and to the extent that the undersigned makes any payment to Avnet or to any other person pursuant to or in respect of this Guaranty, any claim which the undersigned may have against the Purchaser by reason thereof shall be subject and subordinate to the prior payment in full of all of the Guaranteed Obligations.

6. The obligations of the undersigned hereunder shall be absolute and unconditional, shall not be subject to any counterclaim, setoff, deduction or defense based upon any claim the undersigned, the Purchaser or any Assuming Corporation (as defined in the Note) may have against the other or against Avnet, any holder of the Note, or any other person, hereunder or otherwise, and shall remain in full force and effect without regard to, and shall not be impaired, released, discharged or in any way affected by, any circumstance or condition whatsoever (whether or not the undersigned shall have any knowledge or notice thereof), including, without limitation: (a) any circumstance referred to in paragraph 3 hereof; (b) any assignment, assumption or transfer of the Note or the Purchase Agreement or any interest therein; (c) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, custodianship, liquidation or similar proceeding with respect to the Purchaser or its properties or its creditors; (d) any sale or other transfer of any capital stock of the Purchaser or any Assuming Corporation; (e) any merger or

or, until an address is so furnished, at the address of the last holder of the Note as shall have furnished an address to the undersigned, or (c) if to the undersigned, at the address set forth below opposite the signature of the undersigned, or at such other address as the undersigned shall have furnished to Avnet in writing.

10. All liabilities to which this Guaranty applies or may apply under the terms hereof shall be conclusively presumed to have been created in reliance hereon. No delay on the part of Avnet or any holder of the Note in exercising any of their options, powers or rights, or any partial or single exercise thereof, shall constitute a waiver thereof. No waiver of any of their rights hereunder, and no modification or amendment of this Guaranty, shall be deemed to be made by Avnet or any holder of the Note unless the same shall be in writing, duly signed on behalf of such holder, and each such waiver (if any) shall apply only with respect to the specific instance involved and shall in no way impair the rights of Avnet or any holder of the Note or the obligations of the undersigned to Avnet or any holder of the Note in any other respect at any other time.

11. This Guaranty and the rights and obligations of Avnet and of the undersigned hereunder shall be governed by and construed and enforced in accordance with the laws of the State of New York.

12. This Guaranty is binding upon the undersigned, its successors and assigns, and shall inure to the benefit of Avnet and its successors and assigns including, without limitation, any other holder or holders at any time of the Note. The undersigned further agrees that if at any time the Purchaser or any Assuming Corporation shall make any payment to Avnet with respect to the Guaranteed Obligations and any such payment is recovered from, or repaid by, Avnet in whole or in part in any bankruptcy, insolvency or similar proceeding instituted by or against the Purchaser or any Assuming Corporation, this Guaranty shall continue to be fully applicable to the Guaranteed Obligations to the same extent as though the payment so recovered or repaid had never been originally made.

IN WITNESS WHEREOF, the undersigned has caused this Guaranty to be duly executed and delivered as of October 5, 1981.

Exhibit 5
to
Purchase Agreement

Statement of Accounting and Auditing Policies
(pursuant to Section 3.1 of the Purchase Agreement)

I. Accounting principles to be utilized.

(a) Reserve for cash discounts. The reserve of approximately $135,000 which has been on Carol's books for several years shall be reflected at its June 30, 1981 balance.

(b) Reserve for volume rebates is to be computed using a formula similar to that used at June 30, 1981.

(c) Reserve for bad debts is to be computed on the same basis as June 30, 1981.

(d) Inventories:

1. Inventories are to be physically counted on October 2nd and 3rd.

2. Inventories are to be priced at the lower of cost (FIFO) or market.

(i) Inventories are to be priced initially at *standard costs and adjusted to cost on a* FIFO basis as follows:

(1) Copper costs shall be the actual cost applicable to the standard amount of copper in inventory at October 3, 1981. For example, if the standard poundage of copper in inventory on October 3, 1981 amounted to 25,000,000 lbs., the cost would be the last 25,000,000 lbs. purchased prior to October 3, 1981. Tolling costs will be added as appropriate.

(2) Labor variances shall be determined by using the actual variances attributable to the aggregate standard labor dollars in inventory on October

(g) Software costs incurred in the quarter ending October 3, 1981 relating to Carol's (East) on line computer installation shall be capitalized in addition to those capitalized at June 30, 1981. No amortization of such costs is to be taken for the period, unless the programming has been completed by that date. If programming has been completed by that date, amortization is to be provided over 60 months on a straight-line basis.

(h) Accrued liabilities shall be provided for in the same manner as in the June 30, 1981 financial statements. Accruals shall include vacations (for such persons provided at June 30, 1981); commissions, salaries, pension contributions, insurance, etc.

(i) The Carleton roof repair, which is the subject of litigation shall be included in property at approximately $175,000, being the same balance as in the June 30, 1981 balance sheet.

(j) The lease covering the Chicago property shall continue to be treated as a lease as in the June 30, 1981 financial statements and not capitalized.

(k) Intercompany balances and other liabilities which are not to be assumed by the purchaser are to be reflected as part of equity at October 3, 1981.

(l) Deferred and current taxes will be recorded as a liability to Avnet, Inc. in the appropriate liability accounts.

II. Procedures to be applied by Laventhol & Horwath are to be in accordance with generally accepted auditing standards as referred to in Statement No. 36 issued by the American Institute of Certified Public Accountants and are to include the following:

(a) Observe inventories on October 2nd and 3rd.

(b) Review work papers prepared by Carol personnel in computing the inventory and all other accounts to be reflected on the Closing Date Statement to ascertain that the methods used in computing such inventory and other accounts were in accordance with the principles used in the preparation of the Division's

Exhibit 6
to
Purchase Agreement

Opinion of Counsel to the Seller
(pursuant to Section 10.1(c)
of the Purchase Agreement)

[Letterhead of Weil, Gotshal & Manges]

October 5, 1981

Carol Cable Company, Inc.
Canada Wire and Cable
Limited
c/o Canada Wire and
Cable Limited
147 Laird Drive
Toronto, Canada M4G 3WI

Dear Sirs:

We are counsel to Avnet, Inc. (the "Seller"), and have acted as such in connection with the preparation, authorization, execution and delivery of the Purchase Agreement (the "Purchase Agreement") dated as of September 15, 1981 among the Seller, Canada Wire and Cable Limited ("Canada Wire") and Carol Cable Company, Inc. (the "Purchaser"), which provides for the sale of the Division Assets (as defined in the Purchase Agreement) of the Seller to the Purchaser on the terms and conditions set forth in the Purchase Agreement.

We have examined such instruments, corporate records, certificates of public officials and other documents and made such factual investigations as we have deemed necessary for the purpose of giving this opinion.

Based on the foregoing, we are of the opinion that:

1. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and has the corporate power to execute, deliver and perform the Purchase Agreement.

Exhibit 7
to
Purchase Agreement

Opinion of Counsel to
the Purchaser
(pursuant to Section 10.2(c)
of the Purchase Agreement)

[Letterhead of Thompson, Hine and Flory]

October 5, 1981

Avnet, Inc.
767 Fifth Avenue
New York, New York 10153

Dear Sirs:

We are counsel to Carol Cable Company, Inc. (the "Purchaser") and have acted as such in connection with the preparation, authorization, execution and delivery of the Purchase Agreement (the "Purchase Agreement") dated as of September 15, 1981 among Avnet, Inc. (the "Seller"), Canada Wire and Cable Limited and the Purchaser. The Purchase Agreement provides for the sale of the Division Assets (as defined in the Purchase Agreement) of the Seller to the Purchaser on the terms and conditions set forth therein, and in connection with a Note dated of even date herewith (the "Note") given by the Purchaser to the Seller in connection with the sale.

We have examined such instruments, corporate records, certificates of public officials and other documents and made such factual investigations as we have deemed necessary for the purpose of giving this opinion.

Based on the foregoing, we are of the opinion that:

1. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power to execute, deliver and perform the Purchase Agreement.

Exhibit 8
to
Purchase Agreement

Opinion of Counsel to
Canada Wire
(pursuant to Section 10.2(c)
of the Purchase Agreement)

[Letterhead of McMillan, Binch]

October 5, 1981

Avnet, Inc.
767 Fifth Avenue
New York, New York 10153

Dear Sirs:

We are counsel to Canada Wire and Cable Limited ("Canada Wire") and have acted as such in connection with the preparation, authorization, execution and delivery of the Purchase Agreement (the "Purchase Agreement") dated as of September 15, 1981 among Avnet, Inc. (the "Seller"), Canada Wire and Carol Cable Company, Inc. (the "Purchaser"), which provides for the sale of the Division Assets (as defined in the Purchase Agreement) of the Seller to the Purchaser on the terms and conditions set forth in the Purchase Agreement.

We have examined such instruments, corporate records, certificates of public officials and other documents and made such factual investigations as we have deemed necessary for the purpose of giving this opinion.

Based on the foregoing, we are of the opinion that:

1. Canada Wire is a corporation duly organized and validly existing under the laws of the Province of New Brunswick (Canada) and has the corporate power to execute, deliver and perform the Purchase Agreement.

Exhibit 9
to
Purchase Agreement

Opinion of Counsel to
the Guarantor
(pursuant to Section 10.2(c)
of the Purchase Agreement)

[Letterhead of McCarthy & McCarthy]

October 5, 1981

Avnet, Inc.
767 Fifth Avenue
New York, New York 10153

Dear Sirs:

We are general counsel to Noranda Mines Limited (the "Guarantor") and have acted as such in connection with the preparation, authorization, execution and delivery of the Guaranty dated of even date herewith (the "Guaranty") of the Guarantor, guaranteeing the obligations of Carol Cable Company, Inc. (the "Purchaser") under a Note dated of even date herewith of the Purchaser given to Avnet, Inc. (the "Seller") in connection with the Purchase Agreement (the "Purchase Agreement") dated as of September 15, 1981 among (the "Seller"), Canada Wire and Cable Limited and the Purchaser, which provides for the sale of the Division Assets (as defined in the Purchase Agreement) of the Seller to the Purchaser on the terms and conditions set forth in the Purchase Agreement.

We have examined such instruments, corporate records, certificates of public officials and other documents and made such factual investigations as we have deemed necessary for the purpose of giving this opinion.

Based on the foregoing, we are of the opinion that:

1. The Guarantor is a corporation duly organized and validly existing under the laws of the Province of Ontario (Canada) and has the corporate power to execute, deliver and perform the Guaranty.

Exhibit 10
to
Purchase Agreement

Opinion of Special Counsel to the
Purchaser and Canada Wire
(pursuant to Section 10.2(c)
of the Purchase Agreement)

[Letterhead of Davis Polk & Wardwell]

October 5, 1981

Avnet, Inc.
767 Fifth Avenue
New York, New York 10153

Dear Sirs:

We have acted as special counsel to Carol Cable Company, Inc. (the "Purchaser") and Canada Wire and Cable Limited ("Canada Wire") in connection with the preparation, authorization, execution and delivery of (i) the Purchase Agreement (the "Purchase Agreement") dated as of September 15, 1981 among Avnet, Inc. (the "Seller"), Canada Wire and the Purchaser, which provides for the sale of the Division Assets (as defined in the Purchase Agreement) of the Seller to the Purchaser on the terms and conditions set forth in the Purchase Agreement; (ii) the Note dated of even date herewith (the "Note") of the Purchaser to the Seller given in connection with such sale; and (iii) the Guaranty dated of even date herewith of Noranda Mines Limited (the "Guarantor") guaranteeing the performance of the obligations of the Purchaser under the Note.

We have examined such instruments, corporate records, certificates of public officials and other documents and made such factual investigations as we have deemed necessary for the purpose of giving this opinion.

Based on the foregoing, we are of the opinion that:

1. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power to execute,

SCHEDULES

SCHEDULES

TO

PURCHASE AGREEMENT

Dated as of September 15, 1981

Among

AVNET, INC.,

CANADA WIRE AND CABLE LIMITED

and

CAROL CABLE COMPANY, INC.

Documents Provided But Not Listed On Schedules

1. Employee Non-Disclosure Agreements as related to Softwear Purchase and License Agreements between,

    1.1 Carol Cable Company and Business Information Systems, Inc.

    1.2 Carol Cable Company and Magic Systems, Inc.

2. Outstanding Letters of Credit.

3. Equipment and Machinery Lists (Carol Cable Company West).

4. Service Contracts on Machinery and Equipment.

5. Fuel/Utility Agreements.

6. Real Estate documentation.

3. Outstanding Letters of Credit*

Uptown Industrial Sales
Philippines
(negotiated but not yet received)
Amount of L/C 4536.64

* Outstanding Letters of Credit are not scheduled.

Schedule A
to
Purchase Agreement

Description of Carol Wire
and Cable Group
(pursuant to premise)

Carol Group for Financial Reporting Purposes

Carol Cable (including Miller Electric)
Carol Cable West
Carlton Manufacturing (including Sterling Automotive)
Columbia Electronic Cable

Avnet International Limited (Canada) Carol Group portion

I. Physical Units

1. Central Falls, Rhode Island

   Sterling Automotive
   Carlton Manufacturing

2. New Bedford, Massachusetts

   Columbia Electronic Cable

3. Compton, California

   Carol Cable West

4. Vernon, California

   Carol Cable West

5. Manchester, New Hampshire

   Carol Cable

6. Roosevelt Avenue, Pawtucker, Rhode Island

   Carol Cable

7. Taunton, Massachusetts

   Crown Wire

8. Warren, Rhode Island

   Warren plant

9. Lincoln, Rhode Island

   Lincoln plant

10. Woonsocket, Rhode Island

    Miller Electric

lighting, trouble lights, clamp lights, telephone and TV accessories, fuses, switch plates, dimmers, electrical recepticals, bulbs, glass, etc.

5. OEM - cord sets.

6. Spools and terminals.

Schedule B

to

Purchase Agreement

Interests in Real Property
(pursuant to Section 4.5.
of the Purchase Agreement)

A. Properties Held in Fee Simple; and Permitted Liens Thereon:

WARREN, RHODE ISLAND

The four parcels of land in Warren, Rhode Island which are described fully in the quit-claim deed executed on April 26, 1968 between Berkshire Hathaway, Inc., grantor, and Avnet, Inc., grantee, and recorded in Book 104 at Page 202 by the Town Clerk of Warren, Rhode Island, are subject to the following defects of or objections to title, and liens, charges and encumbrances thereon, as set forth in title insurance policy nos. 191553 and 8100199, dated April 26, 1968, issued to Avnet, Inc. by Title Guarantee Company of Rhode Island and The Title Committee Company:

1. - Tenancy of the present occupants and under unrecorded leases.
2. - Taxes coming due but not yet payable.
3. - Any encroachment of buildings or fences on these or the adjoining premises.

improvements thereon and appurtenances thereto located in Central Falls, R. I., which are described in the warranty deed executed on February 14, 1968, between Harry Goldberg Company, grantor, and Carlton Manufacturing Co., grantee, and recorded in Book 188, Page 483 in the Record Office of the City of Central Falls, R. I. are subject to the following defects of and objections to title, and liens, charges and encumbrances, as set forth in title insurance policy no. 74048, dated February 15, 1968, issued to Carlton Manufacturing Co., by Mortgage Guarantee & Title Company:

1. - Rights of any party or parties in possession or occupany or under unrecorded leases, and rights acquired by license, permission, acquiescience, adverse possession, prescription or user, the existence of which is not disclosed in the record title to said premises.
2. - Rights arising out of any encroachment of buildings, fences, walls or other objects or improvements on said premises or any adjoining premises, and any state of facts which a survey or personal inspection of said premises would disclose.
3. - Taxes coming due but not yet payable.
4. - Any lien for work or material, no statement or

reasonable times for the purpose of repairing and maintaining any such sewerage, overflow, drainage and storm lines and pipes and catch basins.

8. - Lien for any unpaid water charges.

9. - Excepting therefrom any portion thereof which may have been conveyed to the City of Central Falls by deed of Harry Goldberg dated April 24, 1941 recorded in the City Register of Central Falls, in Books 145, at page 79.

(See also Additional Encumbrances below)

PAWTUCKET, RHODE ISLAND

I. The parcel of land described as Parcel I in the quit-claim deed executed on March 6, 1968 between Carol Wire & Cable Corp., grantor, and Avnet, Inc., grantee, and recorded in Book 656 at Page 386 in the Land Records of the City of Pawtucket, R.I., is subject to the following defects of or objections to title, and liens, charges and encumbrances thereon, as set forth in title insurance policy no. 180459 dated June 7, 1,965, issued to Carol Wire & Cable Corp. by Title Guarantee Company of Rhode Island:

1. - Tenancy of the present occupants and under unrecorded leases.

2. - Taxes coming due but not yet payable.

11. - Any corporate taxes owing to the State of Rhode Island by Pat Realty Corporation or Carol Wire & Cable Corp.

12. - Any water bills currently outstanding.

II. The parcel of land described as Parcel II in the deed mentioned above is subject to the following defects of or objections to title, and liens, charges and encumbrances thereon, as set forth in title insurance policy no. 177074 dated April 27, 1962 issued to the Crescent Company, Inc., by Title Guarantee Company of Rhode Island:

1. - Tenancy of the present occupants and under unrecorded leases.

2. - Taxes coming due but not yet payable.

3. - Any encroachment of buildings or fences on these or the adjoining premises.

4. - Any liens for labor or materials, no statement of which is recorded or filed.

5. - Conditions, limitations, restrictions, qualifications, easements and stipulations contained or referred to in the conveyances to the insured.

6. - Any state of facts that an accurate survey would disclose.

7. - Pipe and conduit rights contained in instrument from Henry L. Fairbrother, et al to James Dempsey recorded May 19, 1885 and recorded in

are subject to the following defects of or objections to title and liens, charges, and encumbrances thereon, as set forth in title insurance policy no. 30-000-50005-P, dated April 19, 1976, issued to Avnet, Inc. by U.S. Life Title Insurance Company of New York:

1. Lien of all taxes.

2. Rights or claims of parties not in possession, not shown by the public records.

3. Easements, or claims of easements, not shown by the public records.

4. Encroachments, overlaps, boundary, line disputed, or other matters which would be disclosed by an accurate survey on inspection of the premises.

5. Any lien, or right to a lien, for services, labor, or material heretofore or hereafter furnished, imposed by law and shown by the public records.

6. Riparian rights are neither guaranteed nor insured.

7. Conditions, covenants, restrictions, easements, limitations, reservations, exceptions, rights, charges and all other provisions set forth and/or referred to in deed of Joseph P. Carney, William Parker Straw and Frederic C. Dumaine, trustees in Liquidation of Estate of Amoskeag Manufacturing Co. to the Public Service Company of New

lowing defects of or objections to title and liens, charges and encumbrances thereon, as set forth in title insurance policy no. 684894, dated June 17, 1969, issued to Avnet, Inc. by Title Insurance and Trust Company:

1. General and special county and city taxes not yet due and payable.

2. Water, water rights, claims or title to water.

3. An easement affecting the portion of said land and for the purposes stated herein and incidental purposes,

In Favor Of: Dominguez Water Corporation

For : a water distribution system, pipe lines and laterals

Recorded : July 13, 1955 in book 48339 page 359, Official Records

Affects : all the highways, streets, avenues, alleys and other public thoroughfares presently existing, used or dedicated, as well as all the highways, streets, avenues, alleys and other public thoroughfares hereafter established, used or dedicated

And Recorded: in book 48339 page 363, Official Records.

4. Covenants, conditions and restrictions in the declaration of restrictions

Executed By : Prudential Insurance Company of America, a corporation,

In Favor Of: Southern California Edison Company, a corporation, poles, cables, conduits and manholes, together with the right to trim or top such trees and to cut such roots as may endanger or interfere with said electric lines and/or communication lines,

Recorded : May 14, 1969 in book D 4369 page 350, Official Records

Affects : the following:

Parcel A: The easterly 10.00 feet of said Parcel 2.

Parcel B: The northerly 6.00 feet of the southerly 544.00 feet of said Parcel 2.

EXCEPT therefrom the westerly 270.00 feet thereof.

6. The following reservation contained in the deed from Boise Cascade Building Co., a corporation, recorded June 17, 1969, as instrument No. 3253:

EXCEPTING and RESERVING an easement for light and air over the westerly 62 feet of said parcel which easement area shall at all times be unobstructed, from ground to sky, by the construction or installation or maintenance of any building or permanent structure. The owner of the fee shall, however, have the right to utilize the entire easement area for automobile parking pur-

E. The fact that a railroad spur track is located over the northeast portion of said land which extends onto the land adjoining said land on the north before connecting to the main line of said railroad.

8. Any unrecorded agreement pertaining to the installation, maintenance and upkeep of the spur track last above referred to.

9. Any claims of lien that may be filed against said land by reason of work of improvement now in progress consisting of installation of machinery and equipment alleged to be owned by Carol Cable Company West, a corporation, as disclosed by an inspection.

10. Any claims of lien that may be filed against said land by reason of work of improvement thereon consisting of a survey of said land, as disclosed by inquiry.

11. Any interest of Carol Cable Company West, a corporation, by reason of being in possession of said land, as disclosed by an inspection.

12. Rights of parties in said land by reason of any unrecorded leases, subleases, month to month tenancies and other written or oral agreements.

(See also Additional Encumbrances below)

(vi) Liens for taxes, water charges, sewer rents and other governmental charges. All assessments and special assessments, if any, affecting the Real Property shall be adjusted at the Closing. To the extent that any such assessment or special assessment may, by law, be payable in installments, then, whether or not Seller shall have made application therefor, the same shall be adjusted hereunder as if the same were payable in installments over the longest period permitted by law therefor, and Seller shall be responsible for all such installments which would have been due and payable prior to the Closing as if such installment treatment application were approved except that the installment for the fiscal period which includes the Closing shall be apportioned as of the Closing.

(vii) Rights of other parties in and to the water courses in and through the Real Property, together with the rights of others, if any, to water supplies derived therefrom.

(viii) Rights or claims of parties in possession not shown by the public records; easements or claims of easements not shown by the public records; any lien or right to a lien for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records; any adverse claim to any portion of the Real

NC

B. Properties Held Pursuant to Leases.

	PURCHASE OPTION AGREEMENTS EXERCISED	ASSIGNABLE WITH WRITTEN CONSENT (not to be unreasonably Withheld)
1. Central Falls, Rhode Island		Yes
(a) Lease dated August, 1967 between Brewster Investments Corp., as lessor, and Carol Wire & Cable Corp., as lessee, for term from July 1, 1967 to July 31, 1982 (with option to renew through July 31, 1992).		
(b) Modification of Lease dated January 30, 1976 between Brewster Industries Corp. and Avnet, Inc.		
(c) Modification of Lease, dated August 18, 1981.		
2. Woonsocket, Rhode Island		Yes
(a) Lease dated November 20, 1961 between Melmack Corp., as lessor, and Miller Electric Co., as lessee, for term from January 1, 1962 to December 31, 1971.		
(b) First Amendment of Lease dated May 24, 1963 (extending term of lease to December 31, 1976, with options to renew for additional terms up to 25 years).		

	PURCHASE OPTION AGREEMENTS EXERCISED	ASSIGNABLE WITH WRITTEN CONSENT (not to be unreasonably Withheld)
3. River Grove, Illinois	No	Yes
(a) Lease dated March 13, 1978 between Groman Corporation, as lessor, and Avnet, Inc., as lessee, for term from March 13, 1978 to March 12, 1983.		
4. Taunton, Massachusetts		Yes
(a) Lease dated September 1, 1965 between Brewster Investments Corp., aslessor, and Crown Wire & Cable Corp., as lessee, for term from September 1, 1965 to August 31, 1980.		
(b) First Amendment to Lease dated September 1, 1965 (extending term through August 31, 1990, with options to renew through 2000).		
5. New Bedford, Massachusetts		Yes
(a) Lease dated July 1, 1970 between Brewster Investments Corp., as lessor,		

	PURCHASE OPTION AGREEMENTS EXERCISED	ASSIGNABLE WITH WRITTEN CONSENT (not to be unreasonably Withheld)
(d) Letter dated October 11, 1972 from Hahn, Cazier, Thornton, Hoegh & Leff to Carol Cable Company West.		
(e) Amendment to Lease dated May 1, 1977.		
7. Weston, Toronto, Ontario (Canada)		Yes
(a) Lease dated April 28, 1977 between Imperial General Properties Ltd., as lessor, and Avnet International Products (Canada) Ltd., as lessee, for term from May 1, 1977 to April 30, 1979.		However, lessor reserves right to recapture the premises upon lessee's delivery of third party offer to assign or sublet
(b) Renewal Agreement of Lease dated February 21, 1979, between lessor and lessee, amending and extending the term of the lease through April 30, 1979.		
(c) Copy of letter dated March 14, 1980 between lessor and lessee extending the term of the lease through April 30, 1982 (with attached clarification letter).		

		PURCHASE OPTION AGREEMENTS EXERCISED
(d)	Second Modification, dated March 17, 1973, cancels (i) the Letter Agreement dated October 7, 1975 and (ii) Note between Foundation and Avnet whereby Avnet agrees to lend Foundation $600,000 for construction of additional facilities.	
(e)	Lease and Option Agreement (Equipment), dated March 16, 1975 between The Pawtucket Area Industrial Development Foundation, Inc. as lessor, and Avnet, Inc. (Carol Cable Division), as lessee, of certain machinery and equipment for a period of 10 years.	No

Notwithstanding the provisions of Section 4.5(a) of the Purchase Agreement, Seller and International are not making any representation as to the exclusive possession of the Real Property; but notwithstanding the various exceptions for tenancies of the present occupants and under any recorded leases set forth herein in Schedule B, Seller and International do represent that they have not entered into any lease, sublease or license or other agreement granting exclusive possession of any of the Real Property to others, and are aware of no claims to exclusive possession of any of the Real Property by any other party.

Schedule C
to
Purchase Agreement

FINANCIAL STATEMENT

CAROL CABLE GROUP, DIVISION OF AVNET, INC.

YEAR ENDED JUNE 30, 1981

(pursuant to Section 4.3
of the Purchase Agreement)

CONTENTS

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CAROL CABLE GROUP, DIVISION OF AVNET, INC.

CONSOLIDATED BALANCE SHEET - JUNE 30, 1981

ASSETS

Current assets:	
Receivables, less allowance for doubtful accounts of $253,272	$ 43,430,192
Inventories (Note 2)	70,117,650
Other	187,370
Total current assets	113,735,212
Property, plant and equipment, at cost, less accumulated depreciation of $27,302,781 (Notes 3 and 4)	22,032,611
Intangibles and other assets	713,406
	$136,481,229

LIABILITIES AND DIVISIONAL EQUITY

Current liabilities:	
Cash overdraft, net	$ 76,274
Accounts payable	14,909,601
Accrued expenses	6,361,610
Current portion of long-term debt (Note 4)	316,946
Taxes payable to Avnet, Inc. (Note 7)	3,079,171
Total current liabilities	24,743,602
Long-term debt, less current portion (Note 4)	3,807,514
Taxes payable to Avnet, Inc. (Note 7)	1,501,730
Commitments (Note 6)	
Divisional equity (Note 7)	106,428,383
	$136,481,229

See notes to consolidated financial statements.

CAROL CABLE GROUP, DIVISION OF AVNET, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1981

1. Summary of significant accounting policies:

Basis of presentation and principles of consolidation:

The consolidated financial statements have been prepared in accordance with a letter of intent between Avnet, Inc. and Canada Wire and Cable Company Ltd. dated July 21, 1981 which calls for the sale of the Carol Cable Group (Carol Group) and the Carol Cable Company of Canada, divisions of Avnet, Inc., to Canada Wire and Cable Company Ltd.

The consolidated financial statements include the accounts of the Carol Cable Company (including Miller Electric Company), Carol Cable Company West, Carlton Manufacturing Company (including Sterling Automotive Manufacturing Company) and Columbia Electronic Cables, divisions of Avnet, Inc., which together comprise the Carol Group. The operations of Carol Cable Company of Canada are accounted for within Avnet International Ltd., a subsidiary of Avnet, Inc., and therefore its accounts are not included in the consolidated financial statements.

All intra-Carol Group accounts and transactions have been eliminated.

Inventories:

Inventories are stated at cost or market, whichever is lower. Cost is determined on the first-in, first-out basis.

Depreciation:

Depreciation is provided by the straight-line method over the estimated useful lives of the related assets.

Intangible and other assets:

Intangibles consist primarily of the excess of cost of companies, treated as purchases, over the equities therein in the amount of $310,792. The entire amount is attributable to businesses purchased prior to October 31, 1970, and is not currently being amortized because it has continuing value.

Included in other assets are computer software development costs of $98,154, which consist principally of payroll and related items. The Carol Group is in the process of converting its order entry and accounts receivable applications to on-line systems

CAROL CABLE GROUP, DIVISION OF AVNET, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1981

3. Property, plant and equipment:

	Owned	Held under capital leases	Total
Land	$ 1,333,971		$ 1,333,971
Buildings and improvements	6,334,270	$3,555,000	9,889,270
Machinery and equipment	33,305,615	1,445,000	34,750,615
Furniture and fixtures	1,521,155		1,521,155
Leasehold improvements	1,840,381		1,840,381
	44,335,392	5,000,000	49,335,392
Less accumulated depreciation	25,942,383	1,360,398	27,302,781
	$18,393,009	$3,639,602	$22,032,611

4. Long-term debt:

Capital lease obligations:	
Building, due in quarterly installments of $82,486, including interest at 7.5% through September 1999	$3,152,578
Equipment, due in monthly installments of $17,152, including interest at 8% through March 1985	671,000
	3,823,578
Notes payable:	
Due to a municipality, secured by a building, due in annual installments of $85,000, including interest imputed at 7% through April 1985	288,027
Due to a commercial lender, secured by equipment, due in monthly installments of $825, including interest at 12% through February 1983	12,855
	300,882
	4,124,460
Less current portion	316,946
	$3,807,514

CAROL CABLE GROUP, DIVISION OF AVNET, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1981

5. Pension plans (continued):

Avnet, Inc. plan	$ 393,955
Multi-employer plans	66,390
Defined benefit plans administered by the Carol Group	535,522
	$ 995,867

Unfunded past service costs for the Carol Group's defined benefit plans (principally as of December 31, 1980) total $2,202,003.

A comparison of accumulated plan benefits and plan net assets for the Carol Group's defined benefit plans is presented below:

Actuarial present value of accumulated plan benefits:	
Vested	$4,173,466
Nonvested	573,939
	$4,747,405
Net assets available for benefits	$4,820,992

Pursuant to an agreement with a collective bargaining unit, the Carol Group, as of August 1, 1981, will institute a pension plan for employees not previously covered by a plan. The Carol Group has not yet obtained a calculation from an actuary of the unfunded past service cost under the plan.

6. Operating leases:

The Carol Group leases a portion of its operating facilities and is also committed under lease agreements for transportation and operating equipment. Rent expense for the fiscal year ended June 30, 1981 is as follows:

Buildings	$433,513
Equipment	457,425
	$890,938

Aggregate future minimum lease commitments, exclusive of taxes, insurance and maintenance expenses where payable by the Carol Group, for all noncancelable operating leases approximate $2,615,000 at June 30, 1981. Minimum lease commitments for each of the five succeeding fiscal years are as follows:

CAROL CABLE GROUP, DIVISION OF AVNET, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 1981

7. Related party transactions (continued):

	Total	Reflected on balance sheet in Current liabilities	Other
Current:			
Federal	$1,321,986	$1,321,986	
State	255,455	255,455	
Deferred	3,003,460	1,501,730	$1,501,730
	$4,580,901	$3,079,171	$1,501,730

Divisional equity on the consolidated balance sheet includes the following:

Liabilities due to Avnet, Inc. and its divisions:

Accrued expenses:	
Payroll taxes	$ 575,586
Workmen's compensation insurance premiums	95,152
Avnet, Inc. pension plan contributions	392,939
Interdivisional and corporate accounts, net	9,736,596
Corporate interest, net	148,200
D.I.S.C. commissions payable	213,159
	11,161,632
Divisional equity accounts	95,266,751
	$106,428,383

C. Patents

1. No. 3,680,027, dated July 25, 1972. Ignition Cable - Owned by Avnet, Inc.

2. No. 3,637,186, dated January 25, 1972. Detent Swivel for Truck Mirrors. Owned by Avnet, Inc.

3. No. 3,475,716, dated December 8, 1967. Retainer for Electric Cord Connectors. Owned by Miller Electric Co., Division of Avnet, Inc.

4. Canadian Patent #893,546 issued 22 Feb 72. Title: DISPLAY CARD. Expires: 22 Feb 89.

D. License Agreements

Nonexclusive License Agreement re: patent no. 3,680,027, dated July 1, 1977 between Avnet, Inc. and Ristance Products, Inc.

Schedule G
to
Purchase Agreement

Litigation
(pursuant to Section 4.7
of the Purchase Agreement)

A.

MIDCO, INC. V. CONTINENTAL COPPER & STEEL INDUSTRIES, INC., HATFIELD DIVISION, CAROL CABLE COMPANY, A DIVISION OF AVNET, INC. AND ESSEX GROUP, INC. AND LARIBEE WIRE INC. (CORONA WIRE DIVISION)

Civil Action No. 79-1240, U.S. District Court, Eastern District of Louisiana, Section "M", Magistrate Division 5.

Issue: Alleged violations of Antitrust Laws.

Amount: We have offered to settle our portion of this case for $1,500 and the attorneys for the Plaintiff having accepted our offer subject to the acceptance by the Trustee in Bankruptcy.

CONSOLIDATED MARKETING CORPORATION V. CAROL CABLE COMPANY, A DIVISION OF AVNET, INC.

Civil Action No. H-81-362, United States District Court, District of Connecticut.

Issue: Improper termination of sales representative agreement.

Amount Claimed: Actual plus punitive damages - damages could be as high as $100,000.

ALSET SALES & ENGINEERING, INC. V. CAROL CABLE COMPANY, A DIVISION OF AVNET, INC., ET ALS.

Case No. 224892, Superior Court of California, County of Contra Costs, California.

Issue: Breach of Agreement and Fraud in reference to agreement of November 1, 1972 relative to commissions.

Amount Claimed: Damages: $300,000 plus $1,000,000 punitive.

H

Contract	Transferability	Consent to Assignment Required by Purchaser
Electrical, Radio & Machine Workers of America (UE), Local #219, dated December 18, 1979. Term: July 29, 1979 through July 31, 1982; automatically renewable thereafter from year to year unless either party notifies the other in writing at least 60 days prior to any such renewal date that it desires to terminate or modify the Agreement.		
4. Agreement between Carol Cable Company and Warehouse and Mail Order Employees Union, Local No. 743, dated November 21, 1980. Term: October 6, 1980 through October 1, 1983; automatically renewable thereafter on an annual basis, unless terminated by written notice served 60 days before the end of any effective period.	4. No assignment by either party without the prior written consent of the other.	Yes
5. Agreement between Carol Cable Company and the International Brotherhood of Electrical Workers, AFL-CIO, Local No. 1973, dated April 6, 1979. Term: March 3, 1979 to March 6, 1982; automatically renewable thereafter on an annual basis, unless terminated by written notice served 60 days before the end of any effective period.	5. The Agreement is silent as to transferability.	

NC

Contract	Transferability	Consent to Assignment Required by Purchaser
Chauffeurs, Warehousemen and Helpers of America, Local Union No. 389. Term: November 1, 1980 to October 31, 1983; automatically renewable from year to year unless written notice is served 60 days prior to date of expiration.		
10. Agreement between Miller Electric, its successors and assigns and United Steelworkers of America, AFL-CIO. Term: June 8, 1981 to first Saturday in June, 1984; automatically renewable from year to year unless 60-day notice sent by either party.	10. The Agreement is silent as to transferability.	
Employment Contracts	All contracts listed below are binding upon the successors and assigns of the employer.	
1. Agreement between Avnet, Inc. and J. Lee Bonoff, dated January 1, 1980. Term: January 1, 1980 through June 30, 1983; the agreement will automatically renew for 12 months (July 1, 1983 through June 30, 1984) unless either party gives the other notice of intention not to renew during June, 1982.		
2. Agreement between Avnet, Inc. and Samuel W. Perelman, dated January 1, 1980. Term: January 1, 1980 through June 30, 1985; the agreement will automatically renew for a		

Contract	Transferability	Consent to Assignment Required by Purchaser
9. Agreement between Carol Cable Company and Robert T. Snyder, dated August 1, 1980. Term: August 1, 1980 through June 30, 1983.		
10. Agreement between Carol Cable Company and Herbert Stern, dated March 1, 1980. Term: March 1, 1980 through February 28, 1983.		
11. Agreement between Carol Cable Company and Joseph M. Vitale, dated November 1, 1980. Term: November 1, 1980 through October 31, 1983.		
12. Agreement between Carol Cable Company and Hans Hacker, dated July 1, 1980. Term: July 1, 1980 through June 30, 1984.		
Plans, contracts, arrangement for bonuses, pension, deferred compensation, retirement payments, profit sharing.		
See Schedule K		
4.8(b) See Schedule B and other sections of Schedule H.		
4.8(c) Lease Agreements on Personal Property		
Data Processing Equipment.		
1. Agreement for Purchase of Installed IBM Machines, Installment Payment Agreement and	1. Not assignable without the prior written consent of IBM.	Yes

Contract	Transferability	Consent to Assignment Required by Purchaser
dated April 6, 1981, re: two microprossor modems.		
6. Extended Term Lease and Service Agreement between Sperry Rand Corporation and Carol Cable Company. No. 1190117 (and two amendments thereto, including Conversion Work Statement) effective June 28, 1979 for a term of 66 months.	6. Not assignable without the prior written consent of Sperry Univac Division of Sperry Rand Corporation.	Yes
7. Software Purchase and License Agreement between Business Information Systems, Inc. and Carol Cable Company, dated September 10, 1979 and Non-Disclosure Agreement with respect to coding, concepts and ideas utilized in "software".	7. "Coding, concepts and ideas utilized in 'software'" may not be "sold, leased or given" to any party by Carol Cable Company.	
8. Software Purchase and License Agreement between Magic Systems, Inc. and Carol Cable Company, dated May 11, 1981.	8. "Coding, concepts and ideas utilized in 'software'" may not be "sold, leased or given" to any party by Carol Cable Company.	
Truck Leases		
1. Vehicle Lease #847 between MTSS Leasing and Carol Cable Company West, dated August 20, 1976.	1. Not assignable without the prior written consent of MTSS.	Yes
2. Three Memoranda of Agreements between Gemini Systems, Inc. and Carol Cable Company West, hiring Gemini as carrier for a one-year term commencing on May 1, 1981.	2. Agreements are silent as to assignability.	

Contract	Transferability	Consent to Assignment Required by Purchaser
months, dated respectively: January 28, 1977 April 4, 1977 December 6, 1977 July 7, 1978 November 29, 1978 January 16, 1979 February 8, 1979 March 15, 1979 April 16, 1979		
2. Lease between Gonzalez-Murphy Leasing and Carol Cable Company West, dated April 20, 1977 for Buick Estate Wagon. Term: 2 years commencing on date of execution.	2. The Agreement is silent as to assignability.	
3. Lease between Harry C. Clark, Inc. and Carol Cable Company West, dated March 10, 1979. Subject: Buick Estate Wagon. Term: 2 years commencing on date of execution.	3. The Agreement is silent as to assignability.	
4. Internal Memorandum of Avnet, Inc. from Morton M. Vogel to David Birk, dated August 6, 1981, regarding the lease of three cars by the Wire & Cable Division from The Hertz Corporation. The memorandum indicates that the three vehicles were leased for 26 months commencing on July 1, 1979, February 12, 1981 and July 10, 1981.	4. Lease may not be assigned or sublet without the prior written consent of Hertz.	Yes
5. Eighteen Lease Agreements between Steingold Leasing Corp. and Carol Cable Company, each for the rental of a	5. Not assignable without prior written consent of Steingold Leasing Corp.	Yes

Contract	Transferability	Consent to Assignment Required by Purchaser
Miscellaneous		
1. Three Lease Agreements between Xerox Corporation and Carol Cable Company West, dated February 24, 1981.	1. Not assignable without the prior written consent of Xerox.	yes
2. Sixteen Lease and Maintenance Agreements between Pitney Bowes and Carol Cable Company. Subject: Mailing Machines.	2. Agreements are silent as to assignability.	
3. Lease Agreement between Nabel Leasing and Fairmont Motor Products Ltd., dated May 20, 1976. Subject: one photocopier supplied by Pitney Bowes of Canada. Term: 60 months.	3. Lease may not be assigned without the written permission of Nabel Leasing.	yes
Service Contracts on Machinery and Equipment		
See 4.8(c) 6.		
4.8(d) See 4.8(c) above.		
4.8(e) None, except as may be provided in the Purchase Agreement.		
4.8(f) License Agreement, dated December 23, 1977 between Avnet, Inc. and Windings, Inc. re: purchase of machine for winding of wire cable; exclusive license to use patent rights relating to winding of wire cable.	4.8.(f) Assignable if transfer is in connection with the sale of substantially all the business and assets of the Seller, or with written consent of Windings, Inc., or upon the sale of the machine with consent of Windings, Inc.	yes

Contract	Transferability	Consent to Assignment Required by Purchaser
Carlton Manufacturing Company		
1. Frederick W. Horton, Horton Technical Sales, 180 Marsh Avenue, Metuchen, N.J. 08840, dated January 19, 1981, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		
2. Donald C. Mathers (Mathers Associates), 2214 Landmeier Road, Elk Grove Village, Illinois 60007, dated June, 1981. Term: 1 year commencing July 1, 1981.		
3. Mr. Bruce Miller, County Club of North Carolina, Pinehurst, N.C. 28374, dated March 13, 1980, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		
4. Ronald Piekunka (Piekunka Services, Inc.), 9926 Rudnick Avenue, Chatsworth, California 91311, dated February 22, 1980, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		
Columbia Electronic Cable		
1. Berman-Gravley Company, Incorporated, 350-B Fischer Avenue, Costa Mesa, California 92626, dated July 1, 1981. Term: 1 year commencing July 1, 1981.		

C.B.C

Contract	Transferability	Consent to Assignment Required by Purchaser
Term: 1 year commencing June 18, 1981.		
8. Legtronics Associates, Inc., 302 Allwood Road, P.O. Box 684, Clifton, N.J. 07012, dated July 29, 1977, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
9. Lowell-Kangas & Associates, Inc., 12302 Johnson Dr., Shawnee Mission, Kansas 66216, dated August 8, 1977, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
10. Lowery Associates Co., 2801 West Chester Pike, Broomall, Pa. 19008, dated March 1, 1980, as amended on June 9, 1981. Term: 1 year commencing June 18, 1981.		
11. Marketing Engineers, Inc., 2511 East 46th Street, Suite N3, Indianapolis, Indiana 46205, dated June 21, 1979. Term: to be updated.		
12. Jack F. McKinney Sales, 1303 Chemical Street, P.O. Box 10451, Dallas, Texas 75207, dated November 1, 1979, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
13. J.R. Morgan Agency, 3411 A. East Corona Ave., Phoenix, Arizona 85040, dated July 28, 1977, as amended on June 18, 1981.		

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Contract	Transferability	Consent to Assignment Required by Purchaser
20. Technical Sales Associates, 1485 Bayshore Blvd., San Francisco, California 94124, dated September 1, 1977, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
21. Jack M. Thorpe Company, 21537 Harper Avenue, St. Clair Shores, Michigan 48080, dated August 9, 1977. Term: to be updated.		
22. Triangle Trading Co., P.O. Box 1449, Ceramica Annex Station, Carolina, Puerto Rico 00630, dated July 1, 1980, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
23. West Cal Sales, P.O. Box 653, Aptos, California 95003, dated , as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
24. Yusen Associates, Inc., 16 Everberg Road, Woburn, Mass. 01801, dated June 19, 1980, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
25. Marchese, Marsey & Barden, Inc., 1040 Portland Avenue, Rochester, New York 14621, dated August 3, 1981. Term: 1 year commencing August 3, 1981.		

Contract	Transferability	Consent to Assignment Required by Purchaser
1 year commencing June 1, 1981.		
6. G.N. Associates, 2152 Princeton Avenue, Philadelphia, Pa. 19149, dated June 17, 1977, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		
7. Sidney Goldstein Corporation, P.O. Box 322, Allston, Mass. 02134, dated June 17, 1977, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		
8. H.B. Associates, Inc., Suite 102, 120 Interstate North Parkway East, Atlanta, Ga. 30339, dated September 4, 1979, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		
9. Mel Howard Sales, P.O. Box 9692, El Paso, Texas 79987, dated June 17, 1977, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		
10. R.D. Kincaide Co., Inc., 615 Seventh Street, San Francisco, California 94103, dated September 4, 1979, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		
11. Kleppe-Lewis & Associates, P.O. Box 937, Casselberry, Florida 32707, dated May 1, 1979, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		

Contract	Transferability	Consent to Assignment Required by Purchaser
dated August 6, 1979, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		
19. Tri-Sales, Inc., P.O. Box 486, Amelia, Ohio 45102, dated June 17, 1977, as amended on June 1, 1981. Term: 1 year commending June 1, 1981.		
20. Triangle Trading Company, P.O. Box 1449, Ceramica Annex Station, Carolina, Puerto Rico 00628, dated June 17, 1977, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		
21. V&W Associates, 24 Midland Avenue, Hicksville, N.Y. 11801, dated April 13, 1978, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		
Carol Cable Company		
1. Ajax Electrical Sales Company, 4957 Fyler Avenue, St. Louis, Mo. 63139, dated August 31, 1977. Term: presently being updated.		
2. Jim Bixler & Associates, Inc., 3215 Nebraska Avenue, Council Bluffs, Iowa 51501, dated June 17, 1977, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		

Contract	Transferability	Consent to Assignment Required by Purchaser
9. Bruce-Emmett Company, 17 S.E. Third Ave., Portland, Oregon 97214, dated August 12, 1977, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
10. A. Lee Clifford & Company, 1801 West 18th Street, Indianapolis, Indiana 46202, dated June 17, 1977, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
11. Damin Sales, Inc., 86 State Highway 4, Englewood, N.J. 07631, dated July 1, 1977, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
12. The M.J. Daniel Company, 3003 L.B.J. Freeway, Suite 205 East, Dallas, Texas 75234, dated December 6, 1977, as amended on May 6, 1981. Term: 1 year commencing June 1, 1981.		
13. Electrorep, Inc., 208 Pennsylvania St., San Francisco, Calif. 94107, dated August 20, 1980, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
14. Gaynor Sales Agency, 7716 Winpark Dr., Minneapolis, Minn. 55427, dated June 17, 1977, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		

Contract	Transferability	Consent to Assignment Required by Purchaser
Tex. 76116, dated June 17, 1977, as amended on May 6, 1981. Term: 1 year commencing June 1, 1981.		
22. Kesler Associates, 705 Buckingham Dr., Sturgis, Mich. 49091, dated July 1, 1977, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
23. Jerry Lau, 46-302 Kam Highway, Kaneohe, Hawaii 96744, dated December 23, 1978, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
24. Jim Hash & Company, 10603 Lexington Drive, Concord (Knoxville), Tennessee 37922, dated June 17, 1977, as amended June 18, 1981. Term: 1 year commencing June 18, 1981.		
25. Lewis Associates, Inc., 555 Skokie Blvd., Northbrook, Ill. 60062, dated November 21, 1980. Term: 2 catalogue years; October 1, 1980 through June 30, 1983. Termination: No provision is made for termination of the contract prior to its expiration date. The contract does, however, provide for alternative commission arrangements in the event of a premature termination.		
26. Maxwell-Scivley-McElroy, Inc., 1456		

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Contract	Transferability	Consent to Assignment Required by Purchaser
South, Minneapolis, Minn. 55416, dated June 17, 1977, as amended on May 6, 1981. Term: 1 year commencing June 1, 1981.		
33. Promotional Sales, Inc., P.O. Box 26389, Phoenix, Arizona 85068, dated May 28, 1981. Term: 1 year commencing July 1, 1981.		
34. Jack L. Rowe & Sons, Inc., 3005 W. Franklin Blvd., Chicago, Ill. 60612, dated November 17, 1977, as amended on May 18, 1981, June 1, 1981 and June 18, 1981. Term: 1 year commencing June 18, 1981.		
35. J. R. Schmidt & Associates, 1610 W. Evans Ave., Englewood, Colorado 80110, dated September 8, 1978, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
36. Senese Sales Company, 130 Freight St., Waterbury, Conn. 06702, dated July 20, 1977, as amended on June 18, 1981. Term: 1 year commencing July 18, 1981.		
37. Harold S. Shapiro, 6 Horizon Rd., Fort Lee, N.J. 07024, dated October 10, 1979, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
38. Mike Spallato & Associates, 3367 Babcock		

Contract	Transferability	Consent to Assignment Required by Purchaser
1977, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
45. Young & Champagne, 7500 Intervale Avenue, Detroit, Michigan 48238, dated August 8, 1977, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
46. Yusen Associates, Inc., 16 Everberg Road, Woburn, Massachusetts 01801, dated June 17, 1977, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
47. Zeller & Constantine, Inc., 3920 Ford Street, Metairie, Louisiana 70002, dated June 17, 1977, as amended on June 18, 1981. Term: 1 year commencing June 18, 1981.		
48. Atlantic Marketing Company, P.O. Box 612, Old Saybrook, Conn. 06475, dated June 17, 1977, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		
49. Kern & Associates, 9189 Oakview Drive, Swartz Creek, Michigan 48473, dated March 1, 1978, as amended on June 1, 1981. Term: 1 year commencing June 1, 1981.		
50. Curtis F. Mellin, 3173 Bern Drive, Laguna Beach, California 92651, dated June 17, 1977, as		

Contract	Transferability	Consent to Assignment Required by Purchaser
56. Agreement between Columbia/Ferry, Division of Avnet, Inc. and the M.J. Daniel Company, 3003 L.B.J. Freeway, Suite 205 East, Dallas, Texas 75234, dated March 1, 1978, as amended on June 1, 1981. Term: 1 year commencing June 30, 1981.		
57. Hipsco, Inc. of North America, 133 W. Hunting Park Avenue, Philadelphia, Pennsylvania 19140, dated July 23, 1980. Term: presently being updated.		
58. Agreement between Carol Cable Company (Consumer Products Division), Division of Avnet, Inc., and Keller-Hyden, Inc., 5225 W. Rose Dale, Fort Worth, Texas 76116, dated May 1, 1980, as amended on June 1, 1981. Term: 1 year commencing on June 30, 1981.		
59. Thomas Martin & Associates, 3773 Plumspring Lane, Ellicott City, Maryland 21043, dated September 1, 1979, as amended on June 1, 1981. Term: 1 year commencing June 30, 1981.		
60. Mittleman, Smith & Wynn, 1319 East Washington Boulevard, Los Angeles, California 90021, dated February 15, 1981, as amended on June 1, 1981. Term:		

Contract	Transferability	Consent to Assignment Required by Purchaser
Jersey 07011, dated July 1, 1977, as amended on June 1, 1981. Term: 1 year commencing June 30, 1981.		
66. Zeigler-Noell & Wright, 1475 West 86th Street, Suite A, Indianapolis, Indiana 46260, dated July 1, 1979, as amended on June 1, 1981. Term: 1 year commencing June 30, 1981.		
67. Sullivan-Brooks, Inc., 110 Town Line Road, Syracuse, New York 13211, dated July 27, 1977. Term: presently being updated.		
68. JB Sales Associates 307 West Sixth Street, Suite 205, Royal Oak, Michigan 48067, dated September 4, 1981. Term: 1 year commencing September 7, 1981.		
Lamp & Lighting Division		
1. Sidney Eidenberg, 949 N.E. 163rd Street, North Miami Beach Florida 33162, dated July 7, 1977, as amended on June 30, 1979. Term: presently being updated.		
2. A. Lee Clifford & Company, 1801 W. 18th Street, Indianapolis, Indiana 46202, dated August 1, 1977. Term: presently being updated.		
3. R&S Sales, P.O. Box 181, Marlton, New Jersey		

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Contract	Transferability	Consent to Assignment Required by Purchaser
75062, dated November 5, 1979, as amended on May 5, 1981. Term: 1 year commencing June 18, 1981.		
4. Mr. Duane Little, Electric Component Sales, 8700 West 36th Street #209, Minneapolis, Minnesota 55426, dated June 17, 1977, as amended on May 5, 1981. Term: 1 year commencing June 18, 1981.		
5. Mr. Richard Gale, P.O. Box 152, Topsfield, Massachusetts 01983, dated June 17, 1977, as amended on May 5, 1981. Term: 1 year commencing June 18, 1981.		
6. Mr. Thomas Crump, Industrial Hardware Company, P.O. Box 3208, Englewood, Colorado 80111, dated June 17, 1977, as amended on May 5, 1981. Term: 1 year commencing June 18, 1981.		
7. Mr. John Jubell, Jubell Associates, Inc., 23760 Miles Road, Cleveland, Ohio 44128, dated June 17, 1977, as amended on May 5, 1981. Term: 1 year commencing June 18, 1981.		
8. Mr. Neil Finkel, Kevin Sales, Inc., 1140 Bloomfield Avenue, Suite 201, West Caldwell, N.J. 07006, dated June 17, 1977, as amended on May 5, 1981. Term: 1 year commencing June 18, 1981.		

Contract	Transferability	Consent to Assignment Required by Purchaser
commencing August 1, 1981.		
4.8(j):		
1. Agreement between Carol Cable Company, Crown Wire & Cable and Freeport Kaolin Company, dated January 1, 1981, covering the purchase of Kaolin products. Agreement effective February 1, 1981 with shipments to be made at "a reasonably uniform rate throughout the year."		
2. Letter from Uniroyal, Inc. to Carol Cable Company, dated September 5, 1980, covering the purchase of rubber chemicals. Term: August 1, 1980 through July 31, 1981.		
3. Contract of Sale between Exxon Chemical Americas and Avnet, Inc. - Carol Cable Company Division, dated April 14, 1981, covering the sale of chemicals to Carol Cable's River Grove, Illinois Plant. Term: January 1, 1981 through December 31, 1981.		
4. Contract of Sale between Exxon Chemical Americas and Avnet, Inc. - Carol Cable Company Division, dated April 14, 1981, covering the sale of chemicals to Carol Cable's Lincoln, Rhode Island and Taunton, Mass. plants. Term: January 1, 1981 through December 31, 1981.		

Contract	Transferability	Consent to Assignment Required by Purchaser
9. Sales Contract No. 8134-R between Magma Copper Company and Carol Cable Company, dated October 7, 1980, covering electrolytic copper. Term: shipments to be made from January, 1981 through December, 1981.		
10. Contract between Phelps Dodge Copper Products Company and Carol Cable Company, dated January 28, 1981, covering hot rolled copper rods. Term: shipments to be made throughout the calendar year.		
4.8(k) See Schedule P.		
4.8(l) None.		

Contract	Transferability	Consent to Assignment Required by Purchaser
9. Mr. Louis Marchese, Marchese, Marsey & Barden, 1040 Portland Avenue, Rochester, N.Y. 14621, dated June 17, 1977, as amended on May 5, 1981. Term: 1 year commencing June 18, 1981.		
10. Mr. Jerome Mertens, Mertens Company, P.O. Box 11661, St Louis, Missouri 63105, dated June 17, 1977, as amended on May 5, 1981. Term: 1 year commencing June 18, 1981.		
11. Mr. Jack Sutton, Midwest Warehouse, Inc., 3919 Wesley Terrace, Schiller Park, Illinois 60176, dated June 17, 1977, as amended on May 5, 1981. Term: 1 year commencing June 18, 1981.		
12. Mr. Bill Ueberrhein, Pacific Electric Sales Co., Inc., P.O. Box 13026, Rose City Park Station, Portland, Oregon 97213, dated June 17, 1977, as amended on May 5, 1981. Term: 1 year commencing June 18, 1981.		
13. Mr. David Carter, Tenn Tech Sales, Inc., 1801 Somerville Road S.E., Decatur, Alabama 35601, dated March 31, 1978, as amended on May 5, 1981. Term: 1 year commencing June 18, 1981.		
14. E. P. Smith & Associates, 10247 Paramount Blvd., Downey, California 90241, dated July 27, 1981. Term: 1 year		

Contract	Transferability	Consent to Assignment Required by Purchaser
5. Contract No. 3034 between Asarco, Inc. and Carol Cable Co., a division of Avnet, Inc., dated February 1, 1981, covering electrolytic copper. Term: February 1, 1981 through December 31, 1981.	5. No assignment by either party without written consent of the other party.	Yes
6. Contract No. CURI 2013 between Inspiration Consolidated Copper Company and Carol Cable Company, dated January 16, 1981, covering continuous cast copper rod. Term: shipments to be made monthly through December, 1981.		
7. Contract No. R-8197 between Kennecott Sales Corporation and Carol Cable Company, dated December 19, 1980, covering electrolytic copper. Term: 3 calendar months, commencing January, 1981, and continuing thereafter until terminated by either party on at least 3 full calendar months' advance notice.	7. No assignment without prior written consent of Kennecott.	Yes
8. Contract No. R-8166 between Kennecott Sales Corporation and Carol Cable Company, dated December 10, 1980, covering electrolytic copper. Term: January 1, 1981 through December 31, 1981.	8. No assignment without prior written consent of Kennecott.	Yes

11. Delta Dental Basic First level program and, effective June 7, 1982, Delta Dental level II on a family coverage basis for all employees (members of a bargaining unit) of Miller Electric Company, a division of Avnet, Inc., except for part-time employees and new employees hired after June 15, 1964 who are not heads of families and who have not paid a monthly premium charge for dependency coverage.

12. Connecticut General Insurance Plan or benefits provided by the National Foundation for Health Care for all employees (members of a bargaining unit) of Carol Cable Company West.

13. Connecticut General Dental Plan for employees only (members of a bargaining unit) of Carol Cable Company West, starting November 1, 1981.

14. Connecticut General Dental Plan for employees (members of a bargaining unit) of Carol Cable Company West, and their dependents, starting November 1, 1982.

15. Life insurance policy ($4,000) for each employee (member of a bargaining unit) of Carol Cable Company West, a Division of Avnet, Inc.

16. Massachusetts Mutual Health Plan, or Union's Health Insurance Trust, for all eligible employees (members of a bargaining unit) of Carol Cable Company West, a Division of Avnet, Inc., and their dependents.

17. Union's Dental Insurance Program for all employees (members fo a bargaining unit) of Carol Cable Company, a Division of Avnet, Inc.

18. Group Term Life Insurance policy ($2,500), and Accidental Death and Dismemberment ($2,500) effective October 1, 1976, for each eligible full-time employee (member of a bargaining unit) of Columbia Electronic Cables, a Division of Avnet, Inc.

19. The Blue Cross Semi-Private Rate Hospital Group Plan and Blue Shield Plan B, the Dental Plan of Massachusetts Dental Service Corporation, the Master Medical Plan (effective August 1, 1978), Sickness and Accident insurance, and Blue Cross Medex III and Medicare Supplemental Part B reimbursement, for all eligible full-time eimployees (members of a bargaining unit) of Columbia Electronic Cables, a Division of Avnet, Inc.

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27. Long Term Disability Coverage for Employees (non-bargaining unit) earning in excess of $20,000 per annum with at least one year of service -- applicable throughout the Carol Cable division. (Note: prior to 1980, the earnings requirement was $15,000.)

28. Accident and Sickness Coverage (partial salary reimbursement due to non-job related accident or sickness) - coverage per schedules attached

29. Additional Dental insurance coverage per schedules attached.

30. Additional Life Insurance per schedules attached.

31. Additional Blue Cross/Blue Shield coverage per schedules attached.

32. Carol Cable Co. division of Avnet International, Ltd. (Canada): Life Insurance, Health Insurance and Long Term Disability Insurance per schedules attached (in addition to mandatory government-sponsored programs).

33. Executive Life Insurance Program.

AMENDMENT
TO
PENSION PLAN FOR HOURLY EMPLOYES OF
CAROL CABLE COMPANY, A DIVISION OF AVNET, INC.
as amended and restated effective January 1, 1976

WHEREAS, the Pension Plan for Hourly Employees of Carol Cable Company, a Division of Avnet, Inc. (the "Plan") was adopted effective as of January 1, 1944 for the benefit of eligible employees who are compensated at an hourly rate and who are members of a collective bargaining unit at the Carol Cable Company division of Avnet, Inc., a New York corporation ("Avnet"); and

WHEREAS, the Plan has been amended and restated in its entirety effective as of January 1, 1976 to comply with the requirements of the Employee Retirement Income Security Act of 1974, which document has been subsequently amended; and

WHEREAS, pursuant to Purchase Agreement dated as of September 15, 1981 (the "Purchase Agreement"), certain assets of Avnet will be purchased by Carol Cable Company, Inc., a Delaware corporation ("Carol Cable"); and

WHEREAS, in connection with such purchase of assets, it is anticipated that certain business operations of Avnet will be continued by Carol Cable, certain of its employees will become employees of Carol Cable, and Carol Cable will adopt the Plan for the benefit of eligible employees, subject to its terms, and will be substituted as contract holder under any insurance contract maintained in conjunction therewith, subject to its terms; and

EXECUTED at , this ___ day of October, 1981.

AVNET, INC.

By _____
Title

ATTEST:

_____
Title

Effective upon closing under the Purchase Agreement dated as of September 18, 1981, Carol Cable Company, Inc., a Delaware corporation, does hereby adopt the Plan and succeeds to and assumes all of the rights, powers, duties and obligations theretofore held by Avnet, Inc.

EXECUTED at , this ___ day of October, 1981.

CAROL CABLE COMPANY, INC.

By _____
Title

ATTEST:

By _____
Title

AMENDMENT
TO
PENSION PLAN FOR HOURLY EMPLOYES OF
MILLER ELECTRIC COMPANY, A DIVISION OF AVNET, INC.
as amended and restated effective January 1, 1976

WHEREAS, the Pension Plan for Hourly Employees of Miller Electric Company, a Division of Avnet, Inc. (the "Plan") was adopted effective as of January 1, 1973 for the benefit of eligible employees who are compensated at an hourly rate and who are members of a collective bargaining unit at the Miller Electric Company division of Avnet, Inc., a New York corporation ("Avnet"); and

WHEREAS, the Plan has been amended and restated in its entirety effective as of January 1, 1976 to comply with the requirements of the Employee Retirement Income Security Act of 1974, which document has been subsequently amended; and

WHEREAS, pursuant to Purchase Agreement dated as of September 15, 1981 (the "Purchase Agreement"), certain assets of Avnet will be purchased by Carol Cable Company, Inc., a Delaware corporation ("Carol Cable"); and

WHEREAS, in connection with such purchase of assets, it is anticipated that certain business operations of Avnet will be continued by Carol Cable, certain of its employees will become employees of Carol Cable, and Carol Cable will adopt the Plan for the benefit of eligible employees, subject to its terms, and will be substituted as contract holder under any insurance contract maintained in conjunction therewith, subject to its terms; and

EXECUTED at , this ___ day of October, 1981.

AVNET, INC.

By _____
Title

ATTEST:

_____
Title

Effective upon closing under the Purchase Agreement dated as of September 18, 1981, Carol Cable Company, Inc., a Delaware corporation, does hereby adopt the Plan and succeeds to and assumes all of the rights, powers, duties and obligations theretofore held by Avnet, Inc.

EXECUTED at , this ___ day of October, 1981.

CAROL CABLE COMPANY, INC.

By _____
Title

ATTEST:

By _____
Title

AMENDMENT
TO
CROWN WIRE & CABLE CORP.
DIVISION OF AVNET, INC. PENSION PLAN

WHEREAS, the Crown Wire & Cable Corp. Division of Avnet, Inc. Pension Plan (the "Plan") was adopted effective as of August 1, 1976 for the benefit of eligible employees who are members of a bargaining unit at the Crown Wire & Cable Corp. division of Avnet, Inc., a New York corporation ("Avnet"), which Plan has been subsequently amended; and

WHEREAS, pursuant to Purchase Agreement dated as of September 15, 1981 (the "Purchase Agreement"), certain assets of Avnet will be purchased by Carol Cable Company, Inc., a Delaware corporation ("Carol Cable"); and

WHEREAS, in connection with such purchase of assets, it is anticipated that certain business operations of Avnet will be continued by Carol Cable, certain of its employees will become employees of Carol Cable, and Carol Cable will adopt the Plan for the benefit of eligible employees, subject to its terms, and will be substituted as contract holder under any insurance contract maintained in conjunction therewith, subject to its terms; and

EXECUTED at , this ___ day of October, 1981.

AVNET, INC.

By _____
Title

ATTEST:

_____
Title

Effective upon closing under the Purchase Agreement dated as of September 18, 1981, Carol Cable Company, Inc., a Delaware corporation, does hereby adopt the Plan and succeeds to and assumes all of the rights, powers, duties and obligations theretofore held by Avnet, Inc.

EXECUTED at , this ___ day of October, 1981.

CAROL CABLE COMPANY, INC.

By _____
Title

ATTEST:

By _____
Title

Schedule L
to
Purchase Agreement

Governmental Authorizations
(pursuant to Section 4.12
of the Purchase Agreement)

A. Carol Cable Company - West

Unless otherwise stated below, all permits expire one year from the date of inspection.

1. City License from City of Vernon, California. Term: January 1, 1981 to December 31, 1981.

2. Permit to Operate Air Pressure Tank No. 26235-73. Date of Inspection: April 14, 1978. Term: 5 years from date of inspection.

3. Permit to Operate Steam Boiler No. 26921-76. Date of Inspection: August 13, 1981. This permit expires 1 year from date of inspection. Maximum Pressure: 300 pounds per square inch.

4. Permit to Operate Steam Boiler No. 21784-69. Date of Inspection: August 13, 1981. This permit expires 1 year from date of inspection. Maximum Pressure: 300 pounds per square inch.

5. Annual Permit to Operate Boiler Oth., Com. G-0 PS-2, dated March 9, 1981. Term: Expires on March 31, 1982 or an earlier date if equipment is moved, altered, or there is a change in ownership.

6. Permit to Operate Steam Boiler No. 21783-69. Date of Inspection: August 13, 1981. This permit expires 1 year from date of inspection. Maximum Pressure: 300 pounds per square inch.

7. Permit to Operate Liquefied Petroleum Gas Tank No. 5243-72. Date of Inspection: October 18, 1978. This permit expires three years from the date of inspection. Maximum Pressure: 250 pounds per square inch.

8. Permit to Operate Air Pressure Tank No. 26933-75. Date of Inspection: January 22, 1981. This permit expires five years from the date of inspection. Maximum Pressure: 165 pounds per square inch.

9. Certificate of Authorization No. VR20 to use Repair Symbol Section I and VIII of The National Board of Boiler and Pressure Vessel Inspectors. This authorization is valid from April 5, 1979 to April 5, 1982.

Columbia Electronic Cables
11 Cove Street
New Bedford, Massachusetts

Miller Electric Company
150 Hamlet Avenue
Woonsocket, Rhode Island

Schedule M
to
Purchase Agreement

Insurance
(pursuant to Section 4.14
of the Purchase Agreement)

A. Insurance Policies

1. Prior and Allied Perils, including Boiler and Machinery, on Real and Personal Property, underwritten by Industrial Risk Insurers of Hartford, Conn. Policy No. 31-7-09128. Term: January 1, 1979 through January 1, 1982.

2. Business Interruption, underwritten by Industrial Risk Insurers of Hartford, Conn. Policy No. 31-7-09129. Term: January 1, 1979 through January 1, 1982.

3. Difference in conditions coverage, underwritten by Industrial Risk Insurers of Hartford, Conn. Policy No. 31-7-09603. Term: March 28, 1979 through January 1, 1982.

4. Manufacturers output, underwritten by Zurich Insurance Company. Policy No. IF-77-21-660. Term: October 1, 1975 to "until cancelled."

5. Valuable papers, underwritten by Wm. H. McGee & Co., Inc. Policy No. S-ITF-611362. Term: March 28, 1981 through March 28, 1982.

6. Travel Accident, underwritten by Life Insurance Company of North America. Policy No. ABL-62-24-52. Term: January 1, 1976 to January 1, 1979. Transferability: a copy of any assignment by the beneficiary under the policy must be sent to the underwriter.

7. Credit Insurance, underwritten by American Credit Indemnity Company of New York. Policy No. N-212,793-4. Term: January 1, 1981 through December 31, 1981.

In addition to the above listed policies, worker's compensation, general liability, automobile liability, product liability, blanket crime/fidelity, umbrella liability and ocean cargo coverage have been provided under Avnet master policies with the Kemper Insurance Companies; certain group insurance coverage has been provided under Avnet policies underwritten by Massachusetts Mutual Life Insurance Company

Customer Name and Address	$ Volume
Summers Electric P.O. Box 17747 San Antonio, Texas	2,255,006
State Electrical Supply 210 20th Street Huntington, W. Virginia 25703	2,048,885
Pep Boys 1124 W. Washington Blvd. Los Angeles, California	1,983,575
Coast to Coast Stores P.O. Box 80 Minneapolis, MN 55440	1,506,890
Ford Motor Company P.O. Box 1704 Dearborn, Michigan 42121	1,388,127

SCHEDULE Q
to Purchase Agreement

Allocation of Purchase Price
(Pursuant to Section 1.3
of the Purchase Agreement)

1. The Purchase Price allocated to each of the following groups of Division Assets is set forth below opposite such group:

Asset Group	Purchase Price
Cash	book value on closing date
Accounts Receivable	book value on closing date
Inventories	book value on closing date
Other Current Assets	book value on closing date
Land	$2,674,841 in excess of book value on closing date
Buildings and Improvements*	$17,369,038 in excess of book value on closing date
Leasehold Improvements	$88,572 less than book value on closing date
Options and Leaseholds	$2,730,000
Machinery and Equipment*	$9,808,523 in excess of book value on closing date
Furniture and Fixtures	$76,559 in excess of book value on closing date
Supplies	$210,403 in excess of book value on closing date
Goodwill	$689,208 in excess of book value on closing date

2. (a) The purchase price for each group of Division Assets shall be paid as follows:

---

* Including those held under capital leases.

3. The purchase price allocable to each parcel of real property, including building and improvements, is as follows:

Parcel	Purchase Price
Warren, Rhode Island	$ 4,191,458
Central Falls, Rhode Island	2,541,323
Pawtucket, Rhode Island	4,476,064
Manchester, New Hampshire	5,935,739
Compton, California	11,603,416

Schedule R
to
Purchase Agreement

Tax Payment Schedule
(pursuant to § 1.2(c))

Current Income Tax Liability at June 30, 1981
as reflected in Division Balance Sheet in Note #7

Federal - 1/2 payable at Closing
1/2 payable December 15, 1981

State - 100% payable at Closing

Current First Quarter Tax Liability at October 2,
1981 as reflected in Closing Date Statement

Federal - payable at time of payment of Adjustment Amount

State - payable at time of payment of Adjustment Amount

Deferred Taxes at October 2, 1981 as
reflected in Closing Date Statement

1/2 payable on March 15, 1982

1/2 payable on September 15, 1982

Schedule S
to
Purchase Agreement

CANADIAN ASSETS

Summary
(pursuant to Section 4.3
of the Purchase Agreement)

	Cost	Depr. & Amort.	NBV
Furniture and fixtures	11,385.90	1,962.91	9,422.99
Machinery and equipment	95,047.47	29,216.97	65,830.50
Leasehold improvements	24,264.25	9,293.00	14,971.25
Prepaid expenses			21,942.16
Total Value 6/30/81			112,166.90

AVNET, INC.
80 CUTTER MILL ROAD
GREAT NECK, N.Y. 11021
(516) 466-7000

February 8, 1990

Lynne A. Fratus, Esq.
U. S. Enviromental
Protection Agency (LRR-695)
P. O. Box 738
Centerville, VA 22030

Re: Information Request - Landfill & Resource Recovery Site, North Smithfield, Rhode Island

Dear Ms. Fratus:

Enclosed, on behalf of Avnet, Inc. (Carol Cable), are the responses to the January 10, 1990 Information Request. Please note that the copies of the insurance policies annexed to our response to the January 17, 1990 Information Request were intended to be produced pursuant to this Information Request.

If you have any questions concerning these responses, please feel free to contact me.

Very truly yours,

Arthur J. Levy
Assistant General Counsel

AJL/amp

RESPONSE OF AVNET (CAROL CABLE) TO
INFORMATION REQUEST
OF JANUARY 10, 1990

1. General Information

a. Identify the person(s) answering these questions on behalf of Respondent.

ANSWER: Morton Vogel.

b. For each and every question contained herein, identify all person consulted in the preparation of the answer.

ANSWER: Morton Vogel.

c. For each and every question contained herein, identify all documents consulted, examined, or referred to in the preparation of the answer and provide true and accurate copies of all such documents.

ANSWER: No documents were consulted, examined or referred to in the preparation of the answer to this Information Request other than the Rhode Island Department of Health Manifest that was attached to the Notice Letter and Information Request. In 1981, the assets of Carol Cable Company Division were sold to Canada Wire and Cable Limited. At that time, all records relating to the prior operation of Carol Cable Company, to the extent that such records existed, would have been transferred to the new owners.

d. List the EPA RCRA Identification Numbers of the Respondent, if any.

ANSWER: Carol Cable was sold in October 1981, prior to the effective date of the Hazardous Waste regulations adopted pursuant to RCRA. We are not aware of any EPA identification numbers issued to Carol Cable.

e. Describe the acts or omissions of any persons, other than your employees, agents or those persons with whom you had a contractual relationship, that may have caused the release or threat of release of hazardous substances at the Site and damages resulting therefrom and identify such persons. In addition:

1) Describe all precautions that you took against foreseeable acts or omissions or any such third parties and the consequences that could foreseeably result from such acts or omissions.

2) Describe the care you exercised with respect to the hazardous substances found at the Site.

ANSWER: At present, Avnet, Inc. has no knowledge of any acts or omissions as described above.

f. If you have reason to believe that there may be persons able to provide a more detailed or complete response to any question contained herein or who may be able to provide additional responsive documents identify such person and the additional information or documents they may have.

ANSWER: As stated in response to question 1c, the Carol Cable Company Division was sold in 1981, and Avnet at present is not aware of any persons who may be able to provide a more detailed or complete response to any question contained herein or who may be able to provide additional responsive documents.

g. Identify all persons, including Respondent's employees, who have knowledge or information about the generation, use, purchase, treatment, storage, disposal or other handling of materials at, or transportation of materials to, the Site.

ANSWER: As stated in response to question 1c, the Carol Cable Company Division was sold in 1981, and Avnet at present is not aware of any employees described in question 1g.

h. For each and every question contained herein, if information responsive to this Information Request is not in your possession, custody or control, then identify the persons from whom such information may be obtained.

ANSWER: As stated in response to question 1c, the Carol Cable Company Division was sold in 1981. At that time, any records that may have existed relating to the prior operation of Carol Cable Company would have been transferred to the new owners.

2. <u>Generator Information</u>

Identify all persons, including you, who may arranged for disposal or treatment of materials at or to the Site [or any transshipment site]. Such persons will hereinafter be referred to as "Generators."

ANSWER: As stated in response to question 1c, the Carol Cable Company Division was sold in 1981, and Avnet at present is not aware of any such persons described in question 2.

In addition identify:

a. The persons with whom the Generators made such arrangements.

ANSWER: As stated in response to question 1c, the Carol Cable Company Division was sold in 1981, and Avnet at present is not aware of any such persons described in question 2a.

b. Every date on which each Generator made such arrangements.

ANSWER: As stated in response to question 1c, the Carol Cable Company Division was sold in 1981, and Avnet at present is not aware of any information responsive to question 2b.

c. The nature, including the chemical content, characteristics, physical state (e.g., solid, liquid) and quantity (volume and weight) of all hazardous materials involved in each such arrangement.

ANSWER: Avnet, at present, is not aware of any information responsive to question 2c other than the Rhode Island Department of Health Manifest which was attached to this Information Request. Without admitting the accuracy of that document, or that the document reflects the disposal of hazardous materials, it appears from that document that the disposed material was a sludge with a pH of 7.0 - 7.8.

d. In general terms, the nature and quantity of the non-hazardous materials involved in each such arrangement.

ANSWER: Avnet at present is not aware of any information responsive to question 2d.

e. The owner of the hazardous materials involved in each such arrangements.

ANSWER: Avnet at present is not aware of any information responsive to question 2e.

f. All tests, analyses, analytical results or manifests concerning each hazardous material involved in such transactions.

ANSWER: Avnet at present is not aware of any information responsive to question 2f.

g. The precise locations at which each hazardous material involved in such transactions actually was disposed or treated.

ANSWER: Avnet at present is not aware of any information responsive to question 2g.

h. Who selected the location to which the hazardous materials were to be disposed or treated.

ANSWER: Avnet at present is not aware of any information responsive to question 2h.

i. Who selected the Site as the location at which hazardous materials were to be disposed or treated.

ANSWER: Avnet at present is not aware of any information responsive to question 2i.

j. The amount paid in connection with each such arrangement, the method of payment, and the identity of the persons involved in each arrangement.

ANSWER: Avnet at present is not aware of any information responsive to question 2j.

k. Where the persons identified in h, above, intended to have the hazardous materials involved in each arrangement treated or disposed and all evidence of their intent.

ANSWER: Avnet at present is not aware of any information responsive to question 2k.

l. All intermediate sites to which the hazardous materials involved in each arrangement were transshipped, or at which they were stored or held, prior to final treatment or disposal.

ANSWER: Avnet at present is not aware of any information responsive to question 2l.

m. What was done to the hazardous materials once they were brought to the Site.

ANSWER: Avnet at present is not aware of any information responsive to question 2m.

n. The final disposition of each of the hazardous materials involved in each arrangement.

ANSWER: Avnet at present is not aware of any information responsive to question 2n.

o. The measures taken by you to determine how and where treatment or disposal of the hazardous materials involved in each arrangement would actually take place.

ANSWER: Avnet at present is not aware of any information responsive to question 2o.

p. The markings on and type, condition and number of containers in which the hazardous materials were contained when they were stored, disposed, treated, or transported for disposal or treatment.

ANSWER: Avnet at present is not aware of any information responsive to question 2p.

3. Transporter Information

Identify all persons that may have accepted materials for transportation to the Site. Such persons will hereinafter be referred to as "Transporters."

ANSWER: Avnet at present is not aware of any information responsive to question 3.

For each such Transporter, further identify:

a. In general terms, the nature and quantity of all non-hazardous materials that they accepted for transportation to the Site.

ANSWER: Avnet at present is not aware of any information responsive to question 3a.

b. The nature of the hazardous materials accepted by the Transporters including the chemical content, characteristics, and physical state (e.g., solid, liquid).

ANSWER: Avnet at present is not aware of any information responsive to question 3b.

c. The persons from whom the Transporters accepted hazardous materials.

ANSWER: Avnet at present is not aware of any information responsive to question 3c.

d. Every date on which the Transporters transported the hazardous materials to the Site.

ANSWER: Avnet at present is not aware of any information responsive to question 3d.

e. The owners of the hazardous materials that were accepted for transportation by the Transporters.

ANSWER: Avnet at present is not aware of any information responsive to question 3e.

f. The quantity (weight and volume) of hazardous materials brought by each Transporter to the Site.

ANSWER: Avnet at present is not aware of any information responsive to question 3f.

g. All tests, analyses, analytical results and manifests concerning each hazardous material accepted for transportation to the Site.

ANSWER: Avnet at present is not aware of any information responsive to question 3g.

h. The precise locations at the Site to which each hazardous material was transported.

ANSWER: Avnet at present is not aware of any information responsive to question 3h.

i. Who selected the location to which the Transporter would take each hazardous material.

ANSWER: Avnet at present is not aware of any information responsive to question 3i.

j. Who selected the Site as the location to which the Transporter would take each hazardous material.

ANSWER: Avnet at present is not aware of any information responsive to question 3j.

k. The amount paid to each Transporter for accepting the hazardous materials for transportation, the method of payment, and the identity of the persons who paid each Transporter.

ANSWER: Avnet at present is not aware of any information responsive to question 3k.

l. Where the persons identified in i, above, intended to have such hazardous materials transported and all evidence of their intent.

ANSWER: Avnet at present is not aware of any information responsive to question 3l.

m. All sites at which such hazardous materials were transshipped through, or were or held at, prior to their final treatment or disposal.

ANSWER: Avnet at present is not aware of any information responsive to question 3m.

n. What was done to the hazardous materials after they were transported to the Site.

ANSWER: Avnet at present is not aware of any information responsive to question 3n.

o. The final disposition of each of the hazardous materials brought to the Site.

ANSWER: Avnet at present is not aware of any information responsive to question 3o.

p. The measures taken by you to determine what the Transporters would actually do with the hazardous materials they accepted for transportation.

ANSWER: Avnet at present is not aware of any information responsive to question 3p.

q. The markings on, type and number of containers in which the hazardous materials were contained when they were accepted by the Transporters and when they were left at the Site.

ANSWER: Avnet at present is not aware of any information responsive to question 3q.

4. <u>Waste/Used Oil Information</u>

a. Describe the nature of your business. In addition:

1) Describe the raw materials and the manufacturing processes utilized by your company and the products of your manufacturing process.

2) If the nature of your business has changed significantly since 1980, please describe the nature of your business presently and prior to 1980.

ANSWER: Avnet, Inc. is a distributor of electronic components and computer products for industrial and military customers. It also produces or distributes other electronic, electrical and video communications products. Carol Cable, which was sold in October 1981, was a manufacturer of industrial, electronic, electrical and automotive wire and cable. Avnet is not aware of any information responsive to question 4a.

b. Identify the type(s) of oil(s) used by your company presently and prior to 1980.

ANSWER: At present, Avnet is not aware of any information responsive to question 4b.

c. Identify any additives used in the oil(s) by your company presently and prior to 1980.

ANSWER: At present, Avnet is not aware of any information responsive to question 4c.

d. Describe the process or processes which utilize(s) the oil(s) and explain how the oil(s) is utilized presently and prior to 1980.

ANSWER: At present, Avnet is not aware of any information responsive to question 4d.

e. Describe how the oil(s) are stored presently and prior to 1980.

ANSWER: At present, Avnet is not aware of any information responsive to question 4e.

f. Describe how used oil(s) or waste oil(s) are disposed of, presently and prior to 1980, including but not limited to the following:

ANSWER: At present, Avnet is not aware of any information responsive to question 4f.

1) Describe how the process and/or storage equipment is cleaned during disposal of the used oil or waste oil.

ANSWER: At present, Avnet is not aware of any information responsive to question 4f(1).

2) Identify the compounds used to clean the process and/or storage equipment when the used oil or waste oil is disposed.

ANSWER: At present, Avnet is not aware of any information responsive to question 4f(2).

3) Describe how the cleaning compounds are disposed of after cleaning the process and/or storage equipment.

ANSWER: At present, Avnet is not aware of any information responsive to question 4f(3).

5. Financial/Corporate Information

a. Please state the correct legal name of your company, agency or business. Provide the name and address of the current president and chairman of the board of directors of your company. Additionally, please state any other names by which your company has been known.

ANSWER: Avnet, Inc.-Leon Machiz, President and Chairman of the Board, Avnet, Inc., 80 Cutter Mill Road, Great Neck, NY 11021.

b. If the company is or was a subsidiary of another corporation, identify such other corporation and state the dates during which the parent/subsidiary relationship existed and the name and address of that corporation president and chairman of the board and other officers.

ANSWER: Not applicable.

c. Identify the state of incorporation, agent for service, and the EPA identification number of all companies identified in response to question 2a and b above.

ANSWER: Avnet, Inc. is a New York corporation. Avnet's agent for service is CT Corporation, 1633 Broadway, New York, NY 10019.

d. Please state the nature of your company's business, and briefly describe its operation at each location.

ANSWER: See response to question 4a.

e. State every location at which your company has operated and the dates of operation at each location.

ANSWER: To the best of Avnet's knowledge, prior to Carol Cable's sale in 1981, Carol Cable was located at the following addresses: 345 McGregor Street, Manchester, New

Hampshire; 249 Roosevelt Avenue, Pawtucket Rhode Island; and Carol Drive, Lincoln, Rhode Island.

f. Identify all liability insurance policies held by Respondent from 1976 to present. In identifying such policies, state:

1) the name and address of each insurer and of the insured;

2) the amount of coverage under each policy;

3) the commencement and expiration dates for each policy;

4) whether or not the policy contains a "pollution exclusion" clause; and

5) whether or not the policy covers sudden, nonsudden or both types of accidents.

In lieu of providing this information, you may submit complete copies of all insurance policies that may cover the release or threatened release of hazardous materials.

ANSWER: Copies of the primary layer insurance policy have been submitted previously in response to an EPA Information Request, dated January 17, 1990.

g. Provide copies of all income tax returns sent to the Federal Internal Revenue Service in the last five years.

ANSWER: Copies of Avnet's Annual Report and Form 10K for the years 1987 and 1989 have been submitted previously in response to an EPA Information Request, dated January 17, 1990. They contain financial statements and other financial and non-financial information for the years 1985 - 1989. Avnet is a publicly traded corporation on the New York Stock Exchange. If additional information is required, please contact Arthur J. Levy, (516) 466-7000.

h. Provide all financial statements for the past five fiscal years, including but not limited to those filed with the federal and state Internal Revenue Service and Securities and Exchange Commission.

ANSWER: See answer to question 5g.

i. Identify all of Respondent's current assets and liabilities and the person(s) who currently own or are responsible for such assets and liabilities.

ANSWER: The current assets and liabilities of Avnet for the year ended 1989 are set forth in Avnet's 1989 Annual Report, which has been submitted previously.

j. Identify all subsidiaries and parent corporation of Respondent.

ANSWER: Avnet has no parent company. For a list of Avnet's subsidiaries, see exhibit 22 on page 41 of Form 10K for the year ended June 30, 1989.

k. Provide a copy of the most current Articles of Incorporation and By-Laws of Respondent.

ANSWER: Copies of the Article of Incorporation and By-laws are annexed hereto.

l. Identify the managers and majority shareholders of Respondent and the nature of their management duties or amount of shares held, respectively.

ANSWER: The officers and directors of Avnet are identified on the last page of Avnet's 1989 Annual Report, which has previously been submitted.

MICHAELSON & MICHAELSON
ATTORNEYS AT LAW
321 SOUTH MAIN STREET
PROVIDENCE, RHODE ISLAND 02903

(401) 277-9300

August 31, 1989

Mary L. Borg, Assistant
Regional Counsel
U.S. Environmental Protection
Agency
Region I
J.F. Kennedy Federal Building
Boston, MA 02203-2211

RE: LANDFILL & RESOURCE RECOVERY SITE
NORTH SMITHFIELD, RHODE ISLAND

Dear Ms. Borg:

This office represents Carol Cable Company, Inc.

Carol Cable Company, Inc. is a Delaware Corporation, created in 1981. Carol operates certain wholly-owned divisions, including Carol Cable Company, Miller Electric Company and Carlton Manufacturing Company. Carol Cable Company, Miller Electric Company and Carlton Manufacturing Company have each been identified by EPA as Potentially Responsible Parties with respect to the Landfill & Resource Recovery Site.

The purpose of this letter is to inform you of the corporate history of the various divisions of Carol Cable Company, Inc. concerned, and to suggest to you that liability, if any, is more properly the responsibility of the former owner of the assets which presently comprise Carol Cable Company, Inc. The former owner is Avnet, Inc., a New York Corporation.

Prior to October, 1981, Avnet, Inc. operated Carol Cable Company, Carlton Manufacturing Company and Miller Electric Company as divisions.

In October, 1981, Canada Wire and Cable Limited purchased certain assets from Avnet, Inc., including all of the assets of the Carol Cable Company Division, the Carlton Manufacturing Company Division, and the Miller Electric Company Division. These assets were combined into a newly formed corporation, Carol Cable Company, Inc., a Delaware Corporation. Carol Cable Company, Inc. did not exist prior to October, 1981. Carol Cable Company, Inc., since

1981, has operated Carol Cable Company, Miller Electric Company, and Carlton Manufacturing Company as unincorporated divisions.

From information provided by EPA to date, it appears that the involvement of Carol Cable Company, Miller Electric Company and Carlton Manufacturing Company, if any, in the disposal of hazardous substances at the Landfill and Resource Recovery Site occurred prior to 1981. In light of this, we believe that liability, if any, is properly placed upon Avnet, Inc., since any action by Carol Cable Company, Miller Electric Company and/or Carlton Manufacturing Company, prior to 1981, were in effect the actions of Avnet, Inc.

Inasmuch as Canada Wire and Cable Limited's purchase from Avnet, Inc. was strictly a purchase of assets, as opposed to a stock purchase, it appears that the application of general corporate law would support our contention that liability is more properly placed on Avnet, Inc.

Please feel free to call me to discuss this matter. We will be happy to supply affidavits and other supporting documents regarding the corporate history described in this letter should you feel that it would be helpful. In addition, we are prepared to cooperate in any way you see fit regarding your determination with respect to this matter.

Sincerely yours,

Jeffrey S. Michaelson

JSM/mah

VISION

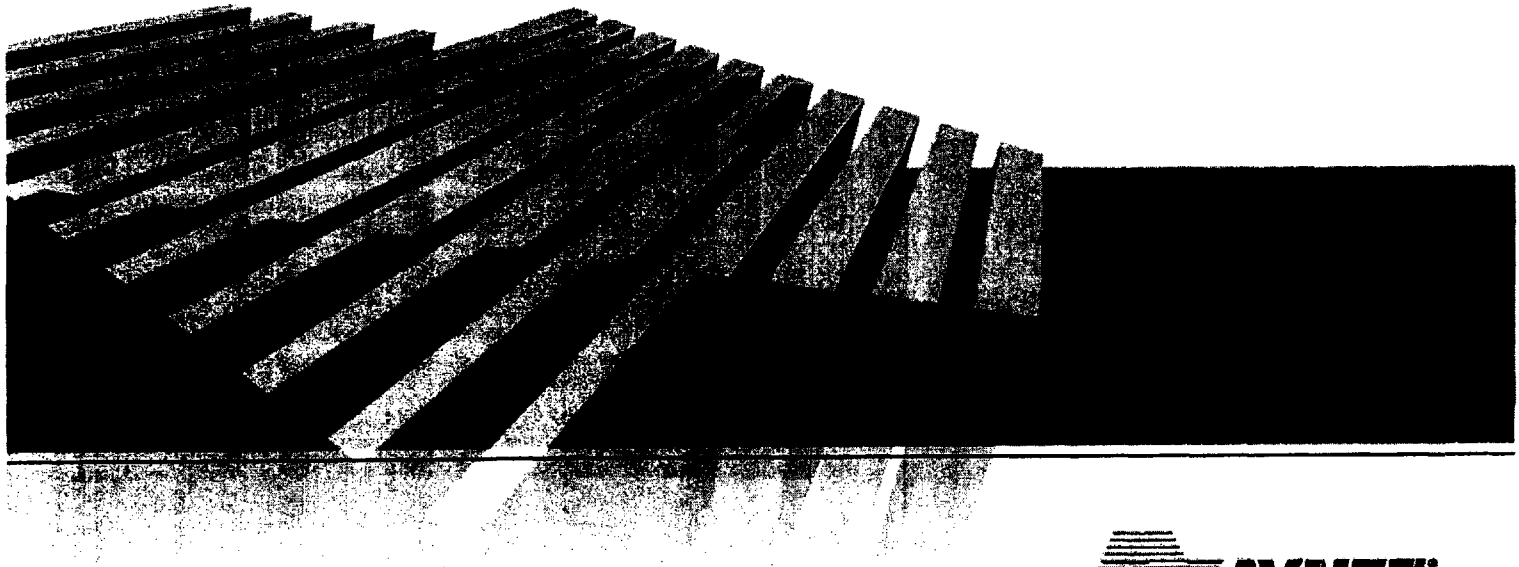
PEOPLE

GROWTH

PRODUCTIVITY

RETURNS

2006 ANNUAL REPORT



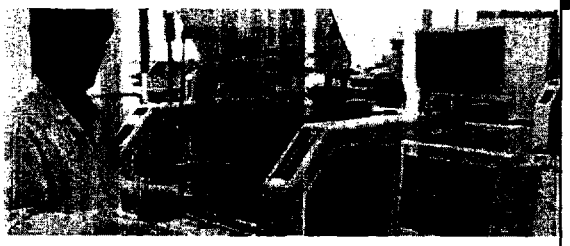
AVNET

AVNET IS A LEADING GLOBAL VALUE-ADDED DISTRIBUTOR OF ELECTRONIC COMPONENTS AND COMPUTER PRODUCTS. We help the world's foremost technology companies market and distribute their products efficiently to a broad base of customers in 70 countries. Our core competencies in engineering services, inventory management, marketing, product modification, supply chain solutions and accounts receivable management allow our trading partners to grow faster and lower their costs. Our expansive scope and scale, talented people and culture of excellence based on performance and values ensure we will remain an industry leader for years to come.

Avnet boasts 18 distribution, programming and value-add centers in the Americas, Asia and EMEA (Europe, the Middle East and Africa).

AVNET

The Avnet brand flourishes at trade shows and industry events around the world.



More than 326,000 devices are programmed at Avnet Logistics & Solutions Centers every day.

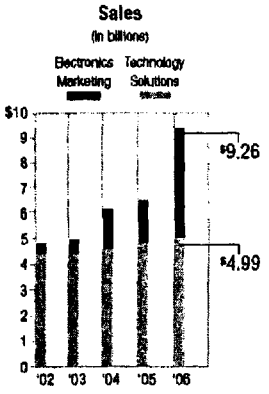
Avnet's innovative culture and entrepreneurial spirit assure customers and suppliers they have chosen the right partner.

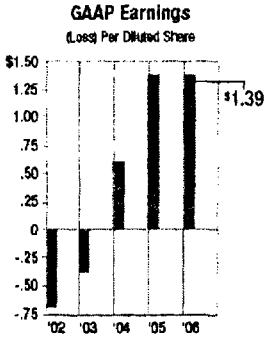
CHAIRMAN'S LETTER

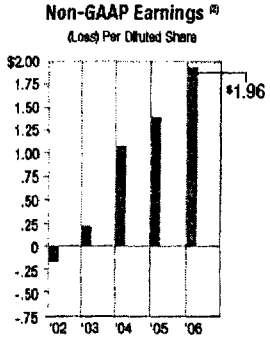
Dear Avnet Shareholder: What a year! Record sales on the top line. Record net income on the bottom line. Record efficiency and productivity metrics for profitability and asset velocity. Near record earnings per share. Other important financial metrics — return on capital employed (ROCE), return on working capital (ROWC), operating income margin and dollars — reached levels not seen since before the technology bubble burst more than five years ago. Alone, each is noteworthy. Together, they tell the story of a company whose focus on profitable growth, operational excellence and the development of its people is having a profoundly positive impact on our long-term business model.[2]

- **Revenue** — Up 29 percent to $14.25 billion[1]
- **Operating income** — Up 63 percent to $524 million[2]
- **Operating income margin** — Up 78 basis points to 3.7 percent[2]
- **Net income** — Up 71 percent to $288 million[2]
- **Earnings per share** (EPS) — Up 41 percent to $1.96[2]
- **ROWC & ROCE** — As we exited the year, we delivered 27 percent ROWC for the fourth quarter, up 749 basis points, and 11 percent ROCE, up 251 basis points from last year's fourth quarter[2]

Avnet serves a $1 trillion market growing approximately 7 percent per year. Distribution's share of that is more than $235 billion. Growth opportunities abound.







PROFITABLE GROWTH

The world's leading technology suppliers and more than [illegible] customers put their trust in us

We started FY'06 with a significant opportunity, the acquisition of Memec Group Holdings, Ltd. With sales of $2.3 billion and operations in 33 countries, Memec was the largest specialist semiconductor distributor focused on design services. By providing engineering expertise to customers, they built a unique business that was also attractive to semiconductor suppliers wanting their proprietary products designed into customers' goods. Despite the workload associated with the integration, our team stayed focused externally on our customers' and suppliers' needs. As a result, our trading partners remained loyal. Our revenue grew and profits soared, while we substantially accelerated working capital velocity and return on total capital.

It's one thing to grow revenue by acquiring a company, but it is also important to grow organically. In FY'06, *we added more than $900 million in revenue on top of Memec's $2.3 billion, an increase of 8 percent.*[3]

Five years ago, we turned our attention to profitable growth with return on capital and economic profits, rather than accounting profits, as our primary measures of success. At 11 percent ROCE, we exceeded our weighted average cost of capital and created shareholder value as we exited FY'06, evidence that we are delivering more value and getting paid fairly for it. Our objective is to outpace the markets we serve on the top line and grow economic profits substantially faster than sales.

With our superior technical expertise and supply chain solutions, we are taking advantage of synergistic opportunities to sell more components, services and solutions to customers throughout the design-to-manufacturing process. In FY'06, our electronic components business, Avnet Electronics Marketing:

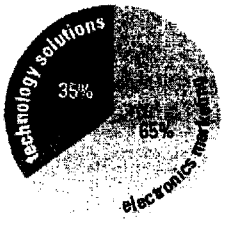
- Grew revenue 48 percent to $9.26 billion[1]
- Grew operating income 80 percent to $419 million[2]
- Rapidly increased ROWC every quarter[3]

Avnet opens the International IC China Conference and Exhibition.

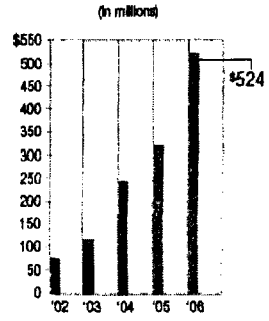
For computer products, our growth standouts were storage, software and services. We are now targeting vertical markets with value-added scalable services. We are expanding our line card to embrace emerging technologies and complementary new suppliers. In FY'06, Avnet Technology Solutions:

- Substantially exceeded our 12.5 percent ROCE hurdle rate each quarter
- Achieved double-digit revenue growth in its largest business unit
- Expanded operating income margin 25 basis points[1]

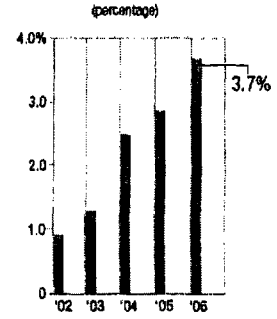
Sales by Operating Group



Operating Income [2]
(in millions)



Operating Income Margin [2]
(percentage)



The Avnet Technology Solutions Integration Center integrates more than 20,000 systems and components each year.

Children's issues and education drive Avnet's community outreach. The Avnet Tech Games prepare community college students for the business world.

At work and at play, competition is in our blood.

OPERATIONAL EXCELLENCE

In FY0 6, sales per employee and gross profit per employee reached all-time highs, while operating expense[2] as a percent of sales fell to an all-time low.

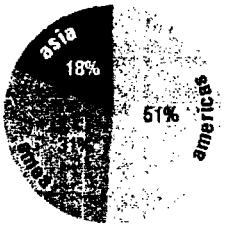
At Avnet, operational excellence is everyone's responsibility, because no one knows his or her job better than the person doing it. Everyone at Avnet is encouraged to seek opportunities for process improvement and is given tools and training to foster innovation. Our corporate operational excellence team supports efforts throughout the company to streamline processes and eliminate steps that do not add value. Operational excellence directly impacts top line and bottom line performance by increasing customer satisfaction while increasing productivity, which further distances us from our competitors.

PEOPLE DEVELOPMENT

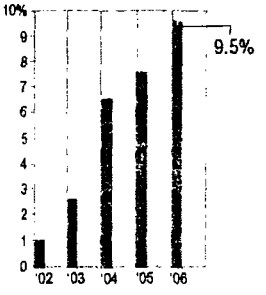
Avnet strives to help all employees reach their potential. In each of the past three years, we have conducted a comprehensive survey gathering our employees' input and benchmarking us against other leading companies. Survey results show that our people have an excellent understanding of Avnet's business goals and how their jobs contribute to achieving them. They also understand our core values, feel they are treated with respect, and believe Avnet conducts business with honesty and integrity. Additionally, all employees are expected to maintain professional development plans; we continually refine our training programs at every level of the business, from classes tailored to our top 300 executives to an online catalog of courses for supervisors and individual contributors.

We take great pride in knowing our success is grounded in Avnet's culture of performance and values, one that puts our financial achievements on equal footing with our principles. Our new chief operating officer (COO), Rick Hamada, has been at the vanguard of Avnet's efforts to build this culture, instituting our first published core values and many of our employee recognition programs. Joining Avnet in 1983

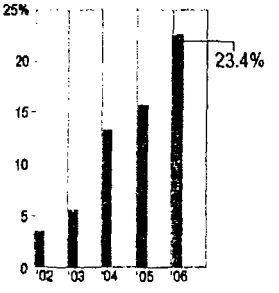
Sales by Region



Return on Capital[1]
(percentage)



Operational Return on Working Capital[2]
(percentage)



as a technical specialist, Hamada rose through the ranks to become president of Avnet Technology Solutions, which enjoyed impressive results under his leadership and is performing well above the company's targeted business model. As COO, Hamada takes on responsibility for Avnet Technology Solutions and Avnet Electronics Marketing, as well as our logistics, operational excellence and information technology activities. I am increasing my focus on Avnet's strategic growth, people practices, financial strategies and accelerating the achievement of our company's vision — to be the premier technology distribution company in the world.

A GLOBAL OUTLOOK

With 10,800 employees selling our supplier partners' products and services in 70 countries, we have built industry leading scale and scope and we are leveraging it. The COO's role is global, as is mine, a partnership intended to help Avnet reach its goals faster and outperform our competitors. We formed the Global Executive Council, comprising our "C-level" executives and regional presidents, which meets quarterly to develop and drive Avnet's strategies. We unveiled a global alignment for our financial, logistics, information technology, operational excellence and human resources support functions that will help us operate those services more efficiently while allowing the business groups to increase the amount of time focused on growth.

THE FUTURE

Roy Vallee (L) and Rick Hamada

Industry analysts anticipate secular market growth of approximately 7 percent over the next few years for the markets Avnet serves. We aspire to achieve double-digit growth at the top and bottom lines. Our vision is to be the premier technology marketing, distribution and services company in the world for our customers, suppliers, employees and shareholders. How will we do it? Innovation. Execution. Excellence. I have been with Avnet more than 29 years, and I have never been more optimistic about our company's prospects. We have the knowledge, tools, products, services, people and financial resources we need to win in the marketplace. Our global organizational structure is in place. Profitable growth is our mantra, and we have real traction in our operational excellence and people development initiatives. The result: economic profits and shareholder value growth. In short, we have what we need to compete very well in FY'07 and beyond. I hope you will come along for the ride. Thank you for choosing Avnet.

Roy Vallee
Chairman & Chief Executive Officer

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

Form 10-K

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

For the fiscal year ended July 1, 2006

or

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

For the transition period from to

Commission file number 1-4224

Avnet, Inc.

(Exact name of registrant as specified in its charter)

New York *(State or other jurisdiction of incorporation or organization)*	**11-1890605** *(I.R.S. Employer Identification No.)*
2211 South 47th Street, Phoenix, Arizona *(Address of principal executive offices)*	**85034** *(Zip Code)*

Registrant's telephone number, including area code (480) 643-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value (approximate) of the registrant's common equity held by non-affiliates based on the closing price of a share of the registrant's common stock for New York Stock Exchange composite transactions on December 31, 2005 (the last business day of the registrant's most recently completed second fiscal quarter) $3,501,985,981

The number of shares of the registrant's Common Stock (net of treasury shares) outstanding at July 28, 2006 146,661,719

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement (to be filed pursuant to Reg. 14A) relating to the Annual Meeting of Shareholders anticipated to be held on November 9, 2006 are incorporated herein by reference in Part III of this Report.

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PART I

Item 1. *Business*

Avnet, Inc., incorporated in New York in 1955, together with its consolidated subsidiaries (the "Company" or "Avnet"), is one of the world's largest industrial distributors, based on sales, of electronic components, enterprise network and computer products and embedded subsystems. With sales of $14.25 billion in fiscal 2006, Avnet creates a vital link in the technology supply chain that connects over 300 of the world's leading electronic component and computer product manufacturers and software developers as a single source for multiple products for a global customer base of over 100,000 original equipment manufacturers ("OEMs"), electronic manufacturing services ("EMS") providers, original design manufacturers ("ODMs"), and value-added resellers ("VARs"). Avnet distributes electronic components, computer products and software as received from its suppliers or with assembly or other value added by Avnet. Additionally, Avnet provides engineering design, materials management and logistics services, system integration and configuration, and supply chain advisory services.

Organizational Structure

Avnet has two primary operating groups — Electronics Marketing ("EM") and Technology Solutions ("TS"). Both operating groups have operations in each of the three major economic regions of the world: the Americas; Europe, the Middle East and Africa ("EMEA"); and Asia. Each operating group has its own management team that is led by a group president and includes regional presidents and senior executives within the operating group that manage the accounting and finance, facilities, logistics and other administrative tasks for each operating group as a whole. Each operating group also has distinct financial reporting that is evaluated at the corporate level and on which operating decisions and strategic planning for the Company as a whole are made. Divisions exist within each operating group that serve primarily as sales and marketing units to further streamline the sales and marketing efforts within each operating group and to enhance each operating group's ability to work with its customers and suppliers, generally along more specific product lines or based upon geography. However, each division relies heavily on the support services that are provided centrally within each operating group and centralized support at the corporate level.

On July 5, 2005, the Company completed the acquisition of Memec Group Holdings Limited ("Memec"), a global distributor that markets and sells a portfolio of semiconductor devices from industry-leading suppliers. Memec also provided customers with engineering expertise and design services. The Memec acquisition expanded EM's business in each of the three major economic regions and provided Avnet with a presence in the Japanese distribution market, the only major semiconductor market in which Avnet did not previously have any operations. Over the course of fiscal year 2006, Memec's operations were integrated into EM's regional structure and the integration was completed by the end of fiscal 2006. See *Acquisitions* in this Item 1 and Note 2 to the consolidated financial statements appearing in Item 15 of this Report for further discussion of the Memec acquisition.

During the third quarter of fiscal 2006, the Company divested two small TS businesses with aggregate annual revenue of approximately $300 million focused on selling directly to end-users. The decision to divest the two businesses allows TS to focus on its core competency in two tier distribution. During the fourth quarter of fiscal 2006, the Company divested two small, non-core EM business units in EMEA. The divested businesses had an annual revenue run rate of approximately $150 million.

A summary of each operating group and their businesses is presented below. Further financial information by operating group and geography is provided in Note 16 to the consolidated financial statements appearing in Item 15 of this Report.

Electronics Marketing ("EM")

EM markets and sells semiconductors and interconnect, passive and electromechanical devices ("IP&E") on behalf of over 300 of the world's leading electronic component manufacturers. EM markets and sells its products and services to a diverse customer base spread across end-markets including communica-

tions, computer hardware and peripheral, industrial and manufacturing, medical equipment, military and aerospace. EM also offers an array of value-added services to its customers and suppliers that help accelerate their growth and the realization of cost efficiencies.

EM Design Chain Services offer engineers a host of design chain services from any point in the design cycle. With access to a suite of design tools and engineering services, customers can get product specifications along with evaluation kits and reference designs that enable a broad range of applications from conceptualization through detailed design and up to new product introduction. EM also offers engineering and technical resources deployed globally to support product design, bill of materials development, design services and technical education and training. By utilizing EM's design chain services, customers can optimize their component selection and improve their time to market.

Avnet Supply Chain Services provides end-to-end supply chain services to OEMs, EMS providers and electronic component manufacturers, enabling them to optimize supply chains on a local, regional or global basis. By combining internal competencies in global warehousing and logistics, finance, information technology, and asset management with its global footprint and extensive partner relationships, Avnet's supply chain services allow customers to continuously manage their supply chains to meet the demands of a more globally competitive environment. With proprietary planning tools and a variety of inventory management solutions, EM can provide unique solutions that meet a customer's just-in-time requirements in a variety of scenarios including lean manufacturing, demand flow and outsourcing.

Suppliers of components to EM include:

- Avago Technologies (formerly Agilent)
- Analog Devices
- Freescale Semiconductor
- Infineon Technologies
- Intel
- National Semiconductor
- ON Semiconductor
- Philips Components
- Texas Instruments
- Xilinx

EM sells to multinational, regional and local OEMs and contract manufacturers including:

- Benchmark
- Celestica
- Flextronics
- General Electric
- Hon Hai Precision
- Jabil
- Plexus
- Sanmina-SCI
- Siemens
- Solectron

EM is Avnet's largest operating group, with sales in fiscal 2006 of $9.26 billion, representing 65.0% of Avnet's consolidated sales. EM is comprised of three regional operations: EM Americas, which had sales of $3.78 billion in fiscal 2006, or 26.5% of Avnet's consolidated sales; EM EMEA, which had sales of $3.06 billion in fiscal 2006, or 21.5% of Avnet's consolidated sales; and EM Asia (including Japan), which had sales of $2.42 billion in fiscal 2006, or 17.0% of Avnet's consolidated sales.

Many of EM's sales and marketing divisions generally focus on a specific customer segment, particular product lines provided by a specific group of suppliers or on a specific geography. Collectively, the divisions offer one of the industry's broadest line cards and convenient one-stop shopping with an emphasis on responsiveness, engineering support, on-time delivery and quality. Certain specialty services are made available to the individual divisions through common support service units. All of EM regional operations have access to the products and services provided by EM globally.

EM's regional structure is as follows:

Americas

- EM Americas distributes semiconductors, electronic connectors, electronic wire and cable, other passive and electromechanical products and interconnect assemblies used in assembling and manufacturing of electronic products. EM Americas addresses the needs of its customers and suppliers through

focused channels to service small- to medium-sized customers, global customers, defense and aerospace customers, emerging customers and contract manufacturers. EM Americas also provides an array of value-added services including engineering design, supply chain services, hi-reliability processing, parametric assembly, cable assembly, fan assembly, taping, reeling and component modification.

EMEA

- In EMEA, EM goes to market with seven sales and marketing divisions focused on a specific set of suppliers, products or geographies. Divisions that are organized by semiconductors, IP&E products and supply chain services address customers on both a pan European and regional basis. EM EMEA does business in over 40 European countries, and over 10 countries in the Middle East and Africa. The products and services sold by EM EMEA are similar to those in the Americas as described above.

Asia

- EM Asia is a value-added distributor of electronic components and services in 16 Asian countries, and Australia and New Zealand. Avnet goes to market in China with four focused sales and marketing divisions and separate divisions focused on South Asia, Taiwan and Japan. The products and services sold by EM Asia are similar to those in the Americas as described above.

Following the acquisition of Memec on July 5, 2005, EM established Avnet-Memec specialty semiconductor distribution sales and marketing divisions in each of the three major economic regions to continue to focus on demand creation for particular suppliers and specialty needs for certain customers in those regions. Additionally, the Memec acquisition provided Avnet entry into the Japanese market where Avnet-Memec Japan will continue to operate as a distinct sales and marketing division for EM.

Technology Solutions ("TS")

TS markets and sells mid- to high-end servers, data storage, software, and the services required to implement these products and solutions to the VAR channel. TS also focuses on the worldwide OEM market for computing technology, system integrators and non-PC OEMs that require embedded systems and solutions including engineering, product prototyping, integration and other value-added services.

TS is a leading partner for system vendors such as IBM and Hewlett-Packard. Other key suppliers TS serves include:

- Advanced Micro Devices
- EIZO
- EMC
- Intel
- Network Appliance
- Oracle
- Sun Microsystems
- Symantec

TS markets and sells its products and services to the VAR channel and enterprise computing customers, which include:

- Applied Computer Solutions
- Dell Computer
- GE Medical Systems
- Insight Direct
- Key Information Systems
- Logicalis
- McKesson
- Pomeroy IT Solutions
- Sirius Computer Systems
- Venture SystemSource

Sales for TS were $4.99 billion in fiscal 2006, representing 35.0% of Avnet's consolidated sales. TS's fiscal 2006 global sales consisted of the following regional results: TS America sales of $3.44 billion, or 24.1% of Avnet's consolidated sales; TS EMEA sales of $1.31 billion, or 9.2% of Avnet's consolidated sales; and TS Asia sales of $240 million, or 1.7% of Avnet's consolidated sales.

As a global technology sales and marketing organization, TS has dedicated sales and marketing divisions focused on specific customer segments including OEMs, independent software vendors, system builders, system integrators, and VARs. TS's select line card strategy enables an exceptional level of attention to the needs of its suppliers.

TS consists of the following primary divisions:

- Avnet Partner Solutions is a global value-added distributor of enterprise computing systems, software, storage, complex technology solutions and services. It is one of the industry's leading value-added distributors in the enterprise computing space in support of a select line card of the foremost systems, storage and software manufacturers. Avnet Partner Solutions provides those manufacturers' products to VARs, along with complementary value-added services. Avnet Partner Solutions also provides logistics, financial, marketing, sales and technical services, including in-house engineering support, complex systems integration and configuration services. Besides locations in North America, Avnet Partner Solutions operates in Australia, Austria, Belgium, the Czech Republic, Germany, Hungary, Italy, Poland, Slovakia, Switzerland and the United Kingdom.
- Avnet Computing Components serves the needs of manufacturers of general-purpose computers and system builders by providing them with the latest technologies such as microprocessors, DRAM modules and motherboards. Avnet Computing Components does business in all three of the major economic regions: Americas, EMEA and Asia.
- Avnet Applied Computing Solutions focuses on the unique needs of non-PC OEMs and system builders/integrators. It provides technical design, integration and assembly to developers of application specific computer solutions in the non-PC marketplace. Examples of these types of customers are OEMs in the medical, telecommunications, industrial control and digital creation market segments. Avnet Applied Computing Solutions does business in all three of the major economic regions.
- Avnet Visual and Data Solutions concentrates on specialized video and display products, network products and storage solutions, while targeting primarily VARs and system integrators with its wireless switch and wireless stand-alone solutions. Avnet Visual and Data Solutions does business in eight European countries.

Foreign Operations

As noted in the operating group discussions, Avnet has significant operations in all three major economic regions of the world: the Americas, EMEA, and Asia. Historically, Avnet's operations in the Americas region (primarily the United States) have contributed the largest percentage of consolidated sales. For fiscal 2006, 2005 and 2004, the percentage of the Company's sales in the Americas has been 51%, 52% and 53%, respectively. The EMEA region's contribution to Avnet's consolidated sales has been 31%, 33% and 33%, respectively, for fiscal 2006, 2005 and 2004. The Asia region has seen continuous growth representing 18%, 15% and 14%, respectively, of consolidated sales for fiscal 2006, 2005 and 2004. This growth in Asia is indicative of a worldwide industry trend and is a result of Avnet's continued investment into this rapidly growing region, particularly in the Peoples' Republic of China. Management expects the Asia region to continue to grow, both in volume of business and as a percentage of the Company's global business in the future, although the rate of growth may not remain at the same robust percentages exhibited in the past three to four years.

Avnet's foreign operations are subject to a variety of risks including potential restrictions on transfers of funds due to statutory or tax regulations, foreign currency fluctuations, import and export duties and regulations, changing foreign tax laws and regulations, potential military conflicts, less flexible employee contracts in the event of business downturns, and the burden and cost of compliance with foreign laws. The most common of these risks is the Company's exposure to foreign currency fluctuations, which are hedged regularly as part of Avnet's treasury and cash management operations. These risks are discussed further under *Risk Factors* in Item 1A and under *Quantitative and Qualitative Disclosures About Market Risk* in Item 7A of this Report. Additionally, the specific translation impacts of foreign currency fluctuations, most notably the

Euro, on the Company's consolidated financial statements are further discussed in *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Item 7 of this Report.

Acquisitions

On July 5, 2005, the Company completed the acquisition of Memec, a global distributor that marketed and sold a portfolio of semiconductor devices from industry-leading suppliers, and a provider of engineering expertise and design services. The acquisition of Memec is the Company's largest acquisition to date, based on annual sales. Memec recorded sales of $2.28 billion in the twelve months prior to the July 5, 2005 close of the acquisition. The consideration for the Memec acquisition consisted of stock and cash valued at approximately $506.9 million, including transaction costs, plus the assumption of approximately $240.0 million of Memec's net debt (debt less cash acquired). Under the terms of the purchase agreement, Memec investors received approximately 24.011 million shares of Avnet common stock plus approximately $64.0 million in cash. The shares of Avnet common stock were valued at $17.42 per share, which represents the five-day average stock price beginning two days before the acquisition announcement on April 26, 2005. See *Organizational Structure* in this Item 1 for further discussion of the integration of Memec into EM's operations.

With the exception of the acquisition of Memec in fiscal 2006, Avnet has made no significant acquisitions in the past three years. Avnet has historically pursued a strategic acquisition program to grow its presence in world markets for electronic components and computer products. This program was a significant factor in Avnet becoming one of the largest industrial distributors of such products worldwide. Avnet will continue to pursue strategic acquisitions as part of its overall growth strategy, with its focus likely directed at smaller targets in markets where the Company is seeking to expand its global presence or to increase its scale and scope where an acquisition may be beneficial.

Major Products

One of Avnet's competitive strengths is the breadth and quality of the suppliers whose products it distributes. In fiscal 2006, IBM and Xilinx were the only suppliers from which sales of its products exceeded 10% of the Company's consolidated sales. During fiscal 2006, IBM products accounted for approximately 16% of the Company's sales while Xilinx products accounted for approximately 10%.

Listed in the table below are the major product categories and the Company's approximate sales of each during the past three fiscal years:

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
		(Millions)	
Semiconductors	$ 8,896.3	$ 6,082.2	$ 5,663.3
Computer products	4,236.6	4,003.8	3,656.8
Connectors	547.9	481.7	442.8
Passives, electromechanical and other	572.8	499.1	481.8
	$14,253.6	$11,066.8	$10,244.7

As of July 1, 2006, the Company had more than 250 locations worldwide, as well as a limited number of instances where Avnet-owned product is stored in customer facilities. Many of these locations contain sales, warehousing and administrative functions for multiple sales and marketing units. Avnet sells to customers in approximately 70 countries.

Competition & Markets

Avnet is one of the world's largest industrial distributors, based on sales, of electronic components and computer products.

The electronic component and computer products industry continues to be extremely competitive and is subject to rapid technological advances. The Company's major competitors are Arrow Electronics, Inc., Future Electronics, World Peace Group and Agilysys, Inc. There are also certain smaller, specialized competitors who focus upon one market or product or a particular sector. As a result of these factors, Avnet must remain competitive in its pricing of goods and services.

Another key competitive factor in the electronic component and computer product distribution industry as a whole is the need to carry a sufficient amount of inventory to meet rapid delivery requirements of customers. However, to minimize its exposure related to valuation of inventory on hand, the majority of the Company's products are purchased pursuant to non-exclusive distributor agreements, which typically provide certain protections to the Company for product obsolescence and price erosion in the form of rights of return and price protection. Furthermore, these agreements are generally cancelable upon 30 to 180 days notice and, in most cases, provide for inventory return privileges upon cancellation. In addition, the Company enhances its competitive position by offering a variety of value-added services which entail the performance of services and/or processes tailored to individual customer specifications and business needs such as point of use replenishment, testing, assembly, supply chain management and materials management.

A key strength of the Company is the breadth and quality of the suppliers whose products it distributes. Because of the number of Avnet's suppliers, many customers can make all of their required purchases with Avnet, rather than purchasing from several different vendors.

Seasonality

With the exception of a relatively minor impact on consolidated results from the growth in revenues in the computer-related business (TS) during Avnet's fiscal quarter ending in December, Avnet's business is not materially impacted by seasonality.

Number of Employees

At July 1, 2006, Avnet had approximately 10,900 employees.

Avnet Website

In addition to the information about Avnet and its subsidiaries contained in this Report, extensive information about the Company can be found through our website located at www.avnet.com, including information about our management team, products and services and our corporate governance practices.

The corporate governance information on our website includes the Company's Corporate Governance Guidelines, the Code of Conduct and the charters for each of the committees of our Board of Directors. In addition, amendments to the Code of Conduct and waivers granted to our directors and executive officers under the Code of Conduct, if any, will be posted in this area of our website. These documents can be accessed at www.avnet.com under the "Investor Relations — Governance" caption. Printed versions of our Corporate Governance Guidelines, our Code of Conduct and the charters of our Board committees can be obtained, free of charge, by writing to the Company at: Avnet, Inc., 2211 South 47th Street, Phoenix, AZ 85034; Attn: Corporate Secretary.

In addition, the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those Reports, if any, filed or furnished pursuant to Section 13(a) or 15(d) of Securities Exchange Act of 1934, as well as Section 16 filings made by any of the Company's executive officers or directors with respect to Avnet common stock, are available on the Company's website (www.avnet.com under the "Investor Relations — SEC Filings" caption) as soon as reasonably practicable after the report is electronically filed with, or furnished to, the Securities and Exchange Commission.

These details about Avnet's website and its content are only for information. The contents of the Company's website are not, nor shall they be deemed to be, incorporated by reference in this Report.

Item 1A. *Risk Factors*

Forward-Looking Statements And Risk Factors

This Report contains forward-looking statements with respect to the financial condition, results of operations and business of Avnet, Inc. and subsidiaries ("Avnet" or the "Company"). These statements are generally identified by words like "believes," "expects," "anticipates," "should," "will," "may," "estimates" or similar expressions. Forward-looking statements are subject to numerous assumptions, risks and uncertainties.

Avnet does not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors that may cause actual results to differ materially from those contained in the forward-looking statements include the following:

An industry down-cycle in semiconductors could significantly affect the Company's operating results as a large portion of our revenues come from sales of semiconductors, which is a highly cyclical industry.

The semiconductor industry historically has experienced periodic fluctuations in product supply and demand, often associated with changes in technology and manufacturing capacity, and is generally considered to be highly cyclical. During each of the last three fiscal years, sales of semiconductors represented over 50% of the Company's consolidated sales, and the Company's revenues, particularly in the Company's Electronics Marketing group, closely follow the strength or weakness of the semiconductor market. While the semiconductor industry has strengthened recently as compared with the downturn experienced in 2001 and 2002, it is uncertain whether this improvement will continue and future downturns in the technology industry, particularly in the semiconductor sector, could negatively affect the Company's operating results in the future and negatively impact the Company's ability to maintain its current profitability levels.

Failure to maintain its relationships with key suppliers could adversely affect the Company's sales.

One of the Company's competitive strengths is the breadth and quality of the suppliers whose product the Company distributes. However, sales of products and services from two of the Company's suppliers, IBM and Xilinx, accounted for approximately 16% and 10%, respectively, of the Company's consolidated sales in fiscal year 2006. Management expects IBM and Xilinx products and services to each account for over 10% of the Company's consolidated sales in fiscal year 2007. The Company's contracts with its suppliers, including those with IBM and Xilinx, vary in duration and are generally terminable by either party at will upon notice. To the extent IBM, Xilinx or a group of other primary suppliers is not willing to do business with the Company in the future, the Company's business and relationships with its customers could be materially, adversely affected because its customers depend on the Company's distribution of electronic components and computer products from the industry's leading suppliers. In addition, to the extent that any of the Company's key suppliers modifies the terms of their contracts, including, without limitation, the terms regarding price protection, rights of return, rebates or other terms that protect the Company's gross margins, it could materially, adversely affect the Company's results of operations, financial condition or liquidity.

The Company may not have adequate or cost-effective liquidity or capital resources.

The Company's ability to satisfy its cash needs depends on its ability to generate cash from operations and to access the financial markets, both of which are subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Company's control.

The Company may need to satisfy its cash needs through external financing. However, external financing may not be available to us on acceptable terms or at all. As of July 1, 2006, Avnet had total debt outstanding of $1.23 billion under various notes and committed and uncommitted lines of credit with financial institutions. The Company needs cash to make interest payments on, and to refinance, this indebtedness and for general corporate purposes, such as funding its ongoing working capital and capital expenditure needs. Under the terms of any external financing, the Company may incur higher than expected financing expenses and become

subject to additional restrictions and covenants. Any material increase in the Company's financing costs could have a material adverse effect on its profitability.

Under some of its various credit facilities, the Company is required to maintain certain specified financial ratios and meet certain tests. If the Company fails to meet these financial ratios and tests, it may be unable to continue to utilize these facilities. If the Company could not continue to utilize these facilities, it may not have sufficient cash available to make interest payments on and refinance indebtedness and for general corporate needs.

The agreements governing some of the Company's financings contain various covenants and restrictions that limit the discretion of management in operating its business and could prevent us from engaging in some activities that may be beneficial to the Company's business.

The agreements governing the Company's financing, including its five-year, $500 million credit facility and the indentures governing the Company's outstanding notes, contain various covenants and restrictions that, in certain circumstances, limit the Company's ability and the ability of certain subsidiaries to:

- grant liens on assets;
- make restricted payments (including paying dividends on capital stock or redeeming or repurchasing capital stock);
- make investments;
- merge, consolidate or transfer all or substantially all of the Company's assets;
- incur additional debt; or
- engage in certain transactions with affiliates.

As a result of these covenants and restrictions, the Company may be limited in how it conducts its business and may be unable to raise additional debt, compete effectively or make investments.

Declines in the value of the Company's inventory or unexpected order cancellations by the Company's customers could materially, adversely affect its business, results of operations, financial condition or liquidity.

The electronic components and computer products industry is subject to rapid technological change, new and enhanced products and evolving industry standards, which can contribute to a decline in value or obsolescence of inventory. During an industry and/or economic downturn, it is possible that prices will decline due to an oversupply of product and, therefore, there may be greater risk of declines in inventory value. Although it is the policy of many of the Company's suppliers to offer distributors like us certain protections from the loss in value of inventory (such as price protection, limited rights of return and rebates), the Company cannot be assured that such return policies and rebates will fully compensate us for the loss in value, or that the vendors will choose to, or be able to, honor such agreements, some of which are not documented and therefore subject to the discretion of the vendor. In addition, the Company's sales are typically made pursuant to individual purchase orders, and the Company generally does not have long-term supply arrangements with its customers. Generally, the Company's customers may cancel orders 30 days prior to shipment with minimal penalties. The Company cannot be assured that unforeseen new product developments, declines in the value of the Company's inventory or unforeseen order cancellations by its customers will not materially, adversely affect the Company's business, results of operations, financial condition or liquidity, or that the Company will successfully manage its existing and future inventories.

Substantial defaults by the Company's customers on its accounts receivable or the loss of significant customers could have a significant negative impact on the Company's business, results of operations, financial condition or liquidity.

A significant portion of the Company's working capital consists of accounts receivable from customers. If customers responsible for a significant amount of accounts receivable were to become insolvent or otherwise unable to pay for products and services, or were to become unwilling or unable to make payments in a timely manner, the Company's business, results of operations, financial condition or liquidity could be adversely affected. An economic or industry downturn could adversely and materially affect the servicing of these accounts receivable, which could result in longer payment cycles, increased collection costs and defaults in excess of management's expectations. A significant deterioration in the Company's ability to collect on accounts receivable could also impact the cost or availability of financing under its Securitization Program.

The electronics component and computer industries are highly competitive and if the Company cannot effectively compete, its revenues may decline.

The market for the Company's products and services is very competitive and subject to rapid technological advances. Not only does the Company compete with other global distributors, it also competes for customers with regional distributors and some of the Company's own suppliers. The Company's failure to maintain and enhance its competitive position could adversely affect its business and prospects. Furthermore, the Company's efforts to compete in the marketplace could cause deterioration of gross profit margins and, thus, overall profitability.

The sizes of the Company's competitors vary across market sectors, as do the resources the Company has allocated to the sectors in which it does business. Therefore, some of the competitors may have greater financial, personnel, capacity and other resources or a more extensive customer base than the Company has in one or more of its market sectors.

The Company's non-U.S. locations represent a significant and growing portion of its revenue, and consequently, the Company are increasingly exposed to risks associated with operating internationally.

During fiscal year 2006, 2005 and 2004, approximately 49%, 48% and 47%, respectively, of the Company's sales came from its operations outside the United States. Most notable in this growth of non-U.S. sales is the increasing volume of sales activity in the Asia region, which accounted for approximately 18% of consolidated sales during fiscal year 2006. As a result of the Company's foreign sales and locations, its operations are subject to a variety of risks that are specific to international operations, including, but not limited to, the following:

- potential restrictions on the Company's ability to repatriate funds from its foreign subsidiaries;
- foreign currency fluctuations and the impact on the Company's reported results of operations of the translation of the foreign currencies to U.S. dollars;
- import and export duties and value added taxes;
- import and export regulation changes;
- changing foreign tax laws and regulations;
- political instability, terrorism and potential military conflicts;
- inflexible employee contracts in the event of business downturns; and
- the burden and cost of compliance with foreign laws.

The Company has operations in several locations in emerging or developing economies that have a potential for higher risk. The risks associated with these economies include currency volatility and other economic or political risks. While the Company has and will continue to adopt measures to reduce the impact of losses resulting from volatile currencies and other risks of doing business abroad, the Company cannot be ensured that such measures will be adequate.

If the Company fails to maintain effective internal controls, it may not be able to report its financial results accurately or timely or detect fraud, which could have a material adverse effect on the Company's business.

Effective internal controls are necessary for the Company to provide reasonable assurance with respect to its financial reports and to effectively prevent fraud. If the Company cannot provide reasonable assurance with respect to its financial reports and effectively prevent fraud, its brand and operating results could be harmed. Pursuant to the Sarbanes-Oxley Act of 2002, the Company is required to furnish a report by management on internal control over financial reporting, including management's assessment of the effectiveness of such control. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls cannot provide absolute assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If the Company fails to maintain the adequacy of its internal controls, including any failure to implement required new or improved controls, or if the Company experiences difficulties in their implementation, the Company's business and operating results could be harmed, and the Company could fail to meet its reporting obligations, which could have a material adverse effect on its business.

If the Company's internal information systems fail to function properly, its business operations could suffer.

The Company's expanding global operations, as well as faster financial reporting requirements imposed by the Securities and Exchange Commission, put increasing reliance on the Company's internal information systems in producing timely, accurate and reliable reports on financial and operational results. Currently, the Company's global operations are tracked with multiple internal information systems. These systems are subject to computer hacking or other general system failure. Maintaining and operating these systems requires continuous investments. There is no guarantee that the Company will be successful at all times or that there will not be integration difficulties that will adversely affect the Company's operations or the accurate recording and reporting of financial data. Failure of any of these internal information systems or material difficulties in upgrading its systems could have material adverse effects on the Company's business.

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. *Properties*

At July 1, 2006, the Company owned and leased approximately 781,000 and 2,787,000 square feet of space, respectively, of which approximately 50% is located in the United States. The following table summarizes certain of the Company's key facilities as of July 1, 2006:

Location	Sq. Footage	Leased or Owned	Primary Use
Phoenix, Arizona	176,000	Leased	Corporate and EM headquarters
Tempe, Arizona	132,000	Leased	TS headquarters
Chandler, Arizona	395,000	Owned	EM warehousing and value-added operations
Phoenix, Arizona	122,000	Leased	TS warehousing, integration and value-added operations
Grapevine, Texas	181,000	Owned	EM warehousing and value-added operations
Poing, Germany	190,000	Leased	EM warehousing and value-added operations
Tongeren, Belgium	167,000	Owned	EM and TS warehousing and value-added operations

Item 3. ***Legal Proceedings***

As a result primarily of certain former manufacturing operations, Avnet may have liability under various federal, state and local environmental laws and regulations, including those governing pollution and exposure to and the handling, storage and disposal of, hazardous substances. For example, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA") and similar state laws, Avnet may be liable for the costs of cleaning up environmental contamination on or from its current or former properties, and at off-site locations where the Company disposed of wastes in the past. Such laws may impose joint and several liability. Typically, however, the costs for cleanup at such sites are allocated among potentially responsible parties ("PRPs") based upon each party's relative contribution to the contamination, and other factors.

In May 1993, the Company and the former owners of a Company-owned site in Oxford, North Carolina entered into a Settlement Agreement in which the former owners agreed to bear 100% of all costs associated with investigation and cleanup of soils and sludges remaining on the site and 70% of all costs associated with investigation and cleanup of groundwater. The Company agreed to be responsible for 30% of the groundwater investigation and cleanup costs. In October 1993, the Company and the former owners entered into a Consent Decree and Court Order with the Environmental Protection Agency (the "EPA") for the environmental clean up of the site, the cost of which, according to the EPA's remedial investigation and feasibility study, was estimated to be approximately $6.3 million, exclusive of the approximately $1.5 million in EPA past costs paid by the PRPs. Based on current information, the Company does not anticipate its liability in the matter will be material to its financial position, cash flow or results of operations.

The Company is a PRP at a manufacturing site in Huguenot, New York, currently under investigation by the New York State Department of Environmental Conservation ("NYSDEC"), which site the Company owned from the mid-1960s until the early 1970s. The Company has reached a settlement in litigation to apportion the estimated clean-up costs among it and the current and former owners and operators of the site. Pursuant to the settlement, the Company has paid a portion of past costs incurred by NYSDEC and the current owner of the site, and will also pay a percentage of the cost of the environmental clean up of the site (the first phase of which has been estimated to cost a total of $2.4 million for all parties to remediate contaminated soils). The remediation plan is still subject to final approval by NYSDEC. Based on the settlement arrangement and the expected costs of the remediation efforts, the Company does not anticipate its liability in the matter will be material to its financial position, cash flow or results of operations.

Based on the information known to date, management believes that the Company has appropriately accrued in its consolidated financial statements for its share of the costs associated with these environmental clean up sites.

The Company and/or its subsidiaries are also parties to various other legal proceedings arising from time to time in the normal course of business. While litigation is subject to inherent uncertainties, management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the Company's financial position, cash flow or results of operations.

Item 4. ***Submission of Matters to a Vote of Security Holders***

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market price per share

The Company's common stock is listed on the New York Stock Exchange under the symbol AVT. Quarterly high and low sales prices (as reported for the New York Stock Exchange composite transactions) for the last two fiscal years were:

	2006		2005	
Fiscal Quarters	High	Low	High	Low
1st	$26.61	$23.30	$20.90	$15.66
2nd	24.50	22.36	19.70	15.80
3rd	26.21	23.57	20.14	16.10
4th	27.10	19.21	22.99	16.75

The Company paid no dividends during fiscal 2006 or 2005, nor are any dividend payments currently contemplated in the future.

Record Holders

As of July 28, 2006, there were approximately 3,778 holders of record of Avnet's common stock.

Issuer Purchases of Equity Securities

The following table includes the Company's monthly purchases of common stock during the fourth quarter ended July 1, 2006:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
April	9,000	$25.66	—	—
May	11,000	$26.14	—	—
June	9,000	$21.77	—	—

The purchases of Avnet common stock noted above were made on the open market to obtain shares for purchase under the Company's Employee Stock Purchase Plan. None of these purchases were made pursuant to a publicly announced repurchase plan and the Company does not currently have a stock repurchase plan in place.

Item 6. *Selected Financial Data*

	Years Ended				
	July 1, 2006	July 2, 2005	July 3, 2004	June 27, 2003	June 28, 2002
	(Millions, except for per share and ratio data)				
Income:					
Sales	$14,253.6	$11,066.8	$10,244.7	$9,048.4	$8,920.2
Gross profit	1,839.0(a)	1,459.0	1,364.9	1,215.0	1,222.8 (d)
Operating income (loss)	430.5(a)	321.3	202.2(b)	12.7 (c)	(3.0)(d)
Income tax provision (benefit)	111.6(a)	71.5	25.5(b)	(33.3)(c)	(36.4)(d)
Earnings (loss)	204.5(a)	168.2	72.9(b)	(46.1)(c)	(84.4)(d)(e)

	Years Ended				
	July 1, 2006	July 2, 2005	July 3, 2004	June 27, 2003	June 28, 2002
	(Millions, except for per share and ratio data)				
Financial Position:					
Working capital	2,029.1	2,065.4	1,839.0	1,820.0	1,928.7
Total assets	6,215.7	5,098.2	4,863.7	4,500.0	4,682.0
Long-term debt	918.8	1,183.2	1,196.2	1,278.4	1,565.8
Shareholders' equity	2,831.2	2,097.0	1,953.4	1,832.5	1,804.5
Per Share:					
Basic earnings (loss)	1.40(a)	1.39	0.61(b)	(0.39)(c)	(0.71)(d)(e)
Diluted earnings (loss)	1.39(a)	1.39	0.60(b)	(0.39)(c)	(0.71)(d)(e)
Dividends	—	—	—	—	0.15
Book value	19.30	17.36	16.21	15.33	15.11
Ratios:					
Operating income margin on sales	3.0%(a)	2.9%	2.0%(b)	0.1%(c)	—%(d)
Profit (loss) margin on sales	1.4%(a)	1.5%	0.7%(b)	(0.5)%(c)	(0.9)%(d)(e)
Return on equity	7.8%(a)	8.1%	3.9%(b)	(2.6)%(c)	(4.1)%(d)(e)
Return on capital	7.6%(a)	7.5%	5.1%(b)	0.2%(c)	(0.1)%(d)(e)
Quick	1.1:1	1.5:1	1.3:1	1.4:1	1.2:1
Working capital	1.8:1	2.2:1	2.1:1	2.4:1	2.5:1
Total debt to capital	30.4%	37.2%	41.0%	44.4%	47.4%

(a) Includes the impact of restructuring, integration and other charges recorded during fiscal 2006, including inventory writedowns for terminated lines (recorded in cost of sales), resulting from the Company's acquisition and integration of Memec into Avnet's existing business and actions taken following the divestitures of two TS businesses in the Americas, certain cost-cutting initiatives in the TS EMEA region and other actions. These combined charges amounted to $69.9 million pre-tax (including $9.0 million recorded in cost of sales), $49.9 million after tax and $0.34 per share on a diluted basis. Fiscal 2006 results also include incremental stock-based compensation expense resulting from the Company's adoption of the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standard ("SFAS") 123R, *Share-based Payments* ("SFAS 123R"), and modifications to stock-based compensation plans in fiscal 2006. The incremental charges amounted to $16.6 million pre-tax, $10.6 million after tax, and $0.07 per share on a diluted basis. The Company also incurred incremental amortization expense associated with amortizable intangible assets recorded in fiscal 2006 as a result of the Memec acquisition which amounted to $4.2 million pre-tax, $2.7 million after tax and $0.02 per share on a diluted basis. Fiscal 2006 results also include a loss on the sale of business lines consisting of a loss on the sale of two small, non-core EM businesses in the EMEA region recorded in the fourth quarter for which no tax benefit was available, partially offset by a gain on sale of the TS single tier businesses in the Americas recorded in the third quarter. The net loss on sale of businesses recorded in fiscal 2006 amounted to $2.6 million pre-tax, $7.1 million after tax and $0.05 per share on a diluted basis. In addition, the fiscal 2006 results include debt extinguishment costs associated with the early repurchase of $254.1 million of the Company's 8% Notes due November 15, 2006 in the first quarter and the early repurchase of $113.6 million of the Company's 9¾% Notes due February 15, 2008 in the fourth quarter. The debt extinguishment costs amounted to $22.6 million pre-tax, $13.6 million after tax and $0.09 per share on a diluted basis. The total impact of these charges recorded in fiscal 2006 amounted to $115.9 million pre-tax, $83.9 million after tax and $0.57 per share on a diluted basis.

(b) Includes the impact of restructuring and other charges recorded in both the first and second quarters of fiscal 2004 in connection with cost cutting initiatives and the combination of the Computer Marketing ("CM") and Applied Computing ("AC") operating groups into one operating group now called Technology Solutions. These charges amounted to $55.6 million (all of which was included in operating expenses), $38.6 million after-tax and $0.32 per share on a diluted basis. Fiscal 2004 results also include the impact of debt extinguishment costs associated with the Company's cash tender offer completed during the third quarter of fiscal 2004 for $273.4 million of the 7⅞% Notes due February 15, 2005. These debt extinguishment costs amounted to $16.4 million pre-tax, $14.2 million after-tax and $0.12 per share on a diluted basis. The total impact of these charges recorded in fiscal 2004 amounted to $72.0 million pre-tax, $52.8 million after-tax and $0.44 per share on a diluted basis.

(c) Includes the impact of restructuring and other charges related to certain cost cutting initiatives instituted during fiscal 2003, including severance costs, charges for consolidation of facilities and write-offs of certain capitalized IT-related initiatives. These charges totaled $106.8 million pre-tax (all of which was included in operating expenses), $65.7 million after-tax and $0.55 per share on a diluted basis. Fiscal 2003 results also include the impact of debt extinguishment costs associated with the Company's cash tender offers and repurchases completed during the third quarter of fiscal 2003 for $159.0 million of its 6.45% Notes due August 15, 2003 and $220.1 million of its 8.20% Notes due October 17, 2003. These debt extinguishment costs amounted to $13.5 million pre-tax, $8.2 million after tax and $0.07 per share on a diluted basis. The total impact of the charges recorded in fiscal 2003 amounted to $120.3 million pre-tax, $73.9 million after-tax and $0.62 per share on a diluted basis.

(d) Includes the impact of integration charges related to the write-down of certain assets acquired in the fiscal 2001 acquisition of Kent Electronics Corporation, net of certain recoveries of previous write-downs and reserves, and other restructuring charges taken in response to business conditions, including an impairment charge to write-down certain investments in unconsolidated Internet-related businesses to their fair value and severance charges for workforce reductions announced during the fourth quarter of fiscal 2002. The net restructuring and integration charges amounted to $79.6 million pre-tax ($21.6 million included in cost of sales and $58.0 million included in operating expenses), $62.1 million after-tax and $0.52 per share on a diluted basis.

(e) The fiscal 2002 selected financial data excludes the impact of the Company's adoption of the FASB's SFAS No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets,* on June 30, 2001, the first day of the Company's 2002 fiscal year. SFAS 142, which requires that ratable amortization of goodwill be replaced with periodic tests for goodwill impairment, resulted in a transition impairment charge recorded by the Company of $580.5 million, or $4.90 per share on a diluted basis for the year. This charge is reflected as a cumulative change in accounting principle in the consolidated statements of operations.

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

For an understanding of Avnet and the significant factors that influenced the Company's performance during the past three fiscal years, the following discussion should be read in conjunction with the description of the business appearing in Item 1 of this Report and the consolidated financial statements, including the related notes, and other information appearing in Item 15 of this Report. The Company operates on a "52/53-week" fiscal year and, as a result, the fiscal years ended July 1, 2006 and July 2, 2005 contained 52 weeks and the fiscal year ended July 3, 2004 contained 53 weeks.

There are numerous references to the impact of foreign currency translation in the discussion of the Company's results of operations that follow. Over the past several years, the exchange rates between the US Dollar and many foreign currencies, especially the Euro, have fluctuated significantly. For example, the US Dollar has strengthened against the Euro by approximately 4% when comparing fiscal 2006 to fiscal 2005, but has weakened against the Euro by approximately 7% from fiscal 2005 to fiscal 2004. When the stronger US Dollar exchange rates of the current year are used to translate the results of operations of Avnet's subsidiaries denominated in foreign currencies, the resulting impact is a decrease, in US Dollars, of reported results. In the discussion that follows, this is referred to as the "translation impact of changes in foreign currency exchange rates." When this "translation impact of changes in foreign currency exchange rates" is

excluded from results, it is referred to as "constant dollars." Results including this translation impact are referred to as "delivered dollars."

In addition to disclosing financial results that are determined in accordance with US generally accepted accounting principles ("GAAP"), the Company also discloses certain non-GAAP financial information such as income or expense items as adjusted for the impact of foreign currency exchange rate fluctuations, as discussed above. Management believes that providing this additional information is useful to the reader to better assess and understand operating performance, especially when comparing results with previous periods or forecasting performance for future periods, primarily because management typically monitors the business both including and excluding these adjustments to GAAP results. Management also uses these non-GAAP measures to establish operational goals and, in some cases, for measuring performance for compensation purposes.

As further discussed in *Results of Operations — Executive Summary* below, during the first quarter of fiscal 2006, Avnet completed the acquisition of Memec Group Holdings Limited ("Memec"), a global distributor that marketed and sold a portfolio of semiconductor devices from industry-leading suppliers, in addition to providing customers with engineering expertise and design services. Memec recorded sales of $2.28 billion in the twelve months prior to the July 5, 2005 close of the acquisition, which makes this Avnet's largest acquisition to date based on sales. The consideration paid for the Memec acquisition consisted of stock and cash valued at approximately $506.9 million, including transaction costs, plus the assumption of $240.0 million of Memec's net debt (debt less cash acquired). All but $27.3 million of this acquired net debt was repaid upon the closing of the acquisition. Under the terms of the purchase, Memec investors received 24.011 million shares of Avnet common stock plus $64.0 million in cash. The shares of Avnet common stock were valued at $17.42 per share, which represents the five-day average stock price beginning two days before the acquisition announcement on April 26, 2005.

Within this MD&A, management occasionally discusses fiscal 2005 sales of Avnet combined with the historical results of Memec for the corresponding period. Although the Memec acquisition is accounted for as a purchase business combination and, therefore, the results of Memec are only included in Avnet's results subsequent to the July 5, 2005 close of the acquisition, management believes that comparative analysis of fiscal 2006 financial results to fiscal 2005, as if Memec were a part of Avnet's operations during fiscal 2005, helps investors relate current year results to historical periods prior to the close of the acquisition. Management uses similar pro forma data to analyze performance for internal operational goal setting and performance management. Furthermore, the combined results of Avnet and Memec in prior periods provide one of the bases by which management evaluates its achievement of synergy targets resulting from the merger as discussed further herein. In the discussion that follows, mention of Avnet and Memec or Electronics Marketing and Memec combined data is referred to as pro forma combined results or pro forma basis.

Analysis of results and outlook on a non-GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with GAAP.

Results of Operations

Executive Summary

Avnet's consolidated results for fiscal 2006 were significantly and positively impacted by the acquisition of Memec and the reasonably strong business environment in the markets in which the Company does business. As a result, the Company's consolidated sales grew by 28.8% from fiscal 2005 to fiscal 2006 to a record $14.25 billion. Sales growth over that period on a pro forma basis to include Memec's fiscal 2005 sales was 6.8% in reported dollars, or 8.3% excluding the translation impact of changes in foreign currency exchange rates. Electronic Marketing's ("EM") sales for fiscal 2006 were up 48% over fiscal 2005 to a record $9.26 billion, and were up 8.4% on a pro forma basis including Memec in the prior period. Excluding the translation impact of changes in foreign currency exchange rates, sales on a pro forma basis were up 10.2%. All three regions within EM saw strong year-over-year growth. Technology Solutions ("TS") sales for fiscal 2006 grew by 3.8% as compared with fiscal 2005 to a record $4.99 billion, and were up 4.9% excluding the translation impact of changes in foreign currency exchange rates.

Avnet's ongoing focus on the management of operating costs and returns on capital has resulted in its highest level of operating profits, operating profit margin and returns on capital since before the multi-year economic and industry downturn began in 2001. Avnet's operating income was $430.5 million, or 3.0% of consolidated sales in fiscal 2006, up 12 basis points from 2.9% in fiscal 2005. Fiscal 2006 operating income was negatively impacted by expenses relating to (i) restructuring, integration and other costs resulting from the acquisition and integration of Memec into Avnet's existing business, (ii) actions taken following the divestitures of two small, non-core TS businesses in the Americas, certain cost-cutting initiatives in the TS EMEA region and other actions, (iii) incremental stock-based compensation expense resulting from the Company's adoption of SFAS 123R and modifications to stock compensation plans in fiscal 2006, (iv) incremental amortization expense associated with amortizable intangible assets recorded in fiscal 2006 as a result of the Memec acquisition, and (v) the net loss related to the divestiture of non-core businesses, all of which are described further under the caption *Restructuring, Integration and Other Charges*. The total of these costs amounted to $93.3 million or 0.65% of sales. These restructuring and integration initiatives were part of the Company's overall efforts to realize the synergies expected as a result of the Memec acquisition and to achieve greater operational efficiency. At the beginning of fiscal 2006, management anticipated that approximately $120 million of annualized operating expenses would be removed from the combined Avnet and Memec businesses once the integration of Memec was completed. As of the end of fiscal 2006, the Company had taken actions to remove approximately $150 million of annualized operating expenses. With gross profit margins declining during the first half of fiscal 2006, but improving during the second half, the Company's acquisition of Memec and the reduction of ongoing operating costs have been key to the significant improvement in profitability. The Company also continued to improve its working capital velocity and, in particular, its inventory turns during fiscal 2006 as it continued to focus on improving its asset utilization.

Operating efficiency and working capital management will remain a key focus of Avnet's overall value-based management initiatives and its efforts to continue to grow profitability and to increase return on capital at a faster rate than its growth in revenues.

It is difficult for the Company, as a distributor, to forecast the material trends of the electronic component and computer products industry, aside from some of the normal seasonality discussed herein, because Avnet does not typically have material forward-looking information available from its customers and suppliers beyond approximately three to four months of forecast information. As such, management relies on the publicly available information published by certain industry groups and other related analyses in evaluating its business plans in the longer term.

Sales

The table below provides a year-over-year summary of sales for the Company and its operating groups:

Three-Year Analysis of Sales: By Operating Group and Geography

	Years Ended						Percent Change	
	July 1, 2006	% of Total	July 2, 2005	% of Total	July 3, 2004	% of Total	2006 to 2005	2005 to 2004
	(Dollars in millions)							
Sales by Operating Group:								
EM	$ 9,262.4	65.0%	$ 6,259.0	56.6%	$ 5,892.4	57.5%	48.0%	6.2%
TS	4,991.2	35.0	4,807.8	43.4	4,352.3	42.5	3.8	10.5
	$14,253.6		$11,066.8		$10,244.7		28.8	8.0
Sales by Geographic Area:								
Americas	$ 7,223.9	50.7%	$ 5,804.9	52.4%	$ 5,409.6	52.8%	24.4%	7.3%
EMEA	4,374.2	30.7	3,669.8	33.2	3,380.2	33.0	19.2	8.6
Asia/Pacific	2,655.5	18.6	1,592.1	14.4	1,454.9	14.2	66.8	9.4
	$14,253.6		$11,066.8		$10,244.7		28.8	8.0

Avnet's consolidated sales in fiscal 2006 were a record $14.25 billion, up $3.19 billion, or 28.8%, over fiscal 2005 consolidated sales of $11.07 billion. Year over year growth was driven primarily by the acquisition of Memec. Including Memec's sales in fiscal 2005 on a pro forma basis, Avnet's consolidated sales grew 6.8% on a delivered U.S. dollar basis and an estimated 8.3% excluding the translation impact of changes in foreign currency exchange rates. Management estimates that the translation impact of changes in foreign currency exchange rates reduced year-over-year sales growth by approximately $204 million. As indicated in the table above, the year-over-year growth occurred in both operating groups and in all regions.

EM recorded sales of $9.26 billion in fiscal 2006, up $3.00 billion, or 48.0%, over EM's fiscal 2005 sales of $6.26 billion. Including Memec's sales in fiscal 2005 on a pro forma basis, EM's fiscal 2006 sales grew 8.4% as compared with the prior year in delivered U.S. dollars and by approximately 10.2% excluding the translation impact of changes in foreign currency exchange rates, which management estimates reduced EM's year-over-year sales growth by approximately $151 million. EM Americas continues to be EM's largest region with sales of $3.78 billion in fiscal 2006, up $1.24 billion, or 49.2%, over fiscal 2005 sales of $2.53 billion. On a pro forma basis including Memec's sales in the prior period, EM Americas fiscal 2006 sales grew 6.3% as compared with fiscal 2005. EM Asia again posted the most significant growth in sales for EM as its sales grew 77.7% to a record $2.42 billion as a result of the acquisition of Memec and strong organic growth. Including Memec's sales on a pro forma basis in the prior period, EM Asia's sales grew 18.6% as compared with fiscal 2005. This growth yielded EM Asia's eighth consecutive record for annual sales. The positive growth trend in Asia was fairly consistent throughout the year with the last three quarters growing in excess of 15% year-over-year on a pro forma basis. EM EMEA's sales were $3.06 billion, up nearly $700 million, or 29.5%, as compared with fiscal 2005. On a pro forma basis including Memec's sales in the prior period, EM EMEA's sales were up 3.9% on a delivered U.S. dollar basis and up approximately 8.7% excluding the translation impact of changes in foreign currency exchange rates.

TS sales in fiscal 2006 were a record $4.99 billion, up $183 million, or 3.8%, over fiscal 2005 sales of $4.81 billion. Excluding the impact of changes in foreign currency exchange rates, TS fiscal 2006 sales grew approximately 4.9% over the prior year. The Americas region sales of $3.45 billion again accounted for the majority of TS total sales as its sales grew $172 million, or 5.3%, as compared with fiscal 2005. TS EMEA recorded sales of $1.31 billion in fiscal 2006, up marginally as compared with sales of $1.30 billion in fiscal 2005. Similar to EM, the TS operations in EMEA were negatively affected by the translation impact of changes in foreign currency exchange rates as TS EMEA's sales on a constant U.S. dollar basis were up approximately 4.6% in fiscal 2006 as compared with the prior year. TS Asia fiscal 2006 sales of $236 million were up 2.4% over fiscal 2005 as growth in sales of microprocessors were less robust than the growth that occurred in fiscal 2005 as compared with fiscal 2004.

As a result of the factors discussed above, primarily the acquisition of Memec, EM's sales grew to 65% of Avnet's consolidated sales, up from 57% of consolidated sales in fiscal 2005. Avnet's regional sales mix changed somewhat from the prior year as the Americas and EMEA percentage of total consolidated sales declined by roughly 200 basis points each and Asia's percentage grew by four hundred basis points and now represents 18.6% of Avnet's consolidated sales. Sales in the Americas still represent the majority of consolidated sales at 50.7%, while EMEA's sales are 30.7% of total sales.

The Company's consolidated sales in fiscal 2005 were $11.07 billion, up $822 million, or 8.0%, over fiscal 2004 sales of $10.24 billion. On a per week basis, to normalize the impact of the extra week in fiscal 2004 due to the Company's fiscal calendar, sales were up 10.1% in fiscal 2005 as compared with fiscal 2004. Fiscal 2005 sales grew by 6.2% and 10.5% at EM and TS, respectively, as sales grew in all three global regions in which the Company operates. Management estimates that the translation impact of changes in foreign currency exchange rates contributed approximately $250 million of the year-over-year growth in sales, $150 million for EM and $100 million benefiting TS. EM's sales of $6.26 billion in fiscal 2005 were up $367 million, or 6.2%, over EM's fiscal 2004 sales of $5.89 billion. TS recorded sales of $4.81 billion in fiscal 2005, representing an increase of $456 million, or 10.5%, over fiscal 2004 sales of $4.35 billion. TS sales growth was led by the Americas which recorded sales growth of over 11% in fiscal 2005, primarily due to strong growth in sales of microprocessors and in the TS enterprise computing business.

Gross Profit and Gross Profit Margins

Avnet's consolidated gross profit in fiscal 2006 was $1.84 billion, which represents a gross profit margin of 12.9%. This compares with gross profit of $1.46 billion and a gross profit margin of 13.2% in fiscal 2005. The $380 million increase in gross profit was due primarily to the increase in sales as a result of the acquisition of Memec. The gross profit in fiscal 2006 includes charges totaling $9.0 million, or 0.06% of sales, to write down certain inventory due primarily to supplier terminations as a result of a strategic decision to exit certain product lines within EM after an evaluation of the combined product lines of EM and Memec. See *Restructuring Integration and Other Charges* for further discussion of these charges. The Company's margin is impacted by the mix of business between Avnet's two operating groups as the computer product sales of TS typically yield lower gross profit margins, but also a lower capital investment, than the electronic component sales of EM. In addition, the sales mix by region also impacts Avnet's consolidated margins as EM Asia's gross margins are typically lower than those in the Americas and EMEA, but its expense to sales are lower and its working capital investment is also lower as compared with the other regions. Gross margin is also impacted by customer mix, product mix within each business group and region, the business environment and competitive factors. As a result of these factors, gross profit margins declined in the first half of fiscal 2006, but began to strengthen during the second half of the year as the Company placed a heavy focus on improving gross margins.

Another important metric measured by management is gross profit per average employee. The increase in gross profit dollars and the synergies resulting from the acquisition and integration of Memec combined to yield a record gross profit per average employee in fiscal 2006 of approximately $162,000, an improvement of approximately 10% when compared with $148,000 per average employee in fiscal 2005.

Consolidated gross profit in fiscal 2005 was $1.46 billion as compared with $1.36 billion in fiscal 2004. Gross profit margin in fiscal 2005 was 13.2%, down from 13.3% in fiscal 2004. The mix of business between Avnet's two operating groups and the growth of EM Asia's business impacted the gross profit margin of the Company as noted above and was the primary driver of the slight decline in gross profit margin year over year.

Selling, General and Administrative Expenses

Avnet's consolidated selling, general and administrative ("SG&A") expenses were $1.34 billion, or 9.4% of sales, in fiscal 2006 as compared with $1.14 billion, or 10.3% of sales, in fiscal 2005. The increase in SG&A dollars over the prior year is a direct result of the expansion of the overall business following the acquisition of Memec at the beginning of fiscal 2006. Despite this increase in SG&A expenses, the ratio of SG&A expenses as a percentage of sales improved 84 basis points over fiscal 2005. More importantly, the ratio of SG&A expenses as a percentage of sales improved 158 basis points over the fiscal 2005 ratio adjusted to include Memec as if it had been part of Avnet throughout fiscal 2005. The primary driver in the ratio improvement was the realization of synergies as a result of restructuring and integration actions taken in fiscal 2006. SG&A expenses were also negatively impacted by incremental stock-based compensation expense as a result of the adoption of a new accounting pronouncement and the initial recognition and subsequent amortization of intangible assets associated with the Memec acquisition.

SG&A expenses as a percentage of gross profit in fiscal 2006 was 73.1% as compared with 80.6% on a pro forma basis in fiscal 2005, representing a 743 basis point year-over-year improvement. Each of the ratios mentioned has improved to its best annual level since before the industry and economic downturn began in fiscal 2001. The current year improvement in these key measures of operating leverage is largely a result of the actions taken in connection with the Memec integration and the synergies realized from such actions (see *Restructuring, Integration and Other Charges* in this MD&A for further discussion of the actions taken by the Company). At the beginning of fiscal 2006, management anticipated that approximately $120 million of annualized operating expenses would be removed from the combined Avnet and Memec businesses once the integration of Memec was completed. As of the end of fiscal 2006, the Company had taken actions to remove approximately $150 million of annualized operating expenses. In addition to cost savings realized through the integration of Memec into Avnet's business, management took actions in connection with recent divestures to further reduce operating expenses during fiscal 2006 (see *Restructuring, Integration and Other Charges* in this

MD&A for further discussion of the actions taken by the Company) and also continued its focus on operating efficiencies and cost savings through various value-based management initiatives.

The first quarter of fiscal 2006 represented the first period in which the Company was required to adopt the provisions of SFAS 123R. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be measured at fair value and expensed in the statement of operations. The impact of adopting SFAS 123R, coupled with additional compensation expense associated with increased grants under some of the Company's non-option, stock-based compensation programs, resulted in $16.6 million of incremental expense during fiscal 2006 when compared with fiscal 2005.

The Company identified a total of $26.4 million of amortizable intangible assets associated with the Memec acquisition. The Company allocated $22.6 million of the Memec purchase price to intangible assets associated with acquired customer relationships and $3.8 million to intangible assets associated with the Memec tradename. The customer relationship asset has been assigned a life of ten years and the tradename asset has been assigned a life of two years. The asset values will be amortized on a straight-line basis over these identified lives. During fiscal 2006, the Company recorded amortization expense of $4.2 million associated with these intangible assets.

Avnet's consolidated SG&A expenses were $1.14 billion, or 10.3% of sales, in fiscal 2005 as compared with $1.11 billion, or 10.8% of sales, in fiscal 2004. SG&A expenses as a percentage of gross profit of 78.0% in fiscal 2005 represented a 313 basis point improvement over the same ratio in fiscal 2004. The improvement in these metrics between fiscal 2005 and fiscal 2004 was a result of the Company's restructuring efforts. Selling, general and administrative expenses were negatively impacted in fiscal 2005 by an increased level of corporate operating expenses, driven primarily by increased professional fees and related costs associated with the Company's Sarbanes-Oxley Section 404 compliance efforts. Partially offsetting the positive impacts of restructuring activities that occurred in prior years, the fiscal 2005 SG&A expenses were negatively impacted by the translation impact of changes in foreign currency exchange rates between fiscal 2005 and fiscal 2004, which management estimates yielded an increase in fiscal 2005 costs of approximately $31 million (0.3% of fiscal 2005 sales and 2.1% of fiscal 2005 gross profits).

Restructuring, Integration and Other Charges

The Company recorded a number of restructuring, integration and other charges during fiscal 2006 and 2004. There were no restructuring charges recorded in fiscal 2005. The fiscal 2006 restructuring, integration and other charges relate primarily to actions taken to integrate Memec into the existing Avnet business as well as actions taken in connection with recent divestitures, and other actions. The fiscal 2004 charges relate primarily to the reorganization of operations in each of the three major regions of the world in which the Company operates, generally taken in response to business conditions at the time of the charge and as part of the Company's efforts to return to the profitability levels enjoyed by the business prior to the industry and economic downturn that commenced in fiscal 2001. See Note 17 to the consolidated financial statements in Item 15 of this Report for a more detailed summary of activity within the restructuring, integration and other charge accounts during the past three years.

Fiscal 2006

During the fiscal year 2006, the Company has incurred certain restructuring, integration and other charges as a result of the acquisition of Memec on July 5, 2005, which is discussed further under ***Memec-related restructuring, integration and other charges.*** In addition, the Company has incurred restructuring and other charges primarily relating to actions taken following the divestitures of two TS end-user business lines in the Americas region, certain cost reduction actions taken by TS in the EMEA region, and other items, which are discussed further under ***Restructuring and other charges related to business line divestitures and other actions.*** The restructuring, integration and other charges incurred for all of these activities totaled $69.9 million pre-tax (including $9.0 million recorded in cost of sales), $49.9 million after-tax and $0.34 per share on a diluted basis for fiscal 2006.

Memec-related restructuring, integration and other charges

During fiscal 2006, the acquired Memec business was being integrated into the Company's existing EM operations in all three regions. As a result of the acquisition integration efforts, the Company established and approved plans to restructure certain of Avnet's existing operations to accommodate the integration of Memec into Avnet.

The restructuring and other charges (excluding integration charges discussed below) incurred during fiscal 2006 related to the integration of Memec totaled $31.6 million pre-tax, $24.2 million after-tax and $0.16 per share on a diluted basis. The pre-tax charges included inventory write-downs for terminated lines amounting to $9.0 million recorded in "Cost of sales" as discussed below. The remaining pre-tax charge of $22.6 million, which was included in "Restructuring, integration and other charges" in the accompanying consolidated statement of operations, included $16.4 million for severance costs, $2.6 million of facility exit costs related primarily to remaining lease obligations on exited facilities, $2.4 million for the write-down of certain capitalized IT-related initiatives, primarily in the Americas, and $1.2 million for other charges related primarily to other contractual obligations that will no longer be utilized in the combined Avnet and Memec business.

The charge for terminated inventory lines related to a strategic decision during the first half of fiscal 2006 to exit certain product lines within EM in the Americas. The charge in the third quarter of fiscal 2006 was a result of similar strategic decisions made in the EMEA region. The terminated lines were product lines that Avnet management elected not to continue with the combined Avnet and Memec business. As a result, management recorded a write-down of the related inventory on hand to fair market value due to the lack of contractual return privileges when a line is terminated by Avnet. Severance charges incurred during fiscal 2006 related to work force reductions of over 250 personnel primarily in administrative and support functions in the EMEA and Americas regions. The positions eliminated were Avnet personnel that were deemed redundant by management with the integration of Memec into Avnet. The facility exit charges related to liabilities for remaining non-cancelable lease obligations and the write-down of leasehold improvements and other property, plant and equipment relating to the facilities being exited. The facilities, which supported administrative and support functions, and some sales functions, were identified for consolidation based upon the termination of certain personnel discussed above and the relocation of other personnel into other existing Avnet facilities. The IT-related charges resulted from management's review of certain capitalized systems and hardware as part of the integration effort. A substantial portion of this write-off, which was recorded in the first quarter of fiscal 2006, relates to mainframe hardware that was scrapped due to the purchase of new, higher capacity hardware to handle the increased capacity needs with the addition of Memec. Similarly, certain capitalized IT assets were written off when they became redundant either to other acquired systems or new systems under development in the first quarter of fiscal 2006 as a result of the acquisition of Memec. Other charges in fiscal 2006 related primarily to certain other contractual obligations and contract termination charges.

Of the $31.6 million recorded to expense for the Memec-related restructuring activity during fiscal 2006, $11.6 million represented non-cash asset write-downs, which consisted primarily of the charge to cost of sales for inventory write-downs and the write-down of IT and other fixed assets. In addition, certain severance and lease liabilities in the amount of $1.3 million were assumed by the buyer of the net assets of a small, non-core EM business in the EMEA region (see ***Loss on Sale of Business Lines*** in this MD&A for further discussion). The remaining Memec-related charges in fiscal 2006 of $18.7 million required or will require the use of cash, of which $15.4 million was paid during fiscal 2006.

As of July 1, 2006, remaining Memec-related reserves related to the restructuring actions taken in fiscal 2006 totaled $3.7 million, of which $3.0 million related to severance reserves, the majority of which management expects to utilize by the end of fiscal 2007, facility exit costs and other costs of $0.7 million, the majority of which management expects to utilize by fiscal 2009.

As a result of the Memec acquisition and its subsequent integration into Avnet, the Company incurred integration costs during fiscal 2006, which totaled $21.9 million pre-tax, $14.6 million after-tax and $0.10 per share on a diluted basis. The integration costs, particularly in the first nine months of fiscal 2006, related to incremental salary costs, primarily of Memec personnel, who were retained following the close of the acquisition, solely to assist in the integration of Memec's IT systems, administrative and logistics operations

into those of Avnet. Generally, these identified personnel were retained for nine months or less following the close of the acquisition. These personnel had no other meaningful day-to-day operational responsibilities outside of the integration efforts. Also included in integration costs are certain professional fees, travel, meeting, marketing and communication costs that were incrementally incurred solely related to the Memec integration efforts. Professional fees included primarily consulting and legal advice associated with the efforts to merge the numerous legal entities that exist globally between the Avnet and Memec operations. Integration costs, along with restructuring and other charges, are presented separately from selling, general and administrative expenses. All integration costs recorded in fiscal 2006 represent amounts incurred and paid during fiscal 2006.

Restructuring and other charges related to business line divestitures and other actions

During the third quarter of fiscal 2006, the Company divested two of its end-user business lines in TS Americas (see *Loss on Sales of Business Lines* in this MD&A for further discussion). As a result, restructuring charges were incurred due to certain actions taken by the Company following these divestitures. The Company also incurred restructuring costs and other charges relating to certain cost-cutting measures and other actions taken by TS in the EMEA region and certain actions at corporate in fiscal 2006. The restructuring and other charges incurred during the fiscal 2006 related to these actions totaled $16.5 million pre-tax, $11.0 million after-tax and $0.08 per share on a diluted basis. The year-to-date pre-tax charges, which are included in "Restructuring, integration and other charges" in the accompanying consolidated statement of operations, consisted of severance costs of $5.9 million related to TS operations in the Americas and EMEA regions, facility exit costs in the Americas and EMEA regions totaling $6.5 million, and $4.1 million for other charges. Other charges included $3.2 million pre-tax, which related primarily to a curtailment charge resulting from a small UK-based pension plan that the Company elected to terminate, $1.8 million related to the reassessment of an existing environmental liability, $0.4 million of other charges, and a reversal of $1.3 million for charges recorded through restructuring charges in prior fiscal years primarily in TS EMEA.

The severance costs related primarily to severance and other termination benefit payments related to 20 personnel in the TS Americas' operations who were rendered redundant in Avnet's ongoing business following the divestiture of the end-user business lines during the third quarter of fiscal 2006. This included two management-level employees whose primary responsibilities previously included the management of the divested business lines. Severance charges in fiscal 2006 also included termination benefits for over 10 personnel in the TS EMEA operations who were identified as redundant based upon the realignment of certain job functions in that region and two corporate management-level employees. The facility exit charges related to liabilities for remaining non-cancelable lease obligations and the write-down of facility-related property, plant and equipment. The impacted facilities were TS leased facilities in the Americas that were rendered redundant with the divestitures discussed above, as well as certain TS leased facilities in EMEA that were vacated as part of the realignments of personnel discussed above. Certain furniture, fixtures and equipment in these facilities were also written off as part of these charges. Other charges in fiscal 2006 related primarily to asset impairment charges recorded in the second quarter and fourth quarter of fiscal 2006 totaling $3.6 million for two owned but vacant facilities and certain related fixed assets — one in EMEA and one in the Americas. The write-down to fair value was based upon management's estimates of the current market values and possible selling price, net of selling costs, for these properties. Also included in other charges is the pension plan curtailment charge and environmental liability charge noted previously.

Of the $16.5 million recorded to expense for these restructuring and other charges during fiscal 2006, $3.3 million represented non-cash asset write-downs, which consisted primarily of the write-down to fair value of the owned facilities in EMEA and the Americas and certain furniture, fixtures and equipment in leased facilities. The remaining charges in fiscal 2006, amounting to $13.2 million, required or will require the use of cash, of which $5.1 million was paid during fiscal 2006.

As of July 1, 2006, remaining reserves related to the non-Memec related restructuring activities taken in fiscal 2006 totaled $6.4 million, of which $4.0 million related to severance reserves, the majority of which management expects to utilize by fiscal 2008, facility exit costs of $2.3 million, the majority of which

management expects to utilize by fiscal 2013, and other costs of $0.1 million, the majority of which management expects to utilize by fiscal 2007.

While the above charges related to Avnet personnel, facilities and operations, and are therefore recorded through Avnet's consolidated statements of operations as "Restructuring, integration and other charges", the Company also recorded numerous purchase accounting adjustments during fiscal 2006 related to the acquired personnel and operations of Memec. These adjustments were generally recorded as part of the allocation of purchase price and, therefore, were not recorded in the Company's consolidated statement of operations. During fiscal 2006, the Company established and approved plans to integrate the acquired operations into all three regions of the Company's EM operations, for which the Company recorded $73.3 million in exit-related purchase accounting adjustments. These purchase accounting adjustments consist primarily of $32.5 million for severance for Memec workforce reductions of over 700 personnel (including senior management, administrative, finance and certain operational functions) primarily in the Americas and EMEA; $36.2 million for lease and other contract termination costs; and $4.6 million for remaining commitments and termination charges related to other contractual commitments of Memec that will no longer be of use in the combined business. Of these exit-related purchase accounting adjustments recorded in the fiscal 2006, $43.1 million was paid out in cash during fiscal 2006 and $7.7 million were non-cash write-downs, leaving $22.7 million of remaining reserves (including $0.2 million due to the translation impact of foreign currency exchange since the reserves were established), primarily related to severance, which are expected to be substantially paid out by the end of fiscal 2008, and lease and other contractual commitment reserves, for which payments will extend into fiscal 2013.

Fiscal 2005

Although there were no restructuring charges recorded in fiscal 2005, the Company recorded certain adjustments to reserves totaling $1.3 million during fiscal 2005, which were recorded through "Selling, general and administrative expenses". The adjustments related primarily to the reversal of certain excess legal expense reserves associated with finalization of termination payments and reversal of excess severance reserves, offset in part by additional severance costs recorded based upon revised estimates of required payouts. The Company also reduced certain lease reserves due to modification to sublease and termination assumptions based upon ongoing market conditions.

Fiscal 2004

During the first and second quarters of fiscal 2004, the Company executed certain restructuring and cost reduction initiatives designed to continue improving the profitability of the Company. These actions can generally be broken into three categories: (1) the combination of the Company's former Computer Marketing ("CM") and Applied Computing ("AC") segments into one computer products and services business called Technology Solutions ("TS"), as discussed in Note 16 to the consolidated financial statements appearing in Item 15 of this Report; (2) the reorganization of the Company's global IT resources, which had previously been administered generally on a separate basis within each of the Company's operating groups; and (3) various other reductions within EM and certain centralized support functions.

Restructuring and other charges incurred during the first quarter of fiscal 2004 totaled $32.1 million pre-tax and $22.1 million after-tax, or $0.18 per share on a diluted basis. The pre-tax charge consisted of severance costs ($9.4 million), charges related to consolidation of selected facilities ($10.8 million), write-downs of certain capitalized IT-related initiatives ($6.9 million) and other items, consisting primarily of the write-off of the remaining unamortized deferred loan costs associated with the Company's multi-year credit facility terminated in September 2003 ($5.0 million).

Severance costs resulted from workforce reductions of approximately 400 personnel completed during the first quarter, primarily in executive, support and other non-customer facing functions in the Americas and EMEA regions. Management also identified a number of facilities for consolidation primarily in the Americas and EMEA regions. These facilities generally related to certain logistics and warehousing operations as well as certain administrative facilities across both operating groups and at the corporate level. The charges related to

reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in these facilities that have been vacated. Management also evaluated and elected to discontinue a number of IT-related initiatives that, in light of recent business restructurings, no longer met the Company's return on investment standards for continued use or deployment. These charges related to write-offs of capitalized hardware and software.

Restructuring charges incurred during the second quarter of fiscal 2004 totaled $23.5 million pre-tax, $16.4 million after-tax, or $0.14 per diluted share. The charges consisted of severance costs ($5.3 million), charges related to write-downs of owned assets and consolidation of selected facilities ($4.8 million), write-downs of certain capitalized IT-related initiatives ($12.9 million) and other items ($0.5 million).

Severance charges related to workforce reductions of approximately 120 personnel, the majority of whom staffed warehousing, administrative and support functions primarily for facilities within TS EMEA operations that were identified for consolidation as part of the combination of CM and AC. A smaller portion of these charges also impacted operations in the Americas. The combination of CM and AC in EMEA also led to charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in the facilities that were vacated. The facilities were primarily used for warehousing and administrative offices. Management also evaluated and elected to discontinue a number of IT-related initiatives similar to the decisions also reached in the first quarter of fiscal 2004 as discussed above. These charges related to the write-off of capitalized hardware and software. Lastly, the Company's efforts to combine CM and AC in EMEA resulted in the decision to merge the former CM EMEA operations onto the computer systems that have historically been used in the AC EMEA business. The change in the use of this significant asset of CM EMEA generated a need to analyze the group of long-lived assets within the former CM EMEA operations for impairment. As a result of this analysis, the Company recorded an impairment charge to write-down certain long-lived assets to their estimated fair market values. This charge, totaling $9.4 million, of which $4.2 million relates to the CM EMEA computer systems that were disposed of, is included in the facilities and IT-related charges discussed above.

During the fourth quarter of fiscal 2004, as part of management's ongoing analysis of the reserves for various restructuring activities, the Company recorded adjustments to certain of its remaining reserves. The adjustments occurred primarily in the Company's EM and TS operations in EMEA and related to adjustments to reduce excess severance reserves based upon revised estimates of statutorily required payouts and recording of additional charges related to leased facilities due to modifications to sublease and termination assumptions based upon ongoing market conditions. The Company also negotiated a favorable buyout of a hardware and software maintenance contract, which resulted in the reversal of certain IT-related reserves. The net amount of these adjustments was less than $0.1 million.

The combined charges recorded during fiscal 2004 totaled $55.6 million pre-tax and $38.5 million after-tax, or $0.32 per diluted share. Approximately $24.2 million of these pre-tax charges required the use of cash with the remaining $31.4 million representing non-cash write-downs as discussed in greater detail above.

Total remaining reserves related to these prior year restructuring charges were $6.7 million at the end of fiscal 2006. Included in these remaining reserves are $0.5 million for severance costs, the majority of which management expects to utilize by the end of fiscal 2008. The remaining reserve balance also included $5.9 million for remaining facility contractual lease commitments, the majority of which will be utilized by the end of fiscal 2010, although a small portion of the remaining reserves relate to lease payouts that extend to fiscal 2012. Finally, there were $0.3 million of other reserves, related primarily to remaining contractual commitments, the majority of which the Company expects to utilize during fiscal 2007.

Loss on Sale of Business Lines, Net

During fiscal 2006, the Company divested two TS end-user business lines in the Americas and two EM specialty business lines in EMEA. In TS, the Company sold its Americas end-user server and storage business line to a value-added reseller. The Company also contributed cash and certain operating assets and liabilities of its TS Americas end-user network solutions business into a joint venture with Calence Inc. in exchange for an investment interest in the joint venture, called Calence LLC. As a result of these divestitures,

a gain of $10.9 million pre-tax, $7.3 million after tax and $0.05 per share on a diluted basis was recorded in the third quarter of fiscal 2006. In EM, the Company sold two small, non-core business lines in its EMEA region during the fourth quarter of fiscal 2006 for which no tax benefit was available and, as a result, recorded a loss of $13.6 million pre-tax, $14.3 million after tax and $0.10 per share on a diluted basis. The total impact of these divestitures in fiscal 2006 was a loss of $2.6 million pre-tax, $7.1 million after tax and $0.05 per share on a diluted basis.

Operating Income

Operating income for fiscal 2006 was $430.5 million, or 3.0% of consolidated sales, as compared with operating income of $321.3 million, or 2.9% of consolidated sales, in fiscal 2005. Operating income dollars increased over the prior year largely as a result of the Memec acquisition. On a pro forma combined basis, operating income in fiscal 2005 was $355.1 million, or 2.7% of pro forma combined sales. The margin and operating expense trends discussed previously in this MD&A contributed to the operating income performance improvement over prior year. Operating income in fiscal 2006 was negatively impacted by a total of $93.4 million (0.7% of consolidated sales) for charges previously described. (See table in *Net Income* for a detail of these charges. See also *Restructuring, Integration and Other Charges, Selling, General and Administrative Expenses* and *Loss on Sale of Business Lines, Net* for further discussion of these charges).

EM reported operating income of $419.1 million (4.5% of EM sales) in fiscal 2006 as compared with operating income of $233.1 million (3.7% of EM sales) in the prior year. On a pro forma combined basis, operating income in the prior year was $266.8 million, or 3.1% of EM's pro forma combined sales. The 80 basis point year-over-year improvement in operating income margin (140 basis points on a pro forma combined basis) reflects increased volume resulting from the Memec acquisition and the synergies created from the successful integration of the combined businesses. Operating income at TS was $165.7 million (3.3% of TS sales) as compared with operating income of $147.7 million (3.1% of TS sales) in fiscal 2005. The improvement in TS operating profitability in fiscal 2006 was driven by continued focus on profitable relationships and managing ongoing operating costs.

Operating income for fiscal 2005 was $321.3 million, or 2.9% of consolidated sales, as compared with operating income of $202.2 million, or 2.0% of consolidated sales, in fiscal 2004. Operating income in fiscal 2004 was negatively impacted by the restructuring and other charges discussed above, which totaled $55.6 million, or 0.5% of sales, in fiscal 2004. The significant growth of operating income in both dollars and as a percentage of sales is a function of the moderate increase in consolidated sales between the two fiscal years and the reduction of selling, general and administrative expenses discussed previously in this MD&A.

Interest Expense and Other Income

Interest expense was $96.5 million in fiscal 2006, up $11.4 million, or 13.5%, from interest expense of $85.1 million in fiscal 2005. The increase in interest expense is a result of rising short-term interest rates and higher borrowings on the Company's various bank credit facilities. The increase in short-term interest rates that rose during fiscal 2006 resulted in the Company's fair value hedges paying interest at a higher rate. The increased borrowings are a direct result of certain cash expended for the acquisition of Memec in the first quarter of fiscal 2006, cash payments for other charges in fiscal 2006 and working capital needs (see *Liquidity and Capital Resources — Cash Flow* for further discussion). The factors driving interest expense up are offset partially by the favorable impact of the Company's issuance of $250.0 million of 6.00% Notes due September 1, 2015 (the "6.00% Notes") and repurchase of $254.1 million of the Company's higher rate 8.00% Notes due November 15, 2006 (the "8.00% Notes") during the first quarter of fiscal 2006.

Interest expense was $85.1 million in fiscal 2005, down $9.5 million, or 10.1%, as compared with interest expense of $94.6 million in fiscal 2004. The reduction in interest expense year-over-year is due to a combination of reduced total debt outstanding and a lower effective interest rate on outstanding borrowings. As further described below, the Company has used cash and new financings to further repay outstanding debt obligations. As a result of these actions, the Company's total debt outstanding at July 2, 2005 was $1.24 billion and the average debt outstanding during fiscal 2005 was approximately $1.30 billion. This is down from total

debt outstanding at the end of fiscal 2004 and an average debt balance during fiscal 2004 of $1.36 billion and $1.41 billion, respectively. The Company's overall effective interest rate also declined as a result of two actions. First, the Company repaid in cash, at maturity, its $100.0 million 6⅞% Notes due March 15, 2004. These notes were outstanding for nearly three quarters of fiscal 2004 with no comparable interest expense in fiscal 2005. Additionally, the Company paid off $273.4 million of its 7⅞% Notes due February 15, 2005 with the proceeds from its 2% Convertible Debentures due March 15, 2034, which were issued in March 2004. This resulted in a substantial decrease in effective rates between these two obligations year-over-year. The remaining $86.6 million of the 7⅞% Notes were paid off in cash at their maturity date during the third quarter of fiscal 2005, which eliminated the remaining interest expense on the 7⅞% Notes for the remainder of fiscal 2005. These positive impacts on the Company's effective interest rate were offset, in part, by short-term interest rates that rose throughout fiscal 2005, which results in the Company's fair value hedges paying interest at a higher rate. Specifically, from the end of fiscal 2004 to the end of fiscal 2005, the interest rates on the Company's $400.0 million hedge of its 8% Notes and $300.0 million hedge of its 9¾% Notes due February 15, 2008 (the "9¾% Notes") each rose by approximately 190 basis points.

Other income, net, in fiscal 2006 was $4.8 million as compared with $3.5 million in fiscal 2005 and $7.1 million in fiscal 2004. Fiscal 2006 results included higher rate interest income earned on normal cash balances partially offset by foreign currency losses. The interest income in fiscal 2006 also included approximately $0.4 million earned on the investment of the net proceeds from the issuance of the 6.00% Notes during the four week tender period for the 8.00% Notes discussed above. Fiscal 2005 and fiscal 2004 both contained foreign currency losses which offset a portion of the interest income earned in the respective years on the Company's cash and cash equivalent balances.

Debt Extinguishment Costs

As discussed further under *Liquidity and Capital Resources — Financing Transactions,* the Company incurred debt extinguishment costs in fiscal 2006 and 2004 associated with the tender and early repurchase of a portion of its outstanding publicly traded debt. In completing these transactions, the Company incurred debt extinguishment costs, related primarily to premiums and other transaction costs associated with these tenders and early repurchases, which totaled $22.6 million pre-tax, $13.6 million after-tax, or $0.09 per share on a diluted basis in fiscal 2006, and $16.4 million pre-tax, $14.2 million after-tax, or $0.12 per share on a diluted basis in fiscal 2004.

Income Tax Provision

Avnet's effective tax rate on its income before taxes for fiscal 2006 was 35.3% as compared with an effective tax rate of 29.8% in fiscal 2005 and 25.9% in fiscal 2004. The increase in the effective rate is primarily a function of a loss on the sale of a small, non-core EM business in the EMEA region for which no tax benefit was available and additional contingency reserves due to the recognition of tax exposures in the EMEA and Asia regions, partially offset by a favorable settlement of a European audit. Excluding these items, the effective tax rate would have been lower than the 35% U.S. federal tax rate for fiscal 2006 as a result of varying statutory tax rates across the jurisdictions in which the Company operates.

In fiscal 2005 and fiscal 2004, continuing improvement in profitability, particularly in the EMEA and Asia regions, led to effective tax rates substantially lower than the 35% U.S. federal tax rate.

Net Income

As a result of the factors described in the preceding sections of this MD&A, the Company's net income was $204.5 million, or $1.39 per share on a diluted basis, in fiscal 2006 compared with net income of $168.2 million, or $1.39 per share on a diluted basis, in fiscal 2005 and net income of $72.9 million, or

$0.60 per share on a diluted basis, in fiscal 2004. The fiscal 2006 results were negatively impacted by a total of $83.8 million after tax, or $0.57 per share on a diluted basis, as detailed in the following table.

	Year Ended July 1, 2006				
	Gross Profit	Operating Income	Pre-tax Income	Net Income	Diluted EPS
	($ in thousands, except per share data)				
Restructuring, integration and other charges (primarily Memec acquisition-related)	$8,977	$53,456	$ 53,456	$38,829	$0.26
Restructuring and other costs related to business divestitures and other actions	—	16,504	16,504	11,041	0.08
Stock-based compensation expense	—	16,645	16,645	10,554	0.07
Incremental amortization expense for intangible assets	—	4,160	4,160	2,696	0.02
Loss on sale of business lines, net	—	2,601	2,601	7,074	0.05
Debt extinguishment costs	—	—	22,585	13,653	0.09
Total	$8,977	$93,366	$115,951	$83,847	$0.57

The fiscal 2004 results include the negative after-tax impact of restructuring and other charges and debt extinguishment costs, discussed previously in this MD&A, totaling $52.8 million, or $0.44 per share on a diluted basis.

Critical Accounting Policies

The Company's consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. These estimates and assumptions are based upon the Company's continuous evaluation of historical results and anticipated future events. Actual results may differ from these estimates under different assumptions or conditions.

The Securities and Exchange Commission defines critical accounting polices as those that are, in management's view, most important to the portrayal of the Company's financial condition and results of operations and that require significant judgments and estimates. Management believes the Company's most critical accounting policies relate to:

Valuation of Receivables

The Company maintains an allowance for doubtful accounts for estimated losses resulting from customer defaults. Bad debt reserves are recorded based upon historic default averages as well as the Company's regular assessment of the financial condition of its customers. Therefore, if collection experience or the financial condition of specific customers were to deteriorate, management would evaluate whether additional allowances and corresponding charges to the consolidated statement of operations are required.

Valuation of Inventories

Inventories are recorded at the lower of cost (first in — first out) or estimated market value. The Company's inventories include high-technology components, embedded systems and computing technologies sold into rapidly changing, cyclical and competitive markets whereby such inventories may be subject to early technological obsolescence.

The Company regularly evaluates inventories for excess, obsolescence or other factors that may render inventories less marketable. Write-downs are recorded so that inventories reflect the approximate net realizable value and take into account the Company's contractual provisions with its suppliers, which may provide certain protections to the Company for product obsolescence and price erosion in the form of rights of

return and price protection. Because of the large number of transactions and the complexity of managing the process around price protections and stock rotations, estimates are made regarding adjustments to the carrying amount of inventories. Additionally, assumptions about future demand, market conditions and decisions to discontinue certain product lines can impact the decision to write down inventories. If assumptions about future demand change or actual market conditions are less favorable than those projected by management, management would evaluate whether additional write-downs of inventories are required. In any case, actual values could be different from those estimated.

Accounting for Income Taxes

Management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against net deferred tax assets. The carrying value of the Company's net operating loss carry-forwards is dependent upon its ability to generate sufficient future taxable income in certain tax jurisdictions. In addition, the Company considers historic levels of income, expectations and risk associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing a tax valuation allowance. Should the Company determine that it is not able to realize all or part of its deferred tax assets in the future, an additional valuation allowance may be recorded against the deferred tax assets with a corresponding charge to income in the period such determination is made.

The Company establishes reserves for potentially unfavorable outcomes of positions taken on certain tax matters. These reserves are based on management's judgments and estimates of probable future tax liabilities. As these estimates are highly judgmental, there may be differences between the anticipated and actual outcomes of these matters that may result in reversals of reserves or additional tax liabilities in excess of the reserved amounts. To the extent such adjustments are warranted, the Company's effective tax rate may potentially fluctuate as a result.

Restructuring, Integration and Impairment Charges

The Company has been subject to the financial impact of integrating acquired businesses and charges related to business reorganizations. In connection with such events, management is required to make estimates about the financial impact of such matters that are inherently uncertain. Accrued liabilities and reserves are established to cover the cost of severance, facility consolidation and closure, lease termination fees, inventory adjustments based upon acquisition-related termination of supplier agreements and/or the re-evaluation of the acquired working capital assets (inventory and accounts receivable), and write-down of other acquired assets including goodwill. Actual amounts incurred could be different from those estimated.

Additionally, in assessing the Company's goodwill for impairment in accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets,* the Company is required to make significant assumptions about the future cash flows and overall performance of its reporting units. Should these assumptions or the structure of the reporting units change in the future based upon market conditions or changes in business strategy, the Company may be required to record impairment charges to goodwill.

Contingencies and Litigation

The Company is involved in various legal proceedings and other claims related to environmental, labor, product and other matters, all of which arise in the normal course of business. The Company is required to assess the likelihood of any adverse judgment or outcome to these matters, as well as the range of potential losses. A determination of the reserves required, if any, is made after careful analysis by management and internal and, when necessary, external counsel. The required reserves may change in the future due to developments or a change in circumstances. Changes to reserves could increase or decrease earnings in the period the changes are effective.

The Company does not consider revenue recognition to be a critical accounting policy due to the nature of its business in which revenues are generally recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collectibility

is reasonably assured. Generally, these criteria are met upon the actual shipment of product to the customer. Accordingly, other than for estimates related to possible returns of products from customers, discounts or rebates, the recording of revenue does not require significant judgments or estimates. Provisions for returns are estimated based on historical sales returns, credit memo analysis and other known factors. Provisions are made for discounts and rebates, which are primarily volume-based, and are generally based on historical trends and anticipated customer buying patterns. Finally, revenues from maintenance contracts, which are deferred and recognized to income over the life of the agreement, are not material to the consolidated results of operations of the Company.

Recently Issued Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* ("SFAS 109"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109 and prescribes that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken or expected to be taken. Tax positions that meet the more-likely-than-not recognition threshold should be measured in order to determine the tax benefit to be recognized in the financial statements. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006, with early adoption permitted. The Company is currently evaluating the impact of FIN 48 on its consolidated financial statements, which will be adopted beginning in fiscal 2008.

In March 2006, the FASB issued Emerging Issues Task Force 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation)* ("EITF 06-03") that clarifies how a company discloses its recording of taxes collected that are imposed on revenue producing activities. EITF 06-3 is effective for the first interim reporting period beginning after December 15, 2006. The Company is evaluating the impact of EITF 06-03 on its consolidated financial statements, which will be adopted beginning the third quarter of fiscal 2007.

In March 2006, the FASB, issued Statement of Financial Accounting Standard No. 156, *Accounting for Servicing of Financial Assets — an Amendment of FASB Statement No. 140* ("SFAS 156"). SFAS 156 provides guidance on the accounting for servicing assets and liabilities when an entity undertakes an obligation to service a financial asset by entering into a servicing contract. This statement is effective for all transactions at the beginning of fiscal 2008. The adoption of SFAS 156 is not expected to have a material impact on the Company's consolidated financial condition or results of operations.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments — an Amendment of FASB Statements No. 133 and 140* ("SFAS 155"). SFAS 155 allows financial instruments that contain an embedded derivative and that otherwise would require bifurcation to be accounted for as a whole on a fair value basis, at the holders' election. SFAS 155 also clarifies and amends certain other provisions of SFAS 133 and SFAS 140. SFAS 155 is effective beginning fiscal 2008. The adoption of SFAS 155 is not expected to have a material effect on the Company's consolidated financial statements.

In May 2005, the FASB issued Statement of Financial Accounting Standard No. 154 ("SFAS 154"), *Accounting Changes and Error Corrections.* SFAS 154 applies to all voluntary changes in accounting principle as well as to changes required by an accounting pronouncement that does not include specific transition provisions. SFAS 154 eliminates the requirement in Accounting Principles Board Opinion No. 20, *Accounting Changes,* to include the cumulative effect of changes in accounting principle in the income statement in the period of change and, instead, requires changes in accounting principle to be retrospectively applied. Retrospective application requires the new accounting principle to be applied as if the change occurred at the beginning of the first period presented by modifying periods previously reported, if an estimate of the prior period impact is practicable and estimable. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not currently anticipate any changes in accounting principle other than the adoption of SFAS 123R discussed below, which has its

own adoption transition provisions and is therefore not in the scope of SFAS 154. As a result, Avnet does not believe the adoption of SFAS 154 will have a material impact on the Company's consolidated financial statements.

In March 2005, the FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligation*,("FIN 47"), which is an interpretation of SFAS No. 143, *Accounting for Asset Retirement Obligation*. FIN 47 clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated even though uncertainty exists about the timing or method of settlement. The adoption of FIN 47 in fiscal 2006 did not have a material impact on the Company's consolidated financial statements.

Effective in the first quarter of fiscal 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payments* ("SFAS 123R"), which revises SFAS No. 123, *Accounting for Stock-Based Compensation* and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, be measured at fair value and expensed in the consolidated statement of operations over the service period (generally the vesting period). Upon adoption, the Company transitioned to SFAS 123R using the modified prospective application, whereby compensation cost is only recognized in the consolidated statements of operations beginning with the first period that SFAS 123R is effective and thereafter, with prior periods' stock-based compensation for option and employee stock purchase plan activity still presented on a pro forma basis. The Company continues to use the Black-Scholes option valuation model to value stock options. As a result of the adoption of SFAS 123R, the Company recognized pre-tax charges of $10.5 million in fiscal 2006 associated with the expensing of stock options and employee stock purchase plan activity. Additionally, the Company increased its grant activity under other stock-based compensation programs (while decreasing the number of options granted) that have always been expensed in the Company's consolidated statements of operations, which yielded incremental expense under these other programs amounting to $6.1 million when compared with fiscal 2005. In fiscal 2006, the combination of these two changes resulting from the adoption of SFAS 123R resulted in incremental expenses of $16.6 million pre-tax (included in selling, general and administrative expenses), $10.6 million after tax and $0.07 per share on a diluted basis.

In November 2005, the FASB issued Staff Position No. 123R-3 ("FSP 123R-3"), *Transition Election Relating to Accounting for the Tax Effects of Share-Based Payment Awards*, which provides an optional alternative transition election for calculating the pool of excess tax benefits ("APIC pool") available to absorb tax deficiencies recognized under SFAS 123R. Under FSP 123R-3, an entity can make a one time election to either use the alternative simplified method or use the guidance in SFAS 123R to calculate the APIC pool. The Company has elected to use the alternative simplified method under FSP 123R-3.

In December 2004, the FASB issued Staff Position No. 109-2 ("FSP 109-2"), *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004*, which provides guidance for implementing the repatriation of earnings provisions of the American Jobs Creation Act of 2004 (the "Jobs Act"), which was enacted in October 2004, and the impact on the Company's income tax expense and deferred income tax liabilities. However, FSP 109-2 allows additional time beyond the period of enactment to allow the Company to evaluate the effect of the Jobs Act on the Company's plan for reinvestment or repatriation of foreign earnings. The Company has completed its evaluation of the impact of the repatriation provisions of FSP 109-2 and has elected not to repatriate any foreign earnings under the Jobs Act. As a result, the adoption of FSP 109-2 did not have a material impact on the Company's consolidated financial statements.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4* ("SFAS 151"). SFAS 151 requires that abnormal inventory costs such as abnormal freight, handling costs and spoilage be expensed as incurred rather than capitalized as part of inventory, and requires the allocation of fixed production overhead costs to be based on normal capacity. SFAS 151 is to be applied prospectively and is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SFAS 151 did not have a material impact on the Company's consolidated financial statements.

Liquidity and Capital Resources

Cash Flows

The following table summarizes the Company's cash flow activities for fiscal 2006, 2005 and 2004, including the Company's computation of free cash flow and a reconciliation of this metric to the nearest GAAP measures of net income and net cash flow from operations. Management's computation of free cash flow consists of net cash flow from operations plus cash flows generated from or used for purchases and sales of property, plant and equipment, acquisitions and divestitures of operations and investments, effects of exchange rates on cash and cash equivalents and other financing activities. Management believes that the non-GAAP metric of free cash flow is a useful measure to help management and investors better assess and understand the Company's operating performance and sources and uses of cash. Management also believes the analysis of free cash flow assists in identifying underlying trends in the business. Computations of free cash flow may differ from company to company. Therefore, the analysis of free cash flow should be used as a complement to, and in conjunction with, the Company's consolidated statements of cash flows presented in the accompanying financial statements appearing in Item 15 of this Report.

Management also analyzes cash flow from operations based upon its three primary components noted in the table below: net income, non-cash and other reconciling items and cash flow generated from or used for working capital. Similar to free cash flow, management believes that this breakout is an important measure to help management and investors understand the trends in the Company's cash flows, including the impact of management's focus on asset utilization and efficiency through its management of the net balance of receivables, inventories and accounts payable.

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
		(Thousands)	
Net income	$ 204,547	$ 168,239	$ 72,897
Non-cash and other reconciling items(1)	199,766	172,595	140,783
Cash flow (used for) generated from working capital (excluding cash and cash equivalents)(2)	(423,427)	121,002	(149,031)
Net cash flow (used for) provided by operations	(19,114)	461,836	64,649
Cash flow generated from (used for):			
Purchases of property, plant and equipment	(51,803)	(31,338)	(28,623)
Cash proceeds from sales of property, plant and equipment	4,368	7,271	5,229
Acquisitions and divestitures of operations and investments, net	(294,335)	(3,563)	(50,528)
Effect of exchange rates on cash and cash equivalents	3,353	(10,816)	8,834
Other, net financing activities	30,991	2,274	13,914
Net free cash flow	(326,540)	425,664	13,475
Repayment of debt, net	(34,614)	(100,464)	(96,275)
Net (decrease) increase in cash and cash equivalents	$(361,154)	$ 325,200	$ (82,800)

(1) Non-cash and other reconciling items are the combination of depreciation and amortization, deferred income taxes, non-cash restructuring and other charges, and other, net, (primarily the provision for doubtful accounts and, in the case of fiscal 2006, stock-based compensation expense) in cash flows from operations.

(2) Cash flow from working capital is the combination of the changes in the Company's working capital and other balance sheet accounts in cash flows from operations (receivables, inventories, accounts payable and accrued expenses and other, net).

The Company utilized $423.4 million of cash and cash equivalents for working capital needs in fiscal 2006. The working capital outflows consist of growth in receivables ($254.7 million), growth in inventory ($142.6 million), net cash inflow from accounts payable ($99.7 million) and outflow for other working capital items ($125.8 million). The driver of the change in working capital includes organic sales growth and a small investment in inventory at TS in preparation for the seasonally stronger September quarter that TS typically experiences. In addition, the Company paid $92.9 million during fiscal 2006 relating to restructuring, integration and payments of amounts accrued in purchase accounting associated with the Memec acquisition, and restructuring and other costs as a result of the sale of two TS business lines and other actions taken during fiscal 2006. See *Results of Operations — Restructuring, Integration and Other Charges* discussed elsewhere in this MD&A. The Company also made an accelerated contribution to the Company's pension plan during the first quarter of fiscal 2006, totaling $58.6 million and used $27.0 million primarily for premiums, transaction costs and other costs associated with the refinancing and repurchasing of its Notes and credit facilities (see *Financing Transactions*).

The cash flows associated with investing activities included capital expenditures during fiscal 2006, primarily related to certain information technology hardware and software purchases, a new mainframe purchase and the ongoing development of one additional operating system to replace one of the systems that was disposed of as part of the restructuring, integration and other charges (see *Results of Operations — Restructuring, Integration and Other Charges* for further discussion). Also included in cash flows used in investing activities for fiscal 2006 is $294.3 million for acquisitions and investments net of divestitures which relate primarily to the following: (1) $297.5 million associated with the Company's acquisition of Memec, including the retirement of substantially all of Memec's debt at the time of the acquisition (see Note 2 to the accompanying Consolidated Financial Statements for further discussion); (2) $13.9 million cash contribution to the Calence, LLC joint venture; and (3) $5.7 million for the purchase of shares held by a minority interest holder in one of the Company's Israeli subsidiaries, an additional earn-out payment associated with a small acquisition completed in fiscal 2005 and other items; net of (4) cash inflow of $22.8 million relating to the divestiture of the TS end-user business lines during the third quarter and EM business lines during the fourth quarter of fiscal 2006. Finally, the cash inflows from other net financing activities related primarily to cash received for stock option exercises. As a result of the factors discussed above, the Company utilized free cash flow of $326.5 million in fiscal 2006 along with $34.6 million related to net debt repurchases.

Avnet generated $461.8 million of net cash flows from operations during fiscal 2005. This positive cash flow was largely driven by the Company's improved profitability in fiscal 2005, as further discussed in *Results of Operations* in this MD&A, and the generation of cash from its working capital, excluding cash and cash equivalents. Management has continued to focus on improving asset utilization and efficiency since the economic and industry downturn that began in fiscal 2001. This focus was enhanced again in fiscal 2005 as the Company weathered the mid-cycle inventory correction in the electronic components sector. The Company's efforts to manage the combined balance of accounts receivable and inventories, net of accounts payable, allowed the Company to generate positive cash flows from these working capital components of $166.4 million in fiscal 2005. A significant catalyst for this cash flow was the Company's ability to effectively manage inventory levels throughout its business. As discussed in *Results of Operations*, EM achieved record quarterly inventory turns in the fourth quarter of fiscal 2005 as a direct result of this effort. The cash flows associated with purchases and sales of property, plant and equipment remained relatively consistent in fiscal 2005 when compared with prior years. Cash expenditures for acquisitions of operations relate to the first quarter fiscal 2005 acquisition of DNS Slovakia, a small computer product distributor, as well as certain legal and other costs incurred in fiscal 2005 related to the acquisition of Memec, which did not close until after fiscal 2005. Trends in foreign currency exchange rates shifted in fiscal 2005 to generate a net cash outflow as most foreign currencies, particularly the Euro, weakened slightly against the U.S. Dollar in the second half of fiscal 2005. This negative cash flow results from the translation of Avnet's cash and cash equivalents held in foreign currencies, which were generally higher throughout the second half of fiscal 2005 resulting largely from the combination of the Company's higher profitability and working capital management as it emerged from the mid-cycle inventory correction. The combination of these factors yielded net free cash flow in fiscal 2005 of $425.7 million, of which the Company utilized $100.5 million for repayment of debt (see *Liquidity and Capital Resources — Financing Transactions*).

During fiscal 2004, the Company generated $64.7 million of cash and cash equivalents from its operating activities. A return to profitability in fiscal 2004 plus the impacts of non-cash and other reconciling items combined to yield cash inflows for fiscal 2004 of $213.7 million. Partially offsetting this amount were cash flows of $149.0 million used for the Company's working capital needs (excluding cash and cash equivalents) during fiscal 2004. The primary driver of this outflow relate to the growth of receivables ($271.3 million) and inventory ($240.5 million), net of cash flow generation from accounts payable ($285.4 million) and other working capital items ($77.4 million). These trends in working capital are typical of an up-cycle in the electronic components industry as growth in receivables and payables is driven by higher sales and purchasing volumes. Additionally, inventory growth was also expected as the industry moved into an up-cycle, especially in the electronic components sector where longer lead times from suppliers and increased demand from customers typically result in the distributor carrying higher levels of inventory. As a result, EM grew inventory in certain products to accommodate the growing levels in demand and in support of customer contractual agreements to purchase certain inventory. Therefore, it is not uncommon to see cash outflows associated with working capital when the Company is in the growth phase of an up-cycle. Despite the overall increase, the Company continued to manage its working capital utilization and efficiency. Within EM, where the majority of the inventory increases took place, fiscal 2004 inventory turns improved by 16% over fiscal 2003. This improvement in turns was driven by a combination of the increased sales and the buildup of inventory only in high demand, and thus, higher volume product lines.

Since the industry and economic downturn commenced in fiscal 2001 and continuing through fiscal 2005, the Company had significantly reduced its capital expenditures as well as its acquisition and investment activity. However, during fiscal 2004, the Company completed a contingent purchase price payment associated with its January 2000 acquisition of 84% of the stock of Eurotronics B.V., which went to market as SEI. Pursuant to the terms of the share purchase agreement, in fiscal 2004, Avnet paid $48.9 million to former shareholders of Eurotronics B.V. in final settlement of contingent consideration related to this acquisition. This coupled with other, less significant contingent purchase price payments and the acquisition of a minority interest in one of the Company's foreign subsidiaries resulted in total cash outflow for acquisitions and investments of $50.5 million during fiscal 2004. These outflows for investing activities, offset in part by the favorable impact of foreign currency exchange rates on cash and cash equivalents and other financing activities, yielded a net free cash flow of $13.5 million. This net free cash flow, coupled with the cash usage for the Company's retirement, both early and at maturity, of certain of the Company's debt net of proceeds from new debt issued during fiscal 2004 (see *Liquidity and Capital Resources — Financing Transactions*), resulted in a net decrease in cash during fiscal 2004 of $82.8 million.

Capital Structure

The Company uses a variety of financing arrangements, both short-term and long-term, to fund its operations. The Company also uses diversified sources of funding so that it does not become overly dependent on one source and to achieve lower cost of funding through these different alternatives. These financing arrangements include public bonds, short-term and long-term bank loans and an accounts receivable securitization program. For a detailed description of the Company's external financing arrangements outstanding at July 1, 2006, please refer to Note 7 to the consolidated financial statements appearing in Item 15 of this Report.

The following table summarizes the Company's capital structure as of the end of fiscal 2006 with a comparison with the end of fiscal 2005:

	July 1, 2006	% of Total Capitalization	July 2, 2005	% of Total Capitalization
	(Dollars in thousands)			
Short-term debt	$ 316,016	7.8%	$ 61,298	1.8%
Long-term debt	918,810	22.6	1,183,195	35.4
Total debt	1,234,826	30.4	1,244,493	37.2
Shareholders' equity	2,831,183	69.6	2,097,033	62.8
Total capitalization	$4,066,009	100.0	$3,341,526	100.0

Long-term debt in the above table includes a fair value adjustment decreasing total debt and capitalization by $7.5 million in fiscal 2006 and increasing total debt and capitalization by $0.9 million at July 2, 2005. The fair value adjustment relates to the interest rate hedges on the Company's 9¾% Notes in fiscal 2006 and relates to both the 9¾% Notes and 8.00% Notes in fiscal 2005 as discussed in ***Financing Transactions***. The capitalization as of July 1, 2006 also reflects the impact of approximately 24.0 million shares of Avnet common stock issued to the former owners of Memec as part of the acquisition of Memec. The impact on the Company's consolidated shareholders' equity related to this issuance is $418.2 million (see Note 2 to the accompanying consolidated financial statements for further discussion).

Financing Transactions

As of July 2, 2005, the Company had an unsecured $350.0 million credit facility with a syndicate of banks (the "Credit Facility"), expiring in June 2007. During the second quarter of fiscal 2006, the Company amended and restated the Credit Facility to, among other things, increase the borrowing capacity from $350.0 million to $500.0 million, and increase the maximum amount of the total facility that can be used for letters of credit from $75.0 million to $100.0 million (the "Amended Credit Facility"). In addition, the Amended Credit Facility has a five-year term that matures in October 2010. The Company may still select from various interest rate options, currencies and maturities under the Amended Credit Facility. The Amended Credit Facility contains certain covenants, all of which the Company was in compliance with as of July 1, 2006. At July 1, 2006, there was $6.0 million drawn and $22.9 million in letters of credit issued under the Amended Credit Facility. There were no borrowings under the Credit Facility at July 2, 2005.

In August 2005, the Company also amended its accounts receivable securitization program (the "Securitization Program") to, among other things, increase the maximum available for borrowing from $350.0 million to $450.0 million. In addition, the amended Securitization Program now provides that drawings under the facility no longer qualify as off-balance sheet financing (see ***Off-Balance Sheet Arrangements below***). As a result, the receivables and related debt obligation will remain on the Company's consolidated balance sheet when amounts are drawn under the Securitization Program. The amended Securitization Program has a one year term expiring in August 2006 and has been renewed on substantially similar terms for another year. At July 1, 2006, there were $40.0 million in drawings outstanding under the Program.

Also in August 2005, the Company issued $250.0 million of 6% Notes due September 1, 2015. The proceeds from the offering, net of discount and underwriting fees, were $246.5 million. The Company used these proceeds, plus cash and cash equivalents on hand, to fund the tender and repurchase of $250.0 million of the 8% Notes due November 15, 2006, at a price of $1,045 per $1,000 principal amount of Notes. In addition, the Company repurchased $4.1 million of the 8% Notes at a premium of approximately $1,038 per $1,000 principal amount of Notes in September 2005 and repurchased an additional $2.2 million of the 8% Notes at a premium of approximately $1,026 per $1,000 principal amount of Notes in December 2005. The repurchase of the 8% Notes and the termination of the interest rate swaps noted below resulted in debt extinguishment costs of $11.7 million pre-tax, $7.1 million after tax and $0.05 per share on a diluted basis, relating primarily to premiums and other transaction costs.

In June 2006, the Company repurchased $113.6 million of the $475.0 million 9¾% Notes at a price of approximately $1,058 per $1,000 principal amount of Notes. In connection with this repurchase, the Company terminated one of the interest rate swaps with a notional amount of $100.0 million that hedged a portion of the $475.0 million 9¾% Notes. The termination of this swap and repurchase of the related hedged debt resulted in debt extinguishment costs of $10.9 million pre-tax, $6.6 million after tax and $0.04 per share on a diluted basis. As a result of the tender and total repurchases in fiscal 2006, as previously described, and the termination of interest rate swaps noted below, the Company incurred total debt extinguishment costs of $22.6 million pre-tax, $13.6 million after tax or $0.09 per share on a diluted basis, relating primarily to premiums and other transaction costs.

The Company's $300.0 million of 2% Convertible Senior Debentures due March 15, 2034 (the "Debentures") are convertible into Avnet common stock at a rate of 29.5516 shares of common stock per $1,000 principal amount of Debentures. The Debentures are only convertible under certain circumstances, including if: (i) the closing price of the Company's common stock reaches $45.68 per share (subject to adjustment in certain circumstances) for a specified period of time; (ii) the average trading price of the Debentures falls below a certain percentage of the conversion value per Debenture for a specified period of time; (iii) the Company calls the Debentures for redemption; or (iv) certain corporate transactions, as defined, occur. Upon conversion, the Company will deliver cash in lieu of common stock as the Company made an irrevocable election in December 2004 to satisfy the principal portion of the Debentures, if converted, in cash. The Company may redeem some or all of the Debentures for cash any time on or after March 20, 2009 at the Debentures' full principal amount plus accrued and unpaid interest, if any. Holders of the Debentures may require the Company to purchase, in cash, all or a portion of the Debentures on March 15, 2009, 2014, 2019, 2024 and 2029, or upon a fundamental change, as defined, at the Debentures' full principal amount plus accrued and unpaid interest, if any.

At July 2, 2005, the Company had two interest rate swaps with a total notional amount of $400.0 million in order to hedge the change in fair value of the 8% Notes related to fluctuations in interest rates. These contracts were classified as fair value hedges with a November 2006 maturity date. The interest rate swaps modified the Company's interest rate exposure by effectively converting the fixed rate on the 8% Notes to a floating rate (6.4% at July 2, 2005) based on three-month U.S. LIBOR plus a spread through their maturities. During the first quarter of fiscal 2006, the Company terminated the interest rate swaps which hedged the 8% Notes due to the repurchase of $254.1 million of the $400.0 million 8% Notes, as previously discussed. The termination of the swaps resulted in net proceeds to the Company, of which, $1.3 million was netted in debt extinguishment costs in the first quarter of fiscal 2006 based on the pro rata portion of the 8% Notes that were repurchased. The remaining proceeds of $0.8 million, which represent the pro rata portion of the 8% Notes that were not repurchased, have been capitalized in other long-term debt and are being amortized over the maturity of the remaining 8% Notes.

At July 2, 2005, the Company had three additional interest rate swaps with a total notional amount of $300.0 million, in order to hedge the change in fair value of the 9¾% Notes related to fluctuations in interest rates. As discussed previously, in June 2006, the Company terminated one of the three $100.0 million notional amount interest rate swaps in connection with the $113.6 million repurchase of the $475.0 million 9¾% Notes. As $100.0 million of the repurchase related to the terminated interest rate swap, the $3.5 million of costs incurred to terminate the swap were included in the debt extinguishment costs recorded in fiscal 2006. The remaining hedges are classified as fair value hedges and mature in February 2008. These interest rate swaps modify the Company's interest rate exposure by effectively converting the fixed rate on the 9¾% Notes to a floating rate (11.7% at July 1, 2006) based on three-month U.S. LIBOR plus a spread through their maturities.

The hedged fixed rate debt and the interest rate swaps are adjusted to current market values through interest expense in the consolidated statements of operations. The Company accounts for the hedges using the shortcut method as defined under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Hedging Activities*. Due to the effectiveness of the

hedges since inception, the market value adjustments for the hedged debt and the interest rate swaps directly offset one another.

In addition to its primary financing arrangements, the Company has several small lines of credit in various locations to fund the short-term working capital, foreign exchange, overdraft and letter of credit needs of its wholly owned subsidiaries in Canada, Europe and Asia. Avnet generally guarantees its subsidiaries' debt under these facilities.

Off-Balance Sheet Arrangements

At July 2, 2005, the Company had a $350.0 million accounts receivable securitization program (the "Securitization Program") with two financial institutions whereby it was able to sell, on a revolving basis, an undivided interest in a pool of its trade accounts receivable. Under the Program, the Company was able to sell receivables in securitization transactions and retain a subordinated interest and servicing rights to those receivables. Receivables sold under the Securitization Program were sold without legal recourse to third party conduits through a wholly owned bankruptcy-remote special purpose entity that is consolidated for financial reporting purposes. At July 2, 2005, the Securitization Program qualified for sale treatment under Statement of Financial Accounting Standards No. 140, *Accounting for Transfer and Servicing of Financial Assets and Extinguishment of Liabilities*. There were no receivables sold under the Program at July 2, 2005.

In August 2005, the Company amended Securitization Program to, among other things, increase the maximum available for borrowing from $350.0 million to $450.0 million. The availability for financing under the amended facility is dependent on the level of the Company's trade receivables from month-to-month. In addition, the Securitization Program, as amended, no longer qualifies as off-balance sheet financing. As a result, the receivables and related debt will remain on the Company's consolidated balance sheet as amounts are drawn on the Securitization Program. The purpose of the Securitization Program is to provide the Company with an additional source of liquidity at interest rates more favorable than it could receive through other forms of financing. The Securitization Program, as amended, has a one-year term and has been renewed on substantially similar terms so that it currently terminates in August 2007. As of July 1, 2006, there was $40.0 million of drawings on the Securitization Program.

Covenants and Conditions

The Securitization Program agreement discussed above required the Company to maintain senior unsecured credit ratings above certain minimum ratings triggers in order to continue utilizing the Securitization Program. These minimum ratings triggers were Ba3 by Moody's Investor Services or BB- by Standard & Poors. The minimum ratings triggers were eliminated in the amended Securitization Program discussed in *Off-Balance Sheet Arrangements* and replaced with minimum interest coverage and leverage ratios as defined in the Credit Facility (see discussion below). The Securitization Program agreement in effect at July 2, 2005, as well as the amended Securitization Program agreement also contains certain covenants relating to the quality of the receivables sold. If these conditions are not met, the Company may not be able to borrow any additional funds and the financial institutions may consider this an amortization event, as defined in the agreements, which would permit the financial institutions to liquidate the accounts receivable sold to cover any outstanding borrowings. Circumstances that could affect the Company's ability to meet the required covenants and conditions of the agreements include the Company's ongoing profitability and various other economic, market and industry factors. The Company was in compliance with all covenants of the Program at July 1, 2006.

The Credit Facility discussed in *Financing Transactions* contains certain covenants with various limitations on debt incurrence, dividends, investments and capital expenditures and also includes financial covenants requiring the Company to maintain minimum interest coverage and leverage ratios, as defined. Management does not believe that the covenants in the Credit Facility limit the Company's ability to pursue its intended business strategy or future financing needs. The Company was in compliance with all covenants of the Credit Facility as of July 1, 2006.

See *Liquidity* for further discussion of the Company's availability under these various facilities.

Liquidity

The Company had total borrowing capacity of $950.0 million at July 1, 2006 under the Credit Facility and the Securitization Program, against which $22.9 million in letters of credit were issued under the Credit Facility as of July 1, 2006, and a combined $46.0 million was drawn under both the Credit Facility and the Securitization Program, resulting in $881.1 million of net availability. The Company also had an additional $276.7 million of cash and cash equivalents at July 1, 2006. There are no significant financial commitments of the Company outside of normal debt and lease maturities as disclosed in *Long-Term Contractual Obligations*. Management believes that Avnet's borrowing capacity, its cash availability and the Company's expected ability to generate operating cash flows are sufficient to meet its projected financing needs. As discussed more fully in *Cash Flows*, the Company is less likely to generate positive cash flows from working capital reductions during an up-cycle in the electronic components and computer products industry. However, additional cash requirements for working capital are generally expected to be offset by the operating cash flows generated by the Company's enhanced profitability as Avnet fully realizes operating expense synergies following the integration of the Memec acquired business. Furthermore, during fiscal 2006, the Company repurchased a total of $256.3 million of the $400.0 million 8% Notes due November 2006 which was funded primarily with proceeds from the lower interest rate $250.0 million 6% Notes due September 2015. The Company also repurchased $113.6 million of the $475.0 million 9¾% Notes, which mature in February 2008. The Company funded the repurchase primarily with cash on hand.

The following table highlights the Company's liquidity and related ratios for the past two years:

COMPARATIVE ANALYSIS — LIQUIDITY

	Years Ended		Percentage Change
	July 1, 2006	July 2, 2005	
	(Dollars in millions)		
Current Assets	$4,467.5	$3,783.0	18.1%
Quick Assets	2,753.8	2,526.5	9.0
Current Liabilities	2,438.3	1,717.5	42.0
Working Capital	2,029.1	2,065.4	(1.8)
Total Debt	1,234.8	1,244.5	(0.8)
Total Capital (total debt plus total shareholders' equity)	4,066.0	3,341.5	21.7
Quick Ratio	1.1:1	1.5:1	
Working Capital Ratio	1.8:1	2.2:1	
Debt to Total Capital	30.4%	37.2%	

As discussed in *Cash Flow*, during fiscal 2006, the Company utilized approximately $472.8 million for a number of notable transactions, including the acquisition of Memec, accelerated contributions to the Company's pension plan, cash used in connection with the repurchase of the Company's 8% and 9¾% Notes, cash used for the acquisition of the minority interest in Avnet's Israeli subsidiary and other items, net cash proceeds from the sale of the TS and EM business lines and the equity investment in Calence, and cash payments made related to restructuring charges and integration costs and other reserves recorded through purchase accounting. The Company's quick assets (consisting of cash and cash equivalents and receivables) increased 9.0% from July 2, 2005 to July 1, 2006 as a result of the Memec acquisition, offset in part by the cash usage discussed above. In addition to factors that impacted quick assets, the 18.1% increase in current assets was also impacted by the increase in inventory and receivables primarily due to expanded business volume associated with the acquisition of Memec. Current liabilities grew 42.0% from July 2, 2005. Specifically, the Company retained one of Memec's short-term borrowing facilities in Japan, and in addition to this, the Company increased borrowings on its bank credit facilities to fund working capital requirements and repurchase long-term debt (see *Financing Transactions*). These items and the November 2006 maturity status of the remaining $143.7 million of the 8% Notes, account for the increase in short term borrowings since 2005 fiscal year end. Current liabilities, also increased as a result of the Memec acquisition and the corresponding growth in the size of Avnet's business, the increase in accounts payable (see discussion in *Cash*

Flow) and the increase in reserves for restructuring and purchase accounting established during fiscal 2006 (*see discussion in Results of Operations — Restructuring, Integration and Other Charges*). As a result of the factors noted above, total working capital decreased by approximately 1.8% during fiscal 2006. Total capital grew primarily due to the 24.0 million shares of Avnet common stock granted to Memec's former shareholders in connection with the acquisition and the increase in retained earnings by $204.5 million of net income. This corresponding $418.2 million growth in equity is also the primary reason for the Company's debt to capital ratio dropping from 37.2% at July 2, 2005 to 30.4% at July 1, 2006, as the Company paid off the majority of Memec's outstanding debt as part of the close of the acquisition.

Long-Term Contractual Obligations

The Company has the following contractual obligations outstanding as of July 1, 2006 (in millions):

	Total	Due In Less Than 1 Year	Due In 1-3 Years	Due In 4-5 Years	Due After 5 Years
Long-term debt, including amounts due within one year(1)	$1,242.3	$ 316.0	$ 363.2	$ 9.7	$ 553.4
Operating leases	213.9	58.3	79.2	49.8	26.6
	$1,456.2	$ 374.3	$ 442.4	$ 59.5	$ 580.0

(1) Excludes the fair value adjustment of $7.5 million at July 1, 2006 related to the two interest rate swaps outstanding on fixed rate debt instruments.

The Company does not currently have any material commitments for capital expenditures.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

The Company seeks to reduce earnings and cash flow volatility associated with changes in interest rates and foreign currency exchange rates by entering into financial arrangements intended to provide a hedge against all or a portion of the risks associated with such volatility. The Company continues to have exposure to such risks to the extent they are not hedged.

The Company has used interest rate swaps that convert certain fixed rate debt to variable rate debt, effectively hedging the change in fair value of the fixed rate debt resulting from fluctuations in interest rates. At July 1, 2006, the Company had two interest rate swaps outstanding under which the Company pays a variable interest rate and receives a fixed interest rate. The following table sets forth the scheduled maturities of the Company's debt outstanding and interest rate swaps at July 1, 2006 (dollars in millions):

	Fiscal Year						
	2007	2008	2009	2010	2011	Thereafter	Total
Liabilities:							
Fixed rate debt	$145	$361	$ 2	$ 2	$ 2	$553	$1,065
Floating rate debt	$171	$ —	$ —	$ —	$ 6	$ —	$ 177
Interest Rate Swaps:							
Fixed to variable (notional amounts)	$ —	$200	$ —	$ —	$ —	$ —	$ 200

The following table sets forth the carrying value and fair value of the Company's debt and interest rate swaps at July 1, 2006 and July 2, 2005 (dollars in millions):

	Carrying Value at July 1, 2006	Fair Value at July 1, 2006	Carrying Value at July 2, 2005	Fair Value at July 2, 2005
Liabilities:				
Fixed rate debt(1)	$ 1,065	$1,051	$ 1,183	$1,249
Average interest rate	6.4%		7.2%	
Floating rate debt	$ 177	$ 177	$ 60	$ 60
Average interest rate	5.6%		4.0%	
Interest Rate Swaps:				
Fixed to variable	$ 7	$ 7	$ 1	$ 1
Average pay rate	LIBOR + 4.3%		LIBOR + 4.3%	
Average receive rate	9.8%		8.8%	

(1) Represents fair value of all fixed rate debt including hedged portions of the 9¾% Notes.

Many of the Company's subsidiaries, from time to time, purchase and sell products in currencies other than their functional currencies. This subjects the Company to the risks associated with the fluctuations of foreign currency exchange rates. The Company reduces this risk by utilizing natural hedging (offsetting receivables and payables) as well as by creating offsetting positions through the use of derivative financial instruments, primarily forward foreign exchange contracts with maturities of less than sixty days. The Company adjusts all foreign denominated balances and any outstanding foreign exchange contracts to fair market value through the consolidated statements of operations. Therefore, the market risk related to foreign exchange contracts is offset by changes in valuation of the underlying items being hedged. The asset or liability representing the fair value of foreign exchange contracts is classified in the captions "other current assets" or "accrued expenses and other," as applicable, in the accompanying consolidated balance sheets. A hypothetical 10% change in currency exchange rates under the contracts outstanding at July 1, 2006 would result in an increase or decrease of approximately $8.5 million to the fair value of the forward foreign exchange contracts, which would generally be offset by an opposite effect on the related hedged positions.

Item 8. ***Financial Statements and Supplementary Data***

The financial statements and supplementary data are listed under Item 15 of this Report.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the reporting period covered by this Annual Report on Form 10-K. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Annual Report on Form 10-K, the Company's disclosure controls and procedures are effective such that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and forms relating to the Company.

During the last quarter of fiscal 2006, there have been no changes to the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

The Company's management, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act. The Company's internal control over financial reporting is 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 in the United States of America. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of July 1, 2006. In making this assessment, management used the framework established in ***Internal Control — Integrated Framework*** issued by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that the Company maintained effective internal control over financial reporting as of July 1, 2006.

The Company's independent registered public accounting firm, KPMG LLP, has audited the effectiveness of the Company's internal controls over financial reporting and management's assessment of the effectiveness of such controls as of July 1, 2006, as stated in its audit report which is included herein.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Avnet, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Avnet, Inc. (the Company) maintained effective internal control over financial reporting as of July 1, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Avnet, 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 Avnet, Inc. maintained effective internal control over financial reporting as of July 1, 2006, is fairly stated, in all material respects, based on criteria established in Internal Control — Integrated Framework issued by COSO. Also, in our opinion, Avnet, Inc. maintained, in all material respects, effective internal control over financial reporting as of July 1, 2006, based on criteria established in Internal Control — Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Avnet, Inc. and subsidiaries as of July 1, 2006 and July 2, 2005, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended July 1, 2006, and the related financial statement schedule for each of the years in the three-year period ended July 1, 2006, and our report dated August 29, 2006, expressed an unqualified opinion on those consolidated financial statements and the related financial statement schedule.

/s/ KPMG LLP

Phoenix, Arizona
August 29, 2006

Item 9B. ***Other Information***

Not applicable.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

The information called for by Item 10 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 9, 2006.

Item 11. ***Executive Compensation***

The information called for by Item 11 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 9, 2006.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information called for by Item 12 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 9, 2006.

Item 13. ***Certain Relationships and Related Transactions***

The information called for by Item 13 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 9, 2006.

Item 14. ***Principal Accounting Fees and Services***

The information called for by Item 14 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 9, 2006.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

a. The following documents are filed as part of this Report:

	Page
1. Consolidated Financial Statements:	
Report of Independent Registered Public Accounting Firm	46
Avnet, Inc. and Subsidiaries Consolidated Financial Statements:	
Consolidated Balance Sheets at July 1, 2006 and July 2, 2005	47
Consolidated Statements of Operations for the years ended July 1, 2006, July 2, 2005 and July 3, 2004	48
Consolidated Statements of Shareholders' Equity for the years ended July 1, 2006, July 2, 2005 and July 3, 2004	49
Consolidated Statements of Cash Flows for the years ended July 1, 2006, July 2, 2005 and July 3, 2004	50
Notes to Consolidated Financial Statements	51
2. Financial Statement Schedules:	
Schedule II (Valuation and Qualifying Accounts) for the years ended July 1, 2006, July 2, 2005 and July 3, 2004	86

Schedules other than that above have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. Exhibits — The exhibit index for this Report can be found on pages 87 to 90.

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.

AVNET, INC.
(Registrant)

By: /s/ ROY VALLEE
Roy Vallee,
Chairman of the Board, Chief Executive Officer and Director

Date: August 30, 2006

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 indicated on August 30, 2006.

Signature	Title
/s/ ROY VALLEE Roy Vallee	Chairman of the Board, Chief Executive Officer and Director
/s/ ELEANOR BAUM Eleanor Baum	Director
/s/ J. VERONICA BIGGINS J. Veronica Biggins	Director
/s/ LAWRENCE W. CLARKSON Lawrence W. Clarkson	Director
/s/ EHUD HOUMINER Ehud Houminer	Director
/s/ JAMES A. LAWRENCE James A. Lawrence	Director
/s/ FRANK R. NOONAN Frank R. Noonan	Director
/s/ RAY M. ROBINSON Ray M. Robinson	Director
/s/ PETER SMITHAM Peter Smitham	Director
/s/ GARY L. TOOKER Gary L. Tooker	Director
/s/ RAYMOND SADOWSKI Raymond Sadowski	Senior Vice President, Chief Financial Officer and Principal Accounting Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Avnet, Inc.:

We have audited the accompanying consolidated balance sheets of Avnet, Inc. and subsidiaries (the Company) as of July 1, 2006, and July 2, 2005, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended July 1, 2006. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule for each of the years in the three-year period ended July 1, 2006, as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Avnet, Inc. and subsidiaries as of July 1, 2006 and July 2, 2005, and the results of their operations and their cash flows for each of years in the three-year period ended July 1, 2006, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule for each of the years in the three-year period ended July 1, 2006, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Avnet, Inc.'s internal control over financial reporting as of July 1, 2006, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 29, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

As discussed in Note 1 to the consolidated financial statements, effective July 3, 2005, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123R, *Share-based Payment*.

/s/ KPMG LLP

Phoenix, Arizona
August 29, 2006

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	July 1, 2006	July 2, 2005
	(Thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 276,713	$ 637,867
Receivables, less allowances of $88,983 and $85,079, respectively (Note 3)	2,477,043	1,888,627
Inventories	1,616,580	1,224,698
Prepaid and other current assets	97,126	31,775
Total current assets	4,467,462	3,782,967
Property, plant and equipment, net (Note 5)	159,433	157,428
Goodwill (Note 2 and 6)	1,296,597	895,300
Other assets	292,201	262,520
Total assets	$6,215,693	$5,098,215
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Borrowings due within one year (Note 7)	$ 316,016	$ 61,298
Accounts payable	1,654,154	1,296,713
Accrued expenses and other (Note 8)	468,154	359,507
Total current liabilities	2,438,324	1,717,518
Long-term debt, less due within one year (Note 7)	918,810	1,183,195
Other long-term liabilities (Note 10)	27,376	100,469
Total liabilities	3,384,510	3,001,182
Commitments and contingencies (Notes 11 and 13)		
Shareholders' equity (Notes 4, 12 and 14):		
Common stock $1.00 par; authorized 300,000,000 shares; issued 146,667,000 shares and 120,771,000 shares, respectively	146,667	120,771
Additional paid-in capital	1,010,336	569,638
Retained earnings	1,487,575	1,283,028
Cumulative other comprehensive income (Note 4)	186,876	123,705
Treasury stock at cost, 11,846 shares and 5,231 shares, respectively	(271)	(109)
Total shareholders' equity	2,831,183	2,097,033
Total liabilities and shareholders' equity	$6,215,693	$5,098,215

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
	(Thousands, except per share amounts)		
Sales	$14,253,630	$11,066,816	$10,244,741
Cost of sales (Note 17)	12,414,647	9,607,833	8,879,888
Gross profit	1,838,983	1,458,983	1,364,853
Selling, general and administrative expenses	1,344,922	1,137,667	1,106,988
Restructuring, integration and other charges (Note 17)	60,983	—	55,618
Loss on sale of business lines, net (Note 2)	2,601	—	—
Operating income	430,477	321,316	202,247
Other income, net	4,760	3,499	7,094
Interest expense	(96,505)	(85,056)	(94,573)
Debt extinguishment costs (Note 7)	(22,585)	—	(16,370)
Income before income taxes	316,147	239,759	98,398
Income tax provision (Note 9)	111,600	71,520	25,501
Net income	$ 204,547	$ 168,239	$ 72,897
Net earnings per share (Note 14):			
Basic	$ 1.40	$ 1.39	$ 0.61
Diluted	$ 1.39	$ 1.39	$ 0.60
Shares used to compute earnings per share (Note 14):			
Basic	145,942	120,629	120,086
Diluted	147,150	121,469	121,252

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended July 1, 2006, July 2, 2005 and July 3, 2004

	Common Stock	Additional Paid-In Capital	Retained Earnings	Cumulative Other Comprehensive Income	Treasury Stock	Total Shareholders' Equity
	(Thousands, except per share amounts)					
Balance, June 27, 2003	$119,555	$ 568,010	$1,041,892	$103,207	$(142)	$1,832,522
Net income	—	—	72,897	—	—	72,897
Translation adjustments (Note 4)	—	—	—	45,470	—	45,470
Minimum pension liability adjustment, net of tax of $1,651 (Notes 4, 10 and 15)	—	—	—	2,518	—	2,518
Comprehensive income (Note 4)						120,885
Eurotronics contingent purchase price (Note 2)	—	(15,000)	—	—	—	(15,000)
Stock option and incentive programs, including related tax benefits of $756	928	14,050	—	—	41	15,019
Balance, July 3, 2004	120,483	567,060	1,114,789	151,195	(101)	1,953,426
Net income	—	—	168,239	—	—	168,239
Translation adjustments (Note 4)	—	—	—	(8,825)	—	(8,825)
Minimum pension liability adjustment, net of tax of $11,877 (Notes 4, 10 and 15)	—	—	—	(18,665)	—	(18,665)
Comprehensive income (Note 4)						140,749
Stock option and incentive programs, including related tax benefits of $102	288	2,578	—	—	(8)	2,858
Balance, July 2, 2005	120,771	569,638	1,283,028	123,705	(109)	2,097,033
Net income	—	—	204,547	—	—	204,547
Translation adjustments (Note 4)	—	—	—	43,251	—	43,251
Minimum pension liability adjustment, net of tax of $13,059 (Notes 4, 10 and 15)	—	—	—	19,920	—	19,920
Comprehensive income (Note 4)						267,718
Stock issued for acquisition of Memec	24,011	394,194				418,205
Stock option and incentive programs, including related tax benefits of $112	1,885	46,504	—	—	(162)	48,227
Balance at July 1, 2006	$146,667	$1,010,336	$1,487,575	$186,876	$(271)	$2,831,183

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
		(Thousands)	
Cash flows from operating activities:			
Net income	$ 204,547	$ 168,239	$ 72,897
Non-cash and other reconciling items:			
Depreciation and amortization	66,526	61,746	64,540
Deferred income taxes (Note 9)	52,169	63,734	(2,815)
Non-cash restructuring and other charges (Note 17)	15,308	—	31,409
Other, net (Note 15)	65,763	47,115	47,649
Changes in (net of effects from business acquisitions):			
Receivables	(254,691)	(168,892)	(271,311)
Inventories	(142,563)	144,004	(240,520)
Accounts payable	99,670	191,270	285,386
Accrued expenses and other, net	(125,843)	(45,380)	77,414
Net cash flows (used for) provided from operating activities	(19,114)	461,836	64,649
Cash flows from financing activities:			
Issuance of notes in public offerings, net of issuance costs (Note 7)	246,483	—	292,500
Repayment of notes (Note 7)	(369,965)	(89,589)	(444,245)
Proceeds from (repayment of) bank debt, net	89,511	(10,789)	55,974
Payment of other debt, net (Note 7)	(643)	(86)	(504)
Other, net (Note 15)	30,991	2,274	13,914
Net cash flows used for financing activities	(3,623)	(98,190)	(82,361)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(51,803)	(31,338)	(28,623)
Cash proceeds from sales of property, plant and equipment	4,368	7,271	5,229
Acquisitions and investments, net (Note 2)	(317,114)	(3,563)	(50,528)
Cash proceeds from divestitures, net (Note 2)	22,779	—	—
Net cash flows used for investing activities	(341,770)	(27,630)	(73,922)
Effect of exchange rate changes on cash and cash equivalents	3,353	(10,816)	8,834
Cash and cash equivalents:			
— (decrease) increase	(361,154)	325,200	(82,800)
— at beginning of year	637,867	312,667	395,467
— at end of year	$ 276,713	$ 637,867	$ 312,667
Additional cash flow information (Note 15)			

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Principles of consolidation — The accompanying consolidated financial statements include the accounts of the Company and all of its majority-owned and controlled subsidiaries. All intercompany accounts and transactions have been eliminated.

Cash and cash equivalents — The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories — Inventories, comprised principally of finished goods, are stated at cost (first-in, first-out) or market, whichever is lower.

Investments — Investments in joint ventures and entities in which the Company has an ownership interest greater than 50% and exercises control over the venture are consolidated in the accompanying consolidated financial statements. Minority interests in the years presented, which amounts are not material, are included in the caption "accrued expenses and other" in the accompanying consolidated balance sheets. Investments in joint ventures and entities in which the Company exercises significant influence but not control are accounted for using the equity method. The Company invests from time to time in ventures in which the Company's ownership interest is less than 20% and over which the Company does not exercise significant influence. Such investments are accounted for under the cost method. The fair values for investments not traded on a quoted exchange are estimated based upon the historical performance of the ventures, the ventures' forecasted financial performance and management's evaluation of the ventures' viability and business models. To the extent the book value of an investment exceeds its assessed fair value, the Company will record an appropriate impairment charge. Thus, the carrying value of the Company's investments approximates fair value.

Depreciation and amortization — Depreciation and amortization is generally provided for by the straight-line method over the estimated useful lives of the assets. The estimated useful lives for depreciation and amortization are typically as follows: buildings — 30 years; machinery, fixtures and equipment — 2-10 years; and leasehold improvements — over the applicable remaining lease term or useful life if shorter.

Long-lived assets — Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment is recognized when the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. An impairment is measured as the amount by which an asset's net book value exceeds its estimated fair value. The Company continually evaluates the carrying value and the remaining economic useful life of all long-lived assets and will adjust the carrying value and the related depreciation and amortization period if and when appropriate.

Goodwill — Goodwill represents the excess of the purchase price over the fair value of net assets acquired. In accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets*, the Company does not amortize goodwill. Instead, annual tests for goodwill impairment are performed by applying a fair-value based test to Avnet's reporting units, defined as each of the three regional businesses, which are the Americas, EMEA (Europe, Middle East and Africa), and Asia, within each of the Company's operating groups. The Company conducts its periodic test for goodwill impairment annually, on the first day of the fiscal fourth quarter. A two-step process is used to evaluate goodwill for impairment. The first step is to determine if there is an indication of impairment by comparing the estimated fair value of each reporting unit to its carrying value including existing goodwill. Goodwill is considered impaired if the carrying value of a reporting unit exceeds the estimated fair value. The second step, which is performed only if there is an indication of impairment, determines the amount of the impairment by comparing the implied fair value of the reporting unit's goodwill with its carrying value. To estimate fair value of each reporting unit, the Company uses a combination of present value and multiple of earnings valuation techniques. The estimated fair values could

change in the future due to changes in market and business conditions that could affect the assumptions and estimates used in these valuation techniques. Furthermore, in a cyclical business, the timing of a valuation may be an important factor in the outcome of the valuation exercise. The Company's annual impairment tests in fiscal 2006, 2005 and 2004 yielded no impairments to the carrying value of the Company's goodwill.

Foreign currency translation — The assets and liabilities of foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date, with the related translation gains and losses reported as a separate component of shareholders' equity and comprehensive income. Results of operations are translated using the average exchange rates prevailing throughout the period. Transactions denominated in currencies other than the functional currency of the Avnet business unit that is party to the transaction (primarily trade receivables and payables) are translated at exchange rates in effect at the balance sheet date or upon settlement of the transaction. Gains and losses from such translation are recorded to the consolidated statements of operations as a component of "other income, net." In fiscal 2006, 2005 and 2004, the Company's net losses on foreign currency translation (including the impact of foreign currency hedges in place) totaled $3,449,000, $737,000 and $1,774,000, respectively.

Income taxes — The Company follows the asset and liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the estimated future tax impact of differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Based upon historical and projected levels of taxable income and analysis of other key factors, the Company records a valuation allowance against its deferred tax assets, as deemed necessary, to state such assets at their net realizable value. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the new rate is enacted.

No provision for U.S. income taxes has been made for approximately $619,528,000 of cumulative unremitted earnings of foreign subsidiaries at July 1, 2006 because those earnings are expected to be permanently reinvested outside the U.S. A hypothetical calculation of the deferred tax liability, assuming that earnings were remitted, is not practicable.

Self-insurance — The Company is primarily self-insured for workers' compensation, and general, product and automobile liability costs; however, the Company also has a stop-loss insurance policy in place to limit the Company's exposure to individual and aggregate claims made. Liabilities for these programs are estimated based upon outstanding claims and claims estimated to have been incurred but not yet reported based upon historical loss experience. These estimates are subject to variability due to changes in trends of losses for outstanding claims and incurred but not recorded claims, including external factors such as future inflation rates, benefit level changes and claim settlement patterns.

Revenue recognition — Revenue from product sales is recognized in accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 104 ("SAB 104"), *Revenue Recognition*. Under SAB 104, revenue from product sales is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collectibility is reasonably assured. Generally, these criteria are met upon shipment to customers. Most of the Company's product sales come from product Avnet purchases from a supplier and holds in inventory. A portion of the Company's sales are shipments of product directly from its suppliers to its customers. In such circumstances, Avnet negotiates the price with the customer, pays the supplier directly for the product shipped and bears credit risk of collecting payment from its customers. Furthermore, in such drop-shipment arrangements, Avnet bears responsibility for accepting returns of product from the customer even if Avnet, in turn, has a right to return the product to the original supplier if the product is defective. Under these terms, the Company serves as the principal with the customer, as defined under SAB 104 and Emerging Issues Task Force Issue No. 99-19 ("EITF 99-19"), *Reporting Revenue Gross as a Principal versus Net as an Agent*, and therefore

recognizes the sale and cost of sale of the product upon receiving notification from the supplier that the product has shipped.

In addition, the Company has more limited contractual relationships with certain of its customers and suppliers whereby Avnet assumes an agency relationship in the transaction as defined by EITF 99-19. In such arrangements, the Company recognizes the fee associated with serving as an agent in sales with no associated cost of sales.

Revenues from maintenance contracts are recognized ratably over the life of the contracts, ranging from one to three years. Revenues are recorded net of discounts, rebates and estimated returns. Provisions are made for discounts and rebates, which are primarily volume-based, and are based on historical trends and anticipated customer buying patterns. Provisions for returns are estimated based on historical sales returns, credit memo analysis and other known factors.

Comprehensive income — Comprehensive income represents net income for the year adjusted for changes in shareholders' equity from non-shareholder sources. Cumulative comprehensive income items typically include currency translation and the impact of the Company's additional minimum pension liability, net of tax (see Note 4).

Stock-based compensation — Beginning in fiscal 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), *Share-based Payment* ("SFAS 123R"), which revises SFAS No. 123, *Accounting for Stock-based Compensation* and supersedes Accounting Principles Board Opinion No. 25 ("APB 25"), *Accounting for Stock Issued to Employees*. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, be measured at fair value and expensed in the consolidated statement of operations over the service period (see Note 12). Prior to fiscal 2006, the Company accounted for its stock-based compensation plans using the intrinsic value method initially prescribed by APB 25. In applying APB 25, no expense was recognized upon grant of stock options under the Company's various stock option plans, except in the rare circumstances where the exercise price was less than the fair market value on the grant date, nor was expense recognized in connection with shares purchased by employees under the Employee Stock Purchase Plan (see Note 12).

Concentration of credit risk — Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents and trade accounts receivable. The Company invests its excess cash primarily in overnight Eurodollar time deposits and institutional money market funds with quality financial institutions. The Company sells electronic components and computer products primarily to original equipment and contract manufacturers, including the military and military contractors, throughout the world. To reduce credit risk, management performs ongoing credit evaluations of its customers' financial condition and, in some instances, has obtained insurance coverage to reduce such risk. The Company maintains reserves for potential credit losses, but has not experienced any material losses related to individual customers or groups of customers in any particular industry or geographic area.

Fair value of financial instruments — The carrying amounts of the Company's financial instruments, including cash and cash equivalents, receivables and accounts payable approximate their fair values at July 1, 2006 due to the short-term nature of these instruments. See Note 7 for further discussion of the fair value of the Company's fixed rate long-term debt instruments and see *Investments* in this Note 1 for further discussion of the fair value of the Company's investments in unconsolidated entities.

Accounts receivable securitization — The Company has an accounts receivable securitization program whereby the Company may sell receivables in securitization transactions and retain a subordinated interest and servicing rights to those receivables. The Company accounts for the program under the FASB's Statement of Financial Accounting Standards No. 140 ("SFAS 140"), *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*. The gain or loss on sales of receivables is determined at the date of transfer based upon the relative fair value of the assets sold and the interests retained. The

currently evaluating the impact of FIN 48 on its consolidated financial statements, which will be adopted beginning fiscal 2008.

In March 2006, the FASB issued Emerging Issues Task Force 06-03, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation)* ("EITF 06-03"), which clarifies how a company discloses its recording of taxes collected that are imposed on revenue producing activities. EITF 06-03 is effective for the first interim reporting period beginning after December 15, 2006. The Company is evaluating the impact of EITF 06-03 on its consolidated financial statements, which will be adopted beginning third quarter of fiscal 2007.

In March 2006, FASB issued Statement of Financial Accounting Standard No. 156, *Accounting for Servicing of Financial Assets — an Amendment of FASB Statement No. 140"* ("SFAS 156"). SFAS 156 provides guidance on the accounting for servicing assets and liabilities when an entity undertakes an obligation to service a financial asset by entering into a servicing contract. This statement is effective for all transactions at the beginning of fiscal 2008. The adoption of SFAS 156 is not expected to have a material impact on the Company's consolidated financial condition or results of operations.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments — an Amendment of FASB Statements No. 133 and 140* ("SFAS 155"). SFAS 155 allows financial instruments that contain an embedded derivative and that otherwise would require bifurcation to be accounted for as a whole on a fair value basis, at the holders' election. SFAS 155 also clarifies and amends certain other provisions of SFAS 133 and SFAS 140. SFAS 155 is effective beginning fiscal 2008. The adoption of SFAS 155 is not expected to have a material effect on the Company's consolidated financial statements.

In May 2005, the FASB issued Statement of Financial Accounting Standard No. 154 ("SFAS 154"), *Accounting Changes and Error Corrections.* SFAS 154 applies to all voluntary changes in accounting principle as well as to changes required by an accounting pronouncement that does not include specific transition provisions. SFAS 154 eliminates the requirement in Accounting Principles Board Opinion No. 20, *Accounting Changes,* to include the cumulative effect of changes in accounting principle in the income statement in the period of change and, instead, requires changes in accounting principle to be retrospectively applied. Retrospective application requires the new accounting principle to be applied as if the change occurred at the beginning of the first period presented by modifying periods previously reported, if an estimate of the prior period impact is practicable and estimable. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not currently anticipate any changes in accounting principle other than the adoption of SFAS 123R discussed below, which has its own adoption transition provisions and is therefore not in the scope of SFAS 154. As a result, Avnet does not believe the adoption of SFAS 154 will have a material impact on the Company's consolidated financial statements.

In March 2005, the FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligation* ("FIN 47"), which is an interpretation of SFAS No. 143, *Accounting for Asset Retirement Obligation.* FIN 47 clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated even though uncertainty exists about the timing or method of settlement. The adoption of FIN 47 in fiscal 2006 did not have a material impact on the Company's consolidated financial statements.

Effective in the first quarter of fiscal 2006, the Company adopted SFAS 123R which revises SFAS No. 123, and supersedes APB Opinion No. 25. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, be measured at fair value and expensed in the consolidated statement of operations over the service period (generally the vesting period). Upon adoption, the Company transitioned to SFAS 123R using the modified prospective application, whereby compensation

cost is only recognized in the consolidated statements of operations beginning with the first period that SFAS 123R is effective and thereafter, with prior periods' stock-based compensation for option and employee stock purchase plan activity still presented on a pro forma basis. The Company continues to use the Black-Scholes option valuation model to value stock options. As a result of the adoption of SFAS 123R, the Company recognized pre-tax charges of $10,475,000 in fiscal 2006, associated with the expensing of stock options and employee stock purchase plan activity. Additionally, the Company increased its grant activity under other stock-based compensation programs (while decreasing the number of options granted) that have always been expensed in the Company's consolidated statements of operations, which yielded incremental expense under these other programs amounting to $6,170,000 when compared with fiscal 2005. In fiscal 2006, the combination of these two changes resulting from the adoption of SFAS 123R resulted in incremental expenses of $16,645,000 pre-tax (included in selling, general and administrative expenses), $10,554,000 after tax and $0.07 per share on a diluted basis.

In November 2005, the FASB issued Staff Position No. 123R-3 ("FSP 123R-3"), *Transition Election Relating to Accounting for the Tax Effects of Share-Based Payment Awards*, which provides an optional alternative transition election for calculating the pool of excess tax benefits ("APIC pool") available to absorb tax deficiencies recognized under SFAS 123R. Under FSP 123R-3, an entity can make a one time election to either use the alternative simplified method or use the guidance in SFAS 123R to calculate the APIC pool. The Company has elected to use the alternative simplified method under FSP 123R-3.

In December 2004, the FASB issued Staff Position No. 109-2 ("FSP 109-2"), *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004*, which provides guidance for implementing the repatriation of earnings provisions of the American Jobs Creation Act of 2004 (the "Jobs Act"), which was enacted in October 2004, and the impact on the Company's income tax expense and deferred income tax liabilities. However, FSP 109-2 allows additional time beyond the period of enactment to allow the Company to evaluate the effect of the Jobs Act on the Company's plan for reinvestment or repatriation of foreign earnings. The Company has completed its evaluation of the impact of the repatriation provisions of FSP 109-2 and has elected not to repatriate any foreign earnings under the Jobs Act. As a result, the adoption of FSP 109-2 did not have a material impact on the Company's consolidated financial statements.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4* ("SFAS 151"). SFAS 151 requires that abnormal inventory costs such as abnormal freight, handling costs and spoilage be expensed as incurred rather than capitalized as part of inventory, and requires the allocation of fixed production overhead costs to be based on normal capacity. SFAS 151 is to be applied prospectively and is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SFAS 151 did not have a material impact on the Company's consolidated financial statements.

2. Acquisitions, divestitures and investments

On July 5, 2005, the Company acquired Memec Group Holdings Limited ("Memec"), a global distributor that marketed and sold a portfolio of semiconductor devices from industry-leading suppliers in addition to providing customers with engineering expertise and design services. Memec, with sales of $2.28 billion (unaudited, see *Unaudited Pro forma results* in this Note 2) for the twelve months ended July 4, 2005, has been fully integrated into the Electronics Marketing group ("EM") of Avnet as of the end of fiscal 2006.

Purchase price

The consideration for the Memec acquisition consisted of stock and cash valued at approximately $506,882,000, including transaction costs, plus the assumption of $239,960,000 of Memec's net debt (debt less

cash acquired). All but $27,343,000 of this acquired net debt was repaid upon the closing of the acquisition. Under the terms of the purchase, Memec investors received 24,011,000 shares of Avnet common stock plus $63,957,000 of cash. The shares of Avnet common stock were valued at $17.42 per share, which represents the five-day average stock price beginning two days before the acquisition announcement on April 26, 2005.

Allocation of purchase price

The Memec acquisition is accounted for as a purchase business combination. Assets acquired and liabilities assumed are recorded in the accompanying consolidated balance sheet at their estimated fair values as of July 5, 2005. A final allocation of purchase price to the assets acquired and liabilities assumed at the date of acquisition is presented in the below table. This allocation is based upon valuations using management's estimates and assumptions. Adjustments to record the acquired assets and liabilities at fair value include: (1) write-offs or write-downs in the value of certain Memec information technology assets, including financial information systems, that were made redundant in the combined Memec and Avnet business through the continued use of Avnet's existing systems; (2) the write-down of certain Memec inventory lines to estimated net realizable value as of the acquisition date based on anticipated demand, supplier return and stock rotation privileges, age analysis, and other known factors that existed as of the acquisition date; (3) write-downs in fair value of Memec owned facilities, the fair value of which was based upon management's estimates of the current market values and possible selling price, net of selling costs for the facilities; and (4) recognition of other contractual obligations that will not provide any on-going benefit to the combined business. In addition, Memec historically placed valuation allowances on certain of its otherwise realizable deferred tax assets. Following the acquisition, Avnet analyzed these assets based upon the evaluation of relevant factors, assessed the likelihood of recoverability of these deferred tax assets and established, through purchase accounting, appropriate adjustments to these valuation allowances.

In addition to the items discussed above, the assets and liabilities in the following table include liabilities recorded for actions taken as a result of plans to integrate the acquired operations into Avnet's existing operations. Purchase accounting adjustments for such activities include: (1) severance costs for Memec workforce reductions; (2) lease commitments for leased Memec facilities that will no longer be used; (3) write-offs or write-downs in value of certain fixed assets and leasehold improvements that will have limited or no use in the combined business as a result of the facilities being exited; and (4) commitments related to other contractual obligations (see *Acquisition-related exit activity accounted for in purchase accounting* included in this Note 2).

During the third quarter of fiscal 2006, the Company completed its valuation of identifiable intangible assets that resulted from the Memec acquisition. The Company allocated $22,600,000 of purchase price to intangible assets relating to customer relationships, which management estimates have a life of ten years, and $3,800,000 to intangible assets associated with the Memec tradename, which management estimates have a life of two years. In addition, the Company recorded $4,160,000 of amortization ($2,260,000 for customer relationships and $1,900,000 for tradename) during fiscal 2006. Amortization expense for the next five years is estimated to be $4,160,000 in fiscal 2007, and $2,260,000 in each of fiscal 2008 through 2011. These identifiable intangible assets other than goodwill are included in other long-term assets in the accompanying consolidated balance sheet at July 1, 2006.

Approximately $155,467,000 of goodwill associated with the Memec acquisition is deductible for tax purposes.

	July 5, 2005 (Thousands)
Current assets	$ 702,649
Property, plant and equipment	19,917
Identifiable intangible assets other than goodwill	26,400
Goodwill	398,927
Other assets	98,831
Total assets acquired	1,246,724
Current liabilities, excluding current portion of long-term debt	434,799
Long-term liabilities	12,700
Total debt	27,343
Total liabilities assumed	474,842
Net assets acquired	$ 771,882
Cash acquired	(52,383)
Debt assumed	27,343
Purchase price and debt assumed, net of cash acquired	$ 746,842

The acquisition of Memec expanded EM's operations in each of the three major economic regions in the world. The combination of Memec's Asian operations with Avnet's Asia region has strengthened Avnet's position in this key growth region. Memec's already established position in Japan — the only U.S.-based distributor with such a presence in the Japanese market — also represents an opportunity by providing entry into this major electronic component marketplace. Because Memec's operations and business model was similar to Avnet's, management has been able to achieve significant operating expense synergies through the integration efforts which have been completed as of the end of fiscal 2006. The combination of these factors are the drivers behind the excess of purchase price paid over the value of assets and liabilities acquired.

Acquisition-related exit activity accounted for in purchase accounting

As a result of the acquisition, the Company established and approved plans to integrate the acquired operations into all three regions of the Company's EM operations, for which the Company recorded $73,380,000 in exit-related purchase accounting adjustments during fiscal 2006. These purchase accounting adjustments consist of severance for Memec workforce reductions, non-cancelable lease commitments and lease termination charges for leased facilities, and other contract termination costs associated with the exit activities.

The following table summarizes the reserves related to exit activities that have been established through purchase accounting and the related activity that has occurred during fiscal 2006:

	Severance Reserves	Facility Exit Reserves/ Write-downs	Other	Total
		(Thousands)		
Purchase accounting adjustments	$ 32,535	$ 36,243	$ 4,602	$ 73,380
Amounts utilized	(30,945)	(17,713)	(2,166)	(50,824)
Other, principally foreign currency translation	20	75	21	116
Balance at July 1, 2006	$ 1,610	$ 18,605	$ 2,457	$ 22,672

Total amounts utilized for exit-related activities during fiscal 2006 consisted of $43,067,000 in cash payments and $7,757,000 in non-cash asset write-downs.

The purchase accounting reserves established for severance are for reductions of workforce acquired from Memec relating to over 700 personnel primarily in the Americas and EMEA regions, including reductions in senior management, administrative, finance and certain operational functions. These reductions are based on management's assessment of redundant Memec positions compared with existing Avnet positions and are driven primarily by the consolidation of Memec facilities into Avnet facilities.

The costs associated with the consolidation of over 60 Memec facilities are presented in Facility Exit Reserves/Write-downs in the table above and include estimated future payments for non-cancelable leases, early lease termination costs, and write-downs or write-offs of Memec owned assets in these facilities, including capitalized equipment and leasehold improvements. These actions relate primarily to facilities located in the Americas and EMEA. These reserves have been established through purchase accounting based on actual costs incurred and, for reserves remaining at the end of fiscal 2006, are based on management's best estimates of cost to be incurred.

The other reserves in the table above relate primarily to remaining commitments and termination charges related to other contractual commitments of Memec that will no longer be of use in the combined business.

Cash payments for severance are expected to be substantially paid out by the end of fiscal 2008, whereas reserves for other contractual commitments, particularly for certain lease commitments, will extend into fiscal 2013.

Unaudited Pro forma results

Unaudited pro forma financial information is presented below as if the acquisition of Memec occurred at the beginning of fiscal 2005. The pro forma information presented below does not purport to present what the actual results would have been had the acquisition in fact occurred at the beginning of fiscal 2005, nor does the information project results for any future period. Pro forma financial information is not presented for fiscal 2006 because the acquisition occurred on July 5, 2005, which was three days after the beginning of the Company's fiscal year 2006. As a result, the accompanying consolidated statement of operations for fiscal 2006 effectively includes Memec's results of operations for comparative purposes.

	Pro Forma Results Year Ended July 2, 2005
	(Thousands, except per share data
Pro forma sales	$13,350,482
Pro forma operating income	369,008
Pro forma net income	161,984
Pro forma diluted earnings per share	$ 1.11

Combined results for Avnet and Memec for the twelve months ended July 2, 2005 were adjusted for the following in order to create the unaudited pro forma results in the table above:

- $47,957,000 pre-tax, $31,156,000 after-tax, or $0.20 per diluted share, for the twelve months ended July 2, 2005 for interest expense relating to Memec's shareholder loans that were retired at acquisition through the issuance of Avnet common stock;
- $12,038,000 pre-tax, $7,870,000 after-tax or $0.05 per diluted share for the twelve months ended July 2, 2005 for capitalized costs written off relating to Memec's cancelled initial public offering and restructuring charges incurred by Memec.

- $1,899,000 pre-tax, $1,236,000 after-tax, or $0.01 per diluted share, for the twelve months ended July 2, 2005 for amortization relating to intangible assets and deferred financing costs for the shareholder loans that were retired at acquisition; and
- the impact on pro forma diluted earnings per share of the 24,011,000 shares of Avnet's common stock issued as part of the consideration.

Unaudited pro forma results above exclude any benefits that may result from the acquisition due to synergies that were derived from the elimination of any duplicative costs. In addition, the pro forma results have not been adjusted to remove the following Memec costs, which management considers to be non-recurring:

- $20,243,000 pre-tax, $13,141,000 after-tax, or $0.08 per diluted share, for the twelve months ended July 2, 2005, for interest expense relating to Memec's loan secured by receivables and term loans that were paid immediately upon the close of the acquisition; and
- $11,537,000 pre-tax, $7,595,000 after-tax, or $0.05 per diluted share, for the twelve months ended July 2, 2005, for selling, general and administrative costs relating to Memec's non-recurring consulting and other project costs and annual management fee that will no longer be incurred following the acquisition and other severance-related costs.

Divestitures and investments

During the third quarter of fiscal 2006, the Company completed the divestiture of two end-user business lines in its Technology Solutions ("TS") Americas business. In January 2006, the Company sold its TS Americas end-user enterprise server and storage business line to a value-added reseller for net proceeds of $11,190,000. This business line sold various products and services directly to end-users. The Company concurrently executed an exclusive distribution agreement whereby the acquiring company will procure certain enterprise computer products under customary terms from Avnet for a five-year contract period.

In February 2006, the Company contributed cash and certain operating assets and liabilities of its TS Americas end-user network solutions business line into a joint venture with Calence Inc. in exchange for an investment interest in the joint venture, called Calence LLC. This business line provided network and related products and services directly to customers and generated annual revenues of less than $200,000,000 for Avnet. Avnet's equity investment in Calence LLC of $18,799,000 (consisting of $13,948,000 in cash paid and $4,851,000 of net assets contributed) is being accounted for under the equity method, with this investment included in other long-term assets on the accompanying consolidated balance sheet.

In April 2006, the Company sold the net assets of two small, non-core EM specialty businesses in EMEA and retained a 16% investment in one of the businesses following the sale. Net proceeds received from the sale of these two businesses were $11,589,000.

As a result of these divestitures, the Company recorded a net pre-tax loss of $2,601,000 during fiscal 2006.

Fiscal 2005

During fiscal 2005, the Company incurred $2,465,000 of costs associated with the acquisition of Memec, consisting primarily of legal and other costs associated with the due diligence efforts. These costs are capitalized as part of other long-term assets in the accompanying consolidated balance sheet at July 2, 2005 and are reflected as part of cash flows for acquisitions of operations and investments in the accompanying consolidated statement of cash flows for the year ended July 2, 2005. In August 2004, Avnet completed the acquisition of DNS Slovakia ("DNS"), a value-added distributor of enterprise computing solutions. DNS,

with annual sales of approximately $15,000,000, was integrated into Avnet's Technology Solutions operations in Europe. The Company acquired DNS for cash consideration, net of cash acquired, totaling $1,098,000.

Fiscal 2004

During fiscal 2004, the Company completed a contingent purchase price payment associated with its January 2000 acquisition of 84% of the stock of Eurotronics B.V., which went to market as SEI. Pursuant to the terms of the share purchase agreement, in fiscal 2004, Avnet paid $48,930,000 to former shareholders of Eurotronics B.V. in final settlement of contingent consideration related to this acquisition. This payment resulted in an addition to goodwill of $33,930,000 and a reduction of additional paid-in capital of $15,000,000, based upon an initial estimate of the fair value of the stock guarantee incorporated into the purchase price accounting at the time of the Eurotronics B.V. acquisition. During fiscal 2004, the Company also acquired the interest of a 9% minority shareholder in the Company's majority-owned Brazilian subsidiary, Avnet do Brasil, LTDA and made contingent purchase price payments associated with certain companies acquired in prior years. The acquisition of minority interests and contingent purchase price payments discussed above required a total investment of $50,528,000, all of which was paid in cash.

3. Accounts receivable securitization

As of July 2, 2005, the Company had an accounts receivable securitization program (the "Program") with two financial institutions that allowed the Company to sell, on a revolving basis, an undivided interest of up to $350,000,000 in eligible U.S. receivables while retaining a subordinated interest in a portion of the receivables. The eligible receivables were sold without legal recourse to third party conduits through a wholly owned bankruptcy-remote special purpose entity that is consolidated for financial reporting purposes. The Company continues servicing the sold receivables and charges the third party conduits a monthly servicing fee at market rates; accordingly, no servicing asset or liability has been recorded. At July 2, 2005, the Program qualified for sale treatment under SFAS 140. As of July 2, 2005 and July 3, 2004, the Company had no drawings outstanding under the Program and therefore there were no securitized accounts receivable held by the third party conduits.

In August 2005, the Company amended the Program to, among other things, increase the maximum amount available for borrowing from $350,000,000 to $450,000,000. In addition, the amended Program now provides that financing under the Program no longer qualifies as off-balance sheet financing. As a result, the receivables and related debt obligation remain on the Company's consolidated balance sheet as amounts are drawn on the Program. The Program, as amended, has a one year term which has recently been renewed and expires in August 2007. At July 1, 2006, there was $40,000,000 in drawings outstanding under the Program.

Expenses associated with the Program in effect at July 1, 2006 were as follows:

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
	(Thousands)		
Losses on sales of receivables and discount on retained interest, net of servicing revenues	$ —	$ —	$ 52
Program, facility and professional fees	1,678	2,999	2,358
Total	$1,678	$2,999	$2,410

Losses on sales of receivables and discount on retained interest, net of related servicing revenues, were recorded in interest expense while the other costs associated with the Program were recorded in selling, general and administrative expenses in the accompanying consolidated statements of operations. To the extent there have been drawings under the Program, the Company has historically measured the fair value of its

retained interests at the time of a securitization using a present value model incorporating two key assumptions: (1) a weighted average life of trade accounts receivable of 45 days and (2) a discount rate of 6.75% per annum.

4. Comprehensive income

The following table illustrates the cumulative balances of comprehensive income items at July 1, 2006, July 2, 2005 and July 3, 2004:

	July 1, 2006	July 2, 2005	July 3, 2004
		(Thousands)	
Cumulative translation adjustments, net	$223,104	$179,853	$188,678
Cumulative minimum pension liability adjustments, net of income taxes	(36,228)	(56,148)	(37,483)
Total	$186,876	$123,705	$151,195

5. Property, plant and equipment, net

Property, plant and equipment are recorded at cost and consist of the following:

	July 1, 2006	July 2, 2005
	(Thousands)	
Land	$ 4,326	$ 4,008
Buildings	81,619	69,758
Machinery, fixtures and equipment	494,660	482,165
Leasehold improvements	39,750	38,088
	620,355	594,019
Less — accumulated depreciation and amortization	(460,922)	(436,591)
	$ 159,433	$ 157,428

Depreciation and amortization expense related to property, plant and equipment was $55,053,000, $55,955,000 and $58,644,000 in fiscal 2006, 2005 and 2004, respectively.

6. Goodwill

The following table presents the carrying amount of goodwill, by reportable segment, for the periods presented:

	Electronics Marketing	Technology Solutions	Total
		(Thousands)	
Carrying value at July 3, 2004	$ 637,174	$257,708	$ 894,882
Additions	—	507	507
Foreign currency translations	(52)	(37)	(89)
Carrying value at July 2, 2005	637,122	258,178	895,300
Additions	403,259	795	404,054
Divestitures	(2,933)	—	(2,933)
Foreign currency translations	21	155	176
Carrying value at July 1, 2006	$1,037,469	$259,128	$1,296,597

The additions in fiscal 2006 for EM primarily relate to the Memec acquisition and reflect purchase accounting adjustments recorded during fiscal 2006 (see Note 2). The additions in EM also relate to the purchase of shares formerly held by a minority interest holder in one of the Company's Israeli subsidiaries. The additions in Technology Solutions relate primarily to a final earnout payment made in the first quarter of fiscal 2006 to the former owners of DNS Slovakia, which was acquired by Avnet in fiscal 2005. During fiscal 2006, the Company divested a small, non-core EM business (see Note 2) for which the write off of goodwill was included in the loss on sale of business recorded in the consolidated statement of operations. Additions during fiscal 2005 related primarily to the acquisition of DNS Slovakia (see Note 2).

7. External financing

Short-term debt consists of the following:

	July 1, 2006	July 2, 2005
	(Thousands)	
8.00% Notes due November 15, 2006	$143,675	$ —
Bank credit facilities	130,725	60,468
Accounts receivable securitization	40,000	—
Other debt due within one year	1,616	830
Short-term debt	$316,016	$61,298

Bank credit facilities consist of various committed and uncommitted lines of credit with financial institutions utilized primarily to support the working capital requirements of foreign operations, including bank credit facilities in Japan assumed as part of the acquisition of Memec (see Note 2). The weighted average interest rates on the bank credit facilities at July 1, 2006 and July 2, 2005 were 4.1% and 4.0%, respectively. Although interest rates generally rose during fiscal 2006, the weighted average rate at July 1, 2006 only increased slightly compared to July 2, 2005 primarily due to the mix of outstanding borrowings amongst the Company's different bank credit facilities. Specifically, at July 1, 2006, more than 25% of borrowings on bank credit facilities were drawn on the Japanese facility acquired with Memec in the first quarter of fiscal 2006. The interest rates for borrowings under this facility average less than 1%. The Company has an accounts receivable securitization program which is described in Note 3. There was $40,000,000 of drawings outstanding under the Program at July 1, 2006.

During fiscal 2005, the Company repaid the remaining $2,956,000 of the 4.5% Convertible Notes that matured on September 1, 2004 and repaid the remaining $86,633,000 of the 7⅞% Notes that matured on February 15, 2005.

Long-term debt consists of the following:

	July 1, 2006	July 2, 2005
	(Thousands)	
8.00% Notes due November 15, 2006	$ —	$ 400,000
9¾% Notes due February 15, 2008	361,360	475,000
6% Notes due September 1, 2015	250,000	—
2% Convertible Senior Debentures due March 15, 2034	300,000	300,000
Other long-term debt	14,931	7,285
Subtotal	926,291	1,182,285
Fair value adjustment for hedged 9¾% and 8% Notes	(7,481)	910
Long-term debt	$918,810	$1,183,195

As of July 2, 2005, the Company had an unsecured $350,000,000 credit facility with a syndicate of banks (the "Credit Facility"), expiring in June 2007. During the second quarter of fiscal 2006, the Company amended and restated the Credit Facility to, among other things, increase the borrowing capacity from $350,000,000 to $500,000,000, and increase the maximum amount of the total facility that can be used for letters of credit from $75,000,000 to $100,000,000 (the "Amended Credit Facility"). In addition, the Amended Credit Facility has a five-year term that matures in October 2010. The Company may still select from various interest rate options, currencies and maturities under the Amended Credit Facility. The Amended Credit Facility contains certain covenants, all of which the Company was in compliance with as of July 1, 2006. At July 1, 2006, there was $6,000,000 drawn and $22,925,000 in letters of credit issued under the Amended Credit Facility included in other long-term debt in the preceding table. There were no borrowings under the Credit Facility at July 2, 2005.

In August 2005, the Company issued $250,000,000 of 6.00% Notes due September 1, 2015 (the "6% Notes"). The proceeds from the offering, net of discount and underwriting fees, were $246,483,000. The Company used these proceeds, plus cash and cash equivalents on hand, to fund the tender and repurchase of $250,000,000 of the 8.00% Notes due November 15, 2006 (the "8% Notes"), at a price of $1,045 per $1,000 principal amount of Notes. In addition, the Company repurchased $4,095,000 of the 8% Notes at a premium of approximately $1,038 per $1,000 principal amount of Notes in September 2005 and repurchased an additional $2,230,000 of the 8% Notes at a premium of approximately $1,026 per $1,000 principal amount of Notes in December 2005. The repurchase of the 8% Notes and the termination of the interest rate swaps noted below resulted in debt extinguishment costs of $11,666,000 pre-tax, $7,052,000 after tax and $0.05 per share on a diluted basis.

In June 2006, the Company repurchased $113,640,000 of the $475,000,000 of 9¾% Notes due February 15, 2008 (the 9¾% Notes") at a price of approximately $1,058 per $1,000 principal amount of Notes. In connection with this repurchase, the Company terminated one of the interest rate swaps with a notional amount of $100,000,000 that hedged a portion of the 9¾% Notes. The termination of this swap and repurchase of the related hedged debt (9¾% Notes) resulted in debt extinguishment costs of $10,919,000 pre-tax, $6,601,000 after tax and $0.04 per share on a diluted basis. As a result of the tender and total repurchases in fiscal 2006, as previously described, and the termination of interest rate swaps noted below, the Company incurred total debt extinguishment costs of $22,585,000 pre-tax, $13,653,000 after tax and $0.09 per share on a diluted basis, relating primarily to premiums and other transaction costs.

In March 2004, the Company issued $300,000,000 of 2% Convertible Senior Debentures due March 15, 2034 (the "Debentures"). The Debentures are convertible into Avnet common stock at a rate of 29.5516 shares of common stock per $1,000 principal amount of Debentures. The Debentures are only convertible under certain circumstances, including if: (i) the closing price of the Company's common stock reaches $45.68 per share (subject to adjustment in certain circumstances) for a specified period of time; (ii) the average trading price of the Debentures falls below a certain percentage of the conversion value per Debenture for a specified period of time; (iii) the Company calls the Debentures for redemption; or (iv) certain corporate transactions, as defined, occur. Upon conversion, the Company will deliver cash in lieu of common stock as the Company made an irrevocable election pursuant to the terms of the indenture in December 2004 to satisfy the principal portion of the Debentures, if converted, in cash. The Company may redeem some or all of the Debentures for cash any time on or after March 20, 2009 at the Debentures' full principal amount plus accrued and unpaid interest, if any. Holders of the Debentures may require the Company to purchase, in cash, all or a portion of the Debentures on March 15, 2009, 2014, 2019, 2024 and 2029, or upon a fundamental change, as defined, at the Debentures' full principal amount plus accrued and unpaid interest, if any.

The proceeds from the issuance of the Debentures, net of underwriting fees, were $292,500,000. The Company used these proceeds to fund the tender and purchase of $273,367,000 of its 7⅞% Notes due

February 15, 2005. The Company incurred debt extinguishment costs of $16,370,000 pre-tax, $14,215,000 after-tax and $0.12 per share on a diluted basis during fiscal 2004 related primarily to premiums and other transaction costs associated with this tender.

At July 2, 2005, the Company had two interest rate swaps with a total notional amount of $400,000,000 in order to hedge the change in fair value of the 8% Notes related to fluctuations in interest rates. These contracts were classified as fair value hedges with a November 2006 maturity date. The interest rate swaps modified the Company's interest rate exposure by effectively converting the fixed rate on the 8% Notes to a floating rate (6.4% at July 2, 2005) based on three-month U.S. LIBOR plus a spread through their maturities. During the first quarter of fiscal 2006, the Company terminated the interest rate swaps which hedged the 8% Notes due to the repurchase of $254,095,000 of the $400,000,000 8% Notes, as previously discussed. The termination of the swaps resulted in net proceeds to the Company, of which, $1,273,000 was netted in debt extinguishment costs in the first quarter of fiscal 2006 based on the pro rata portion of the 8% Notes that were repurchased. The remaining proceeds of $764,000, which represent the pro rata portion of the 8% Notes that were not repurchased, have been capitalized in other long-term debt and are being amortized over the maturity of the remaining 8% Notes.

At July 2, 2005, the Company had three additional interest rate swaps with a total notional amount of $300,000,000 in order to hedge the change in fair value of the 9¾% Notes related to fluctuations in interest rates. As discussed previously, in June 2006, the Company terminated one of the three $100,000,000 notional amount interest rate swaps in connection with the $113,640,000 repurchase of the 9¾% Notes. As $100,000,000 of the repurchase related to the terminated interest rate swap, the $3,471,000 of costs incurred to terminate the swap were included in the debt extinguishment costs recorded in fiscal 2006. The remaining hedges are classified as fair value hedges and mature in February 2008. These interest rate swaps modify the Company's interest rate exposure by effectively converting the fixed rate on the 9¾% Notes to a floating rate (11.7% at July 1, 2006) based on three-month U.S. LIBOR plus a spread through their maturities.

The hedged fixed rate debt and the interest rate swaps are adjusted to current market values through interest expense in the accompanying consolidated statements of operations. The Company accounts for the hedges using the shortcut method as defined under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Hedging Activities.* Due to the effectiveness of the hedges since inception, the market value adjustments for the hedged debt and the interest rate swaps directly offset one another. The fair value of the interest rate swaps at July 1, 2006 was a liability of $7,481,000 which is included in other long-term liabilities and a corresponding fair value adjustment of the hedged debt decreased long-term debt by the same amount. The fair value of the interest rate swaps at July 2, 2005 was an asset of $910,000, which is included in other long-term assets in the accompanying consolidated balance sheet and a corresponding fair value adjustment of the hedged debt increased long-term debt by the same amount.

The Company had total borrowing capacity of $950,000,000 at July 1, 2006 under the Amended Credit Facility and the accounts receivable securitization program (see Note 3), against which $22,925,000 in letters of credit were issued under the Amended Credit Facility as of July 1, 2006, and a combined $46,000,000 was drawn under both facilities, resulting in $881,075,000 of net availability. Although these issued letters of credit are not actually drawn upon at July 1, 2006, they utilize borrowing capacity under the Amended Credit Facility and are considered in the overall borrowing capacity noted above.

Aggregate debt maturities for fiscal 2007 through 2011 and thereafter are as follows (in thousands):

2007	$ 316,016
2008	361,464
2009	1,717
2010	1,774
2011	7,881
Thereafter	553,455
Subtotal	1,242,307
Fair value adjustment for hedged 9¾% Notes	(7,481)
Total debt	$1,234,826

At July 1, 2006, the fair value, generally based upon quoted market prices, of the 2% Convertible Senior Debentures due March 15, 2034 is $279,000,000, the fair value of the 6% Notes due 2015 is $233,185,000, and the fair value of the 8% Notes due November 2006 is $144,731,000. Additionally, the $161,360,000 of the 9¾% Notes that are not covered by the fair value hedges discussed above had a fair value of $170,800,000 at July 1, 2006.

8. Accrued expenses and other

Accrued expenses and other consist of the following:

	July 1, 2006	July 2, 2005
	(Thousands)	
Payroll, commissions and related accruals	$153,041	$144,856
Income taxes	137,995	77,292
Other	177,118	137,359
	$468,154	$359,507

At July 1, 2006 and July 2, 2005, accruals for income tax contingencies of $90,119,000 and $52,387,000, respectively, are included in accrued income taxes. These contingency reserves relate to various tax matters and result from dealing with uncertainties in the application of complex tax regulations in the large number of global tax jurisdictions in which the Company operates. In accordance with Statement of Financial Accounting Standard No. 5, *Accounting for Contingencies,* the Company recognizes these tax liabilities based upon best estimates of whether, and the extent to which, additional taxes and interest may be due. These reserves are adjusted as facts and circumstances change.

During fiscal 2006, Avnet acquired income tax contingency reserves as a result of the Memec acquisition and recorded additional contingency reserves for tax exposures in the EMEA and Asia regions, partially offset by the favorable settlement of a European audit. During fiscal 2005, a portion of the contingency reserve was reclassified to the valuation allowance (see Note 9) as it related to certain previously recorded deferred tax assets for which a reserve was and continues to be warranted. During fiscal 2005, the Company also reversed certain of its contingency reserves through the tax provision principally based upon favorable settlement of open audit issues and as a result of indications, based on current facts and circumstances, that the Company's potential liability is likely less than originally estimated.

9. Income taxes

The components of the provision for (benefit from) income taxes are indicated in the table below. The tax provision (benefit) for deferred income taxes results from temporary differences arising principally from inventory valuation, accounts receivable valuation, net operating losses, certain accruals and depreciation, net of any changes to the valuation allowance.

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
		(Thousands)	
Current:			
Federal	$ 3,483	$(9,791)	$ 861
State and local	7,016	(1,272)	572
Foreign	48,932	18,849	26,883
Total current taxes	59,431	7,786	28,316
Deferred:			
Federal	48,989	29,901	(8,835)
State and local	1,481	6,452	(1,720)
Foreign	1,699	27,381	7,740
Total deferred taxes	52,169	63,734	(2,815)
Provision for income taxes	$111,600	$71,520	$25,501

The provision for (benefit from) income taxes noted above is computed based upon the split of income (loss) before income taxes from U.S. and foreign operations. U.S. income before income taxes was $130,452,000, $85,439,000 and $13,682,000 and foreign income before income taxes was $185,695,000, $154,320,000, and $84,716,000 in fiscal 2006, 2005 and 2004, respectively.

A reconciliation between the federal statutory tax rate and the effective tax rate is as follows:

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
Federal statutory rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal benefit	2.0	1.4	(1.1)
Foreign tax rates, including impact of valuation allowances	(3.8)	(3.9)	(10.2)
Change in contingency reserves (Note 8)	1.6	(2.3)	—
Other non-deductible expenses	0.4	0.4	1.2
Other, net	0.1	(0.8)	1.0
Effective tax rate	35.3%	29.8%	25.9%

Foreign tax rates generally consist of the impact of the difference between foreign and federal statutory rates applied to foreign income (losses) and also include the impact of valuation allowances against the Company's otherwise realizable foreign loss carry-forwards. In fiscal 2006, the effective tax rate was impacted by a loss on the sale of a small, non-core EM business in the EMEA region for which no tax benefit is available as well as additional contingency reserves due to the recognition of tax exposures in the EMEA and Asia regions, partially offset by the favorable settlement of a European audit. The Company reclassified certain contingency reserves to the valuation allowance in fiscal 2005 (see Note 8). The additional valuation

allowances recorded during fiscal 2004 are substantially offset by tax benefits related to certain foreign losses that are deductible in the United States. The Company determines its valuation allowance through an evaluation of relevant factors used to assess the likelihood of recoverability of the Company's deferred tax assets.

The significant components of deferred tax assets and liabilities, included primarily in other long-term assets on the consolidated balance sheets, are as follows:

	July 1, 2006	July 2, 2005
	(Thousands)	
Deferred tax assets:		
Inventory valuation	$ 7,108	$ 5,421
Accounts receivable valuation	16,057	19,497
Federal, state and foreign tax loss carry-forwards	409,344	335,395
Various accrued liabilities and other	49,117	21,646
	481,626	381,959
Less — valuation allowance	(270,745)	(191,983)
	210,881	189,976
Deferred tax liabilities:		
Depreciation and amortization of property, plant and equipment	833	9,081
Net deferred tax assets	$ 210,048	$ 180,895

During fiscal 2006, the Company acquired deferred tax assets and related valuation allowances as a result of the acquisition of Memec (see Note 2). Following the acquisition, Avnet analyzed these assets based upon the evaluation of relevant factors, assessed the likelihood of recoverability of these deferred tax assets and established, through purchase accounting, appropriate adjustments to these valuation allowances. As of July 1, 2006, the Company had foreign net operating loss carry-forwards, including those acquired with Memec, of approximately $1,064,404,000, approximately $100,030,000 of which have expiration dates ranging from fiscal 2007 to 2021 and the remaining $964,374,000 of which have no expiration date. The carrying value of the Company's net operating loss carry-forwards is dependent upon the Company's ability to generate sufficient future taxable income in certain tax jurisdictions. In addition, the Company considers historic levels of income, expectations and risk associated with estimates of future taxable income and on-going prudent and feasible tax planning strategies in assessing a tax valuation allowance. The Company also had U.S. federal net operating loss carry-forwards of approximately $123,431,000 as of July 1, 2006, which have expiration dates ranging from fiscal 2019 to 2025.

10. Pension and retirement plans

Pension Plan

The Company's noncontributory defined benefit pension plan (the "Plan") covers substantially all domestic employees. Employees are eligible to participate in the Plan following the first year of service during which they worked at least 1,000 hours. The Plan provides defined benefits pursuant to a cash balance feature whereby a participant accumulates a benefit based upon a percentage of current salary, which varies with age, and interest credits. The Company uses June 30 as the measurement date for determining pension expense and benefit obligations for each fiscal year.

Not included in the tabulations and discussions that follow are pension plans of certain non-U.S. subsidiaries, which are not material.

The following tables outline changes in benefit obligations, plan assets and the funded status of the Plan as of the end of fiscal 2006 and 2005:

	July 1, 2006	July 2, 2005
	(Thousands)	
Changes in benefit obligations:		
Benefit obligations at beginning of year	$265,638	$222,808
Service cost	15,165	13,365
Interest cost	14,171	14,059
Actuarial (gain) loss	(28,378)	28,605
Benefits paid	(15,596)	(13,199)
Benefit obligations at end of year	$251,000	$265,638
Change in plan assets:		
Fair value of plan assets at beginning of year	$169,423	$154,117
Actual return on plan assets	20,162	15,174
Benefits paid	(15,596)	(13,199)
Contributions	58,638	13,331
Fair value of plan assets at end of year	$232,627	$169,423
Information on funded status of plan and the amount recognized:		
Funded status of the plan	$(18,373)	$(96,215)
Unrecognized net actuarial loss	63,414	95,895
Unamortized prior service credit	(45)	(366)
Prepaid (accrued) pension cost recognized in the consolidated balance sheets	$ 44,996	$ (686)
Pre-tax additional minimum pension liability recognized in comprehensive income	$(63,369)	$(95,529)

Weighted average assumptions used to calculate actuarial present values of benefit obligations are as follows:

	2006	2005
Discount rate	6.50%	5.50%

Under the cash balance plan, service costs are based solely on current year salary levels; therefore, projected salary increases are not taken into account.

Weighted average assumptions used to determine net benefit costs are as follows:

	2006	2005
Discount rate	5.50%	6.50%
Expected return on plan assets	9.00%	9.00%

The Company bases its discount rate on a hypothetical portfolio of bonds rated Aa by Moody's Investor Services or AA by Standard & Poors. The bonds selected for this determination are based upon the estimated amount and timing of payouts of the pension plan.

Components of net periodic pension costs during the last three years are as follows:

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
		(Thousands)	
Service cost	$ 15,165	$ 13,365	$ 14,295
Interest cost	14,171	14,059	12,990
Expected return on plan assets	(20,577)	(16,527)	(16,389)
Recognized net actuarial loss	4,518	1,343	734
Amortization of prior service credit	(321)	(321)	(321)
Net periodic pension cost	$ 12,956	$ 11,919	$ 11,309

The Company made contributions to the Plan of $58,638,000 during fiscal 2006. The Company may make additional voluntary contributions to the Plan during fiscal 2007.

Benefit payments are expected to be paid to participants as follows for the next five fiscal years and the aggregate for the five years thereafter (in thousands):

2007	$17,956
2008	13,528
2009	14,349
2010	16,881
2011	15,652
2012 through 2016	90,742

The Plan's assets are held in trust and were allocated as follows as of the June 30 measurement date for fiscal 2006 and 2005:

	2006	2005
Equity securities	75%	72%
Debt securities	24	27
Other investments, primarily money market funds	1	1

The general investment objectives of the Plan are to maximize returns through a diversified investment portfolio in order to earn annualized returns that meet the long-term cost of funding the Plan's pension obligations while maintaining reasonable and prudent levels of risk. The target rate of return on Plan assets is currently 9%, which represents the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. This assumption has been determined by combining expectations regarding future rates of return for the investment portfolio along with the historical and expected distribution of investments by asset class and the historical rates of return for each of those asset classes. The mix of equity securities is typically diversified to obtain a blend of domestic and international investments covering multiple industries. The Plan assets do not include any material investments in Avnet common stock. The Plan's investments in debt securities are also diversified across both public and private fixed income portfolios. The Company's current target allocation for the investment portfolio is for equity securities, both domestic and international, to represent approximately 76% of the portfolio with a policy for minimum investment in equity securities of 60% of the portfolio and a maximum of 92%. The majority of the remaining portfolio of investments is to be invested in fixed income securities.

401(k) Plan

The Company has a 401(k) plan that covers substantially all domestic employees. Employees are eligible to participate in the 401(k) plan on the first month after completing 90 days of service. The expense, including matching contributions, relating to the 401(k) plan for fiscal 2006, 2005 and 2004 totaled $1,651,000, $1,448,000 and $1,478,000 respectively.

11. Long-term leases

The Company leases many of its operating facilities and is also committed under lease agreements for transportation and operating equipment. Rent expense charged to operations during the last three years is as follows:

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
		(Thousands)	
Buildings	$46,436	$39,720	$41,043
Equipment	5,715	5,240	5,462
	$52,151	$44,960	$46,505

The aggregate future minimum operating lease commitments, principally for buildings, in 2007 through 2011 and thereafter (through 2014), are as follows (in thousands):

2007	$ 58,291
2008	44,659
2009	34,531
2010	29,331
2011	20,516
Thereafter	26,635
Total	$213,963

12. Stock-based compensation plans

Stock option plans

Effective in the first quarter of fiscal 2006, the Company adopted SFAS 123R which revises SFAS 123 and supersedes APB No. 25. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, be measured at fair value and expensed in the consolidated statement of operations over the service period (generally the vesting period). Upon adoption, the Company transitioned to SFAS 123R using the modified prospective application, whereby compensation cost is only recognized in the consolidated statements of operations beginning with the first period that SFAS 123R is effective and thereafter, with prior periods' stock-based compensation for option and employee stock purchase plan activity still presented on a pro forma basis. The Company continues to use the Black-Scholes option valuation model to value stock options. As a result of the adoption of SFAS 123R, the Company recognized pre-tax charges of $10,475,000 in fiscal 2006, associated with the expensing of stock options and employee stock purchase plan activity. Additionally, the Company increased its grant activity under other stock-based compensation programs (while decreasing the number of stock options granted) that have always been expensed in the Company's consolidated statements of operations, which yielded incremental expense under these other programs amounting to $6,170,000 when compared with the fiscal 2005. In fiscal 2006, the combination of these two changes resulting from the adoption of SFAS 123R resulted in incremental expenses of $16,645,000

pre-tax (included in selling, general and administrative expenses), $10,554,000 after tax and $0.07 per share on a diluted basis.

Reported and pro forma net income and earnings per share are as follows:

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
	(Thousands, except per share data)		
Pre-tax stock-based compensation expense assuming fair value method applied to all awards(1)	$ 18,096	$ 13,895	$15,879
Stock-based compensation expense, net of tax	$ 11,477	$ 8,400	$ 9,598
Net income, as reported	$204,547	$168,239	$72,897
Fair value impact of employee stock compensation not reported in net income, net of tax	—	(7,717)	(9,668)
Pro forma net income	$204,547	$160,522	$63,229
Earnings per share:			
Basic — as reported	$ 1.40	$ 1.39	$ 0.61
Diluted — as reported	$ 1.39	$ 1.39	$ 0.60
Basic — pro forma	$ 1.40	$ 1.33	$ 0.53
Diluted — pro forma	$ 1.39	$ 1.32	$ 0.52

(1) Includes stock-based compensation expense for incentive stock, stock options, Employee Stock Purchase Plan activity and directors' compensation for the periods presented.

The fair value of options granted is estimated on the date of grant using the Black-Scholes model based on the assumptions in the table below. The assumption for the expected term is based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rate is based on the US Treasury rates at the date of grant with maturity dates approximately equal to the expected term at the grant date. The historical volatility of Avnet's stock is used as the basis for the volatility assumption.

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
Expected term (years)	6.0	6.0	6.1
Risk-free interest rate	4.1%	3.5%	3.4%
Weighted average volatility	43.4%	44.8%	46.9%
Dividend yield	—	—	—

At July 1, 2006, the Company had 13,851,086 shares of common stock reserved for stock option and stock incentive programs.

Stock option plans

The Company has four stock option plans with shares available for grant at July 1, 2006 as follows:

	Plan			
	1996	1997	1999	2003
Minimum exercise price as a percentage of fair market value at date of grant	100%	85%	85%	85%
Plan termination date	December 31, 2006	November 19, 2007	November 21, 2009	September 18, 2013
Shares available for grant at July 1, 2006	201,054	17,376	131,526	3,046,026

Option grants under all four plans have a contractual life of ten years. Option grants vest 25% on each anniversary of the grant date, commencing with the first anniversary.

The following is a summary of the changes in outstanding options for fiscal 2006:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at July 2, 2005	9,955,201	$20.28	68 months	
Granted	249,000	24.77	111 months	
Exercised	(1,694,046)	18.23	42 months	
Forfeited or expired	(439,943)	22.16	62 months	
Outstanding at July 1, 2006	8,070,212	20.75	61 months	$1,131,000
Exercisable at July 1, 2006	6,051,356	21.69	50 months	$1,131,000

The weighted-average grant-date fair values of share options granted during fiscal 2006, 2005, and 2004 were $11.86, $8.40 and $9.02, respectively. The total intrinsic values of share options exercised during fiscal 2006, 2005 and 2004 was $684,000, $109,000 and $412,000, respectively.

The following is a summary of the changes in non-vested shares for the fiscal year ended July 1, 2006:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested shares at July 2, 2005	3,319,228	$ 8.05
Granted	249,000	11.86
Vested	(1,359,234)	7.86
Forfeited	(190,138)	8.44
Non-vested at July 1, 2006	2,018,856	8.61

As of July 1, 2006, there was $17,391,000 of total unrecognized compensation cost related to non-vested awards granted under the option plans, which is expected to be recognized over a weighted-average period of

3.0 years. The total fair values of shares vested during fiscal 2006, 2005 and 2004 were $10,689,000, $12,548,000 and $10,752,000, respectively.

Cash received from option exercises during fiscal 2006, 2005 and 2004 totaled $30,879,000, $3,231,000, and $15,264,000, respectively. The impact of these cash receipts is included in "Other, net, financing activities" in the accompanying consolidated statements of cash flows.

Employee stock purchase plan

The Company has an Employee Stock Purchase Plan ("ESPP"), which was amended effective January 2006. Under the terms of the amended ESPP, eligible employees of the Company are offered options to purchase shares of Avnet common stock at a price equal to 95% of the fair market value on the last day of each monthly offering period. Previously the plan offered employees options to purchase shares of Avnet stock at a price equal to 85% of the fair market value on the first or last day, whichever was lower, of each monthly offering period. As a result of these amended terms, Avnet is not required to record expense in the consolidated statements of operations related to the ESPP subsequent to the second quarter of fiscal 2006. Therefore, the Company did not recognize any pre-tax compensation expense under the ESPP plan during the third or fourth quarters of fiscal 2006. The pre-tax compensation expense recognized under the ESPP during fiscal 2006 with the adoption of SFAS 123R was $465,000.

The Company has a policy of repurchasing shares on the open market to satisfy shares purchased under the ESPP, and expects future repurchases during fiscal 2007 to be less than repurchases made during fiscal 2006, based on current estimates of participation in the program. During fiscal 2006, 2005 and 2004, there were 175,454, 289,241, and 304,641 shares of common stock issued under the ESPP program.

Incentive stock

The Company has an Incentive Stock Program wherein, at July 1, 2006, a total of 1,150,155 shares were still available for award, under Avnet's 2003 Stock Compensation Plan. The above referenced share balance is also available for the granting of performance-based awards, as discussed below. Delivery of incentive shares, and the associated compensation expense, is spread equally over a five-year period and is subject to the employee's continued employment by the Company. As of July 1, 2006, 589,032 shares previously awarded have not yet been delivered. Pre-tax compensation expense associated with this program was $4,586,000 and $975,000 for fiscal years 2006 and 2005, respectively. In 2004 the Company did not award shares under this program.

Performance shares

Beginning in fiscal 2006, eligible employees, including Avnet's executive officers, may receive a portion of their long-term equity-based incentive compensation through the performance share program under Avnet's 2003 Stock Compensation Plan, which allows for the award of stock based upon performance-based criteria ("Performance Shares"). The Performance Shares will provide for payment to each grantee of a number of shares of Avnet's common stock at the end of a three-year period based upon the Company's achievement of performance goals established by the Compensation Committee of the Board of Directors for each three-year period. These performance goals are based upon a three-year cumulative increase in the Company's absolute economic profit, as defined, over the prior three-year period and the increase in the Company's economic profit relative to the increase in the economic profit of a peer group of companies. During fiscal 2006, the Company granted 194,530 performance shares to be awarded to participants in the Performance Share program in three years. The actual amount of Performance Shares issued at the end of the three year period will be determined based upon the level of achievement of the defined performance goals. During each of the first two years of this new program, participants may earn (vest in) a portion of the award granted, with the

shares to be issued at the end of the three-year period. During fiscal 2006, the Company recognized pre-tax compensation expense associated with the Performance Shares of $2,559,000.

Outside director stock bonus plan

Prior to the second quarter of fiscal 2006, the Company had a program whereby non-employee directors were awarded shares equal to $20,000 of Avnet common stock upon their re-election each year, as part of their director compensation package. Directors may elect to receive this compensation in the form of common stock under the Outside Director Stock Bonus Plan or they may elect to defer their compensation to be paid in common stock at a later date. Shares under this plan were issued in January of each year and the number of shares was calculated by dividing $20,000 by the average of the high and low price of Avnet common stock on the first business day of January. During the second quarter of fiscal 2006, this plan was amended such that directors are awarded shares equal to $75,000 effective with the January 2006 award. The increase in the value of shares awarded to directors of the Company was part of a change in director's compensation, which also eliminated the granting of options to the non-employee directors. As of July 1, 2006, this plan has been effectively terminated, and all future equity awards to non-employee directors will be made under Avnet's 2003 Stock Compensation Plan.

13. Contingent liabilities

From time to time, the Company may become liable with respect to pending and threatened litigation, taxes and environmental and other matters. The Company has been designated a potentially responsible party or has become aware of other potential claims against it in connection with environmental clean-ups at several sites. Based upon the information known to date, the Company believes that it has appropriately reserved for its share of the costs of the clean-ups and it is not anticipated that any contingent matters will have a material adverse impact on the Company's financial condition, liquidity or results of operations.

14. Earnings per share

Basic earnings per share is computed based on the weighted average number of common shares outstanding and excludes any potential dilution. Diluted earnings per share reflect potential dilution from the exercise or conversion of securities into common stock.

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
	(Thousands, except per share data)		
Numerator:			
Net income for basic earnings per share	$204,547	$168,239	$ 72,897
Interest on 4.5% Convertible Notes due September 1, 2004	—	—	100
Net income for diluted earnings per share	$204,547	$168,239	$ 72,997
Denominator:			
Weighted average common shares for basic earnings per share	145,942	120,629	120,086
Net effect of dilutive stock options and restricted stock awards	1,208	840	1,113
Net effect of 4.5% Convertible Notes due September 1, 2004	—	—	53
Weighted average common shares for diluted earnings per share	147,150	121,469	121,252
Basic earnings per share	$ 1.40	$ 1.39	$ 0.61
Diluted earnings per share	$ 1.39	$ 1.39	$ 0.60

Shares issuable upon conversion of the 2% Convertible Debentures are excluded from the computation of earnings per share for fiscal 2006, 2005 and 2004 because, upon conversion, the Company will deliver cash in lieu of common stock as the Company made an irrevocable election in December 2004 to satisfy the principal portion of the Debentures, if converted, in cash (see Note 7).

The effects of certain stock options and restricted stock awards are also excluded from the determination of the weighted average common shares for diluted earnings per share in each of the periods presented as the effects were antidilutive or the exercise price for the outstanding options exceeded the average market price for the Company's common stock. Accordingly, in fiscal 2006, 2005 and 2004, the effects of approximately 2,549,000, 3,805,000 and 4,276,000 shares, respectively, related to stock options are excluded from the computation above, all of which relate to options for which exercise prices were greater than the average market price of the Company's common stock (see Note 12 for options outstanding and weighted average exercise prices).

15. Additional cash flow information

Other non-cash and reconciling items consist of the following:

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
		(Thousands)	
Provision for doubtful accounts	$30,737	$33,248	$36,434
Stock-based compensation (Note 12)	18,096	1,047	—
Periodic pension costs (Note 10)	12,956	11,919	11,309
Loss on sale of business lines (Note 2)	2,601	—	—
Other, net	1,373	901	(94)
Total	$65,763	$47,115	$47,649

Other, net cash flows from financing activities are comprised primarily of proceeds from the exercise of stock options (see Note 12).

Interest and income taxes paid (refunded) during the last three years were as follows:

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
		(Thousands)	
Interest	$95,299	$85,242	$105,773
Income taxes	$35,724	$19,083	$(59,073)

Non-cash activity during the fiscal 2006 that was a result of the Memec acquisition (see Note 2) consisted of $418,205,000 of common stock issued as part of the consideration, $447,499,000 of liabilities assumed and $27,343000 of debt assumed. Other non-cash activities included amounts recorded through comprehensive income and, therefore, are not included in the consolidated statement of cash flows. Fiscal 2006 included a reversal of a portion of additional minimum pension liabilities (including non-US pension liabilities) of $32,979,000 which was recorded net of related deferred tax benefit of $13,059,000 in other comprehensive income (see Notes 4 and 10), and the exercise of a facility lease purchase option through the assumption of debt in the amount of $3,987,000.

Non-cash activity in fiscal 2005 and 2004 related to the impact of minimum pension liabilities recorded through other comprehensive income (see Notes 4 and 10). In fiscal 2005, the Company recognized through other comprehensive income additional minimum pension liabilities or $30,542,000, net of the related deferred

tax benefit of $11,877,000. In fiscal 2004, the Company reversed through other comprehensive income a portion of the additional minimum pension liability amounting to $4,169,000 net of the related deferred tax benefit of $1,651,000.

16. Segment information

During the first quarter of fiscal 2004, the Company combined its Computer Marketing ("CM") and Applied Computing ("AC") operating groups into one computer products and services business called Technology Solutions ("TS"). This combination was part of the Company's continued efforts to strengthen its market leadership position, streamline the business and further leverage cost synergies resulting from the combination. In light of the similarities of the logistics operations and related functions of CM and AC, the consolidation of certain of the units' operating facilities, equipment and processes has yielded cost savings while also stimulating new market opportunities for the combined group.

As a result of the formation of TS, Electronics Marketing ("EM") and TS are the overall segments upon which management primarily evaluates the operations of the Company and upon which management bases its operating decisions. Therefore, the segment data that follows reflects these two segments.

EM markets and sells semiconductors, interconnect, passive and electromechanical devices, and radio frequency/microwave components. EM markets and sells its products to a diverse customer base spread across end-markets including communications, computer hardware and peripheral, industrial and manufacturing, medical equipment and military and aerospace. EM also offers an array of value-added services to its customers such as supply-chain management, engineering design, inventory replenishment systems, connector and cable assembly and semiconductor programming.

TS markets and sells mid- to high-end servers, data storage, software and networking solutions, and the services required to implement these solutions, to the value-added reseller channel and enterprise computing customers. TS also focuses on the worldwide original equipment manufacturers ("OEM") market for computing technology, system integrators and non-PC OEMs that require embedded systems and solutions including engineering, product prototyping, integration and other value-added services.

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
		(Millions)	
Sales:			
Electronics Marketing	$ 9,262.4	$ 6,259.0	$ 5,892.4
Technology Solutions	4,991.2	4,807.8	4,352.3
	$14,253.6	$11,066.8	$10,244.7
Operating income (loss):			
Electronics Marketing	$ 419.1	$ 233.1	$ 212.5
Technology Solutions	165.7	147.7	98.9
Corporate	(61.0)	(59.5)	(53.6)
	523.8	321.3	257.8
Restructuring, integration and other charges (Note 17)	(69.9)	—	(55.6)
Incremental stock-based compensation (Note 12) and amortization of intangible assets (Note 2)	(20.8)	—	—
Loss on sale of business lines, net (Note 2)	(2.6)	—	—
	$ 430.5	$ 321.3	$ 202.2

	Years Ended		
	July 1, 2006	July 2, 2005	July 3, 2004
		(Millions)	
Assets:			
Electronics Marketing	$ 4,618.7	$ 3,158.5	$ 3,294.9
Technology Solutions	1,403.7	1,357.9	1,241.9
Corporate	193.3	581.8	326.9
	$ 6,215.7	$ 5,098.2	$ 4,863.7
Capital expenditures:			
Electronics Marketing	$ 36.3	$ 16.8	$ 12.6
Technology Solutions	4.0	6.5	7.2
Corporate	11.5	8.0	8.8
	$ 51.8	$ 31.3	$ 28.6
Depreciation & amortization expense:			
Electronics Marketing	$ 29.3	$ 27.8	$ 27.8
Technology Solutions	9.8	10.2	11.9
Corporate	27.4	23.7	24.8
	$ 66.5	$ 61.7	$ 64.5
Sales, by geographic area, are as follows:			
Americas(1)	$ 7,223.9	$ 5,804.9	$ 5,409.6
EMEA(2)	4,374.2	3,669.8	3,380.2
Asia/Pacific(3)	2,655.5	1,592.1	1,454.9
	$14,253.6	$11,066.8	$10,244.7
Property, Plant and Equipment, net, by geographic area:			
Americas(4)	$ 102.4	$ 95.7	$ 122.1
EMEA(5)	46.5	52.7	56.1
Asia/Pacific	10.5	9.0	9.1
	$ 159.4	$ 157.4	$ 187.3

(1) Included in sales for fiscal years 2006, 2005 and 2004 for the Americas region are $6.4 billion, $5.2 billion, and $4.9 billion, respectively, of sales related to the United States.

(2) Included in sales for fiscal years 2006, 2005 and 2004 for the EMEA region are $2.3 billion, $2.1 billion and $2.4 billion, respectively, of sales related to Germany.

(3) Included in sales for fiscal year 2006 for the Asia/Pacific region is $796 million of sales related to Hong Kong and $752 million of sales related to Singapore. Hong Kong and Singapore sales for fiscal years 2005 and 2004 were not a significant component of consolidated sales.

(4) Property, plant and equipment, net, for the Americas region as of the end of fiscal 2006, 2005 and 2004 includes $93.3 million, $94.6 million and $121.1 million, respectively, related to the United States.

(5) Property, plant and equipment, net, for the EMEA region as of fiscal 2006, 2005 and 2004 includes $25.9 million, $28.5 million, and $31.4 million, respectively, related to Germany and $13.5 million, $14.2 million and $15.5 million, respectively, related to Belgium.

The Company manages its business based upon the operating results of its two operating groups before restructuring and other charges (see Note 17). In fiscal 2006, and 2004 presented above, approximate unallocated pre-tax restructuring, integration and other charges related to EM and TS, respectively, were $53,456,000 and $9,529,000 in fiscal 2006 and, $19,446,000 and $29,920,000 in fiscal 2004. The remaining restructuring, integration and other charges in each year relate to corporate activities.

17. Restructuring, integration and other charges

The Company recorded a number of restructuring, integration and other charges during fiscal 2006 and 2004. There were no restructuring charges recorded in fiscal 2005. The fiscal 2006 restructuring, integration and other charges relate primarily to actions taken to integrate Memec into the existing Avnet business as well as actions taken in connection with recent divestitures, and other actions. The fiscal year 2004 charges relate primarily to the reorganization of operations in each of the three major regions of the world in which the Company operates, generally taken in response to business conditions at the time of the charge and as part of the Company's efforts to return to the profitability levels enjoyed by the business prior to the industry and economic downturn that commenced in fiscal 2001.

Fiscal 2006

During the fiscal 2006, the Company has incurred certain restructuring, integration and other charges as a result of the acquisition of Memec on July 5, 2005 (see Note 2), which is discussed further under ***Memec-related restructuring, integration and other charges.*** In addition, the Company has incurred restructuring and other charges primarily relating to actions taken following the divestitures of certain TS business lines in the Americas region, certain cost reduction actions taken by TS in the EMEA region and other items, which are discussed further under ***Restructuring and other charges related to business divestitures and other actions.*** The restructuring, integration and other charges incurred for all of these activities totaled $69,960,000 pre-tax, $49,870,000 after-tax and $0.34 per share on a diluted basis for fiscal 2006. The following table summarizes the restructuring, integration and other charges incurred related to these broad groups of actions:

	Year Ended July 1, 2006 (Thousands)
Memec-related including integration costs	$53,456(1)
Business divestitures and other	16,504
Total restructuring, integration and other charges	$69,960

(1) During fiscal 2006, $8,977,000 of the Memec-related charges was included in cost of sales in the accompanying consolidated statements of operations.

Memec-related restructuring, integration and other charges

During fiscal 2006, the acquired Memec business was being integrated into the Company's existing EM operations in all three regions. As a result of the acquisition integration efforts, the Company established and approved plans to restructure certain of Avnet's existing operations to accommodate the integration of Memec into Avnet.

The following table summarizes the activity associated with the fiscal 2006 restructuring and other charges related to Memec (excluding $8,977,000 recorded in cost of sales as discussed below and excluding $21,894,000 in integration costs discussed separately below):

	Severance Costs	Facility Exit Costs	IT-Related Costs	Other	Total
			(Thousands)		
Fiscal 2006 pre-tax charges	$ 16,352	$ 2,575	$ 2,426	$ 1,232	$ 22,585
Amounts utilized	(13,308)	(1,074)	(2,426)	(1,232)	(18,040)
Other, including foreign currency translation	(84)	(752)	—	2	(834)
Balance at July 1, 2006	$ 2,960	$ 749	$ —	$ 2	$ 3,711

The restructuring and other charges incurred during fiscal 2006 related to the integration of Memec totaled $31,562,000 pre-tax ($22,585,000 included in the preceding table and $8,977,000 recorded in cost of sales as discussed below), $24,182,000 after-tax and $0.16 per share on a diluted basis. The pre-tax charges included inventory write-downs for terminated lines amounting to $8,977,000. The remaining pre-tax charge of $22,585,000, which was included in "Restructuring, integration and other charges" in the accompanying consolidated statement of operations, included $16,352,000 for severance costs, $2,575,000 of facility exit costs related primarily to remaining lease obligations on exited facilities, $2,426,000 for the write-down of certain capitalized IT-related initiatives, primarily in the Americas, and $1,232,000 for other charges related primarily to other contractual obligations that will no longer be utilized in the combined Avnet and Memec business.

The charge for terminated inventory lines related to a strategic decision during the first half of fiscal 2006 to exit certain product lines within EM in the Americas. The charge in the third quarter of fiscal 2006 was a result of similar strategic decisions made in the EMEA region. The terminated lines were product lines that Avnet management elected not to continue with the combined Avnet and Memec business. As a result, management recorded a write-down of the related inventory on hand to fair market value due to the lack of contractual return privileges when a line is terminated by Avnet. Severance charges incurred during fiscal 2006 related to work force reductions of over 250 personnel primarily in administrative and support functions in the EMEA and Americas regions. The positions eliminated were Avnet personnel that were deemed redundant by management with the integration of Memec into Avnet. The facility exit charges related to liabilities for remaining non-cancelable lease obligations and the write-down of leasehold improvements and other property, plant and equipment relating to the facilities being exited. The facilities, which supported administrative and support functions, and some sales functions, were identified for consolidation based upon the termination of certain personnel discussed above and the relocation of other personnel into other existing Avnet facilities. The IT-related charges resulted from management's review of certain capitalized systems and hardware as part of the integration effort. A substantial portion of this write-off, which was recorded in the first quarter of fiscal 2006, relates to mainframe hardware that was scrapped due to the purchase of new, higher capacity hardware to handle the increased capacity needs with the addition of Memec. Similarly, certain capitalized IT assets were written off when they became redundant either to other acquired systems or new systems under development in the first quarter of fiscal 2006 as a result of the acquisition of Memec. Other charges in fiscal 2006 related primarily to certain other contractual obligations and contract termination charges.

Of the $31,562,000 recorded to expense for the Memec-related restructuring activity during fiscal 2006, $11,616,000 represented non-cash asset write-downs, which consisted primarily of the charge to cost of sales for inventory write-downs and the write-down of IT and other fixed assets. In addition, certain severance and lease liabilities in the amount of $1,284,000 were assumed by the buyer of the net assets of a small, non-core EM business in the EMEA region (see Note 2). The remaining Memec-related charges in fiscal 2006 of $18,662,000 required or will require the use of cash, of which $15,401,000 was paid during fiscal 2006, resulting in a remaining reserve balance of $3,711,000 including $450,000 due to the impact of foreign currency translation.

As of July 1, 2006, remaining Memec-related reserves related to the restructuring actions taken in fiscal 2006 total $3,711,000, of which $2,960,000 related to severance reserves, the majority of which management expects to utilize by the end of fiscal 2007, facility exit costs and other costs of $751,000, the majority of which management expects to utilize by fiscal 2009.

Also resulting from the Memec acquisition and its subsequent integration into Avnet, the Company incurred certain costs during fiscal 2006, amounting to $21,894,000 pre-tax, $14,647,000 after tax or $0.10 per share on a diluted basis. The integration costs, particularly in the first nine months of fiscal 2006, related to incremental salary costs, primarily of Memec personnel, who were retained by Avnet following the close of the acquisition, solely to assist in the integration of Memec's IT systems, administrative and logistics operations into those of Avnet. Generally, these identified personnel were retained nine months or less following the close of the acquisition. These personnel had no other meaningful day-to-day operational responsibilities outside of the integration effort. Also included in integration costs are certain professional fees, travel, meeting, marketing and communication costs that were incrementally incurred solely related to the Memec integration efforts. Professional fees included primarily consulting and legal advice associated with the efforts to merge the numerous legal entities that exist globally between the Avnet and Memec operations. Integration costs, along with restructuring and other charges, are presented separately from selling, general and administrative expenses on the consolidated statement of operations. All integration costs recorded in fiscal 2006 represent amounts incurred and paid during the fiscal 2006.

Restructuring and other charges related to business line divestitures and other actions

During the third quarter of fiscal 2006, the Company divested its end-user business lines in TS Americas (see Note 2). As a result, restructuring charges were incurred due to certain actions taken by the Company following these divestitures. The Company also incurred restructuring costs and other charges relating to certain cost-cutting measures and other actions taken by TS in the EMEA region and certain actions at corporate in fiscal 2006.

The following table summarizes the activity relating to the restructuring and other charges related to business line divestitures and other actions taken during fiscal 2006:

	Severance Costs	Facility Exit Costs	Other	Total
		(Thousands)		
Fiscal 2006 pre-tax charges	$ 5,932	$ 6,510	$ 362	$12,804
Amounts utilized	(2,017)	(4,241)	(267)	(6,525)
Other, principally foreign currency translation	57	12	2	71
Balance at July 1, 2006	$ 3,972	$ 2,281	$ 97	$ 6,350

The restructuring and other charges incurred during fiscal 2006 totaled $16,504,000 pre-tax ($12,804,000 included in the preceding table, and $3,700,000 relating to other charges net of reversals of previously recorded reserves discussed below), $11,041,000 after-tax and $0.08 per share on a diluted basis. The pre-tax charges, which are included in restructuring, integration and other charges in the accompanying consolidated statement of operations, consisted of severance costs of $5,932,000 related to TS operations in the Americas and EMEA regions, facility exit costs in the Americas and EMEA regions totaling $6,510,000, and $362,000 for other charges. Not included in the table above are other charges totaling $3,700,000 pre-tax, consisting of $3,179,000 related primarily to a curtailment charge resulting from a small UK-based pension plan that the Company elected to terminate, $1,818,000 related to the reassessment of an existing environmental liability and a reversal of $1,297,000 for charges recorded in prior fiscal years primarily in TS EMEA, a portion of which was recorded through restructuring charges in prior years (see *Fiscal 2005 and 2004* reserve discussion in this Note 17).

The severance costs related primarily to severance and other termination benefit payments related to 20 personnel in the TS Americas' operations who were rendered redundant in Avnet's ongoing business following the divestiture of the end-user business lines during the third quarter of fiscal 2006. This included two management-level employees whose primary responsibilities previously included the management of the divested business lines. Severance charges in fiscal 2006 also included termination benefits for over 10 personnel in the TS EMEA operations who were identified as redundant based upon the realignment of certain job functions in that region and two corporate management-level employees. The facility exit charges related to liabilities for remaining non-cancelable lease obligations and the write-down of facility-related property, plant and equipment. The impacted facilities were TS leased facilities in the Americas that were rendered redundant with the divestitures discussed above, as well as certain TS leased facilities in EMEA that were vacated as part of the realignments of personnel discussed above. Certain furniture, fixtures and equipment in these facilities were also written off as part of these charges. Other charges in fiscal 2006 related primarily to asset impairment charges recorded in the second quarter and fourth quarter of fiscal 2006 totaling $3,591,000 for two owned but vacant facilities and certain related fixed assets — one in EMEA and one in the Americas. The write-down to fair value was based upon management's estimates of the current market values and possible selling price, net of selling costs, for these properties. Also included in other charges is the pension plan curtailment charge and environmental liability charge noted previously.

Of the $16,504,000 recorded to expense for these non-Memec related restructuring and other charges during fiscal 2006, $3,299,000 represented non-cash asset write-downs, which consisted primarily of the write-down to fair value of the owned facilities in EMEA and the Americas and certain furniture, fixtures and equipment in leased facilities. The remaining charges in fiscal 2006, amounting to $13,205,000, required or will require the use of cash, of which $5,109,000 was paid during fiscal 2006.

As of July 1, 2006, remaining reserves related to these non-Memec related restructuring and other actions taken in fiscal 2006, included in the table above, totaled $6,350,000 of which $3,972,000 relates to severance reserves, the majority of which management expects to utilize before the end of fiscal 2008, facility exit costs of $2,281,000, the majority of which management expects to utilize by fiscal 2013, and other costs of $97,000, the majority of which management expects to utilize by the end of fiscal 2007.

Fiscal 2005 and 2004

The following table summarizes the activity associated with the fiscal 2004 restructuring changes taken in response to business conditions with the time of the change. These charges for the past three years, including activity in the related accrued liability and reserve accounts subsequent to initially recording the charge:

	Severance Costs	Facility Exit Costs	IT-Related Costs	Other	Total
Balance at June 27, 2003	$ 7,234	$ 36,908	$ 742	$ 647	$ 45,531
2004 activity	14,691	15,643	19,759	5,525	55,618
Amounts utilized	(18,235)	(32,411)	(19,351)	(5,624)	(75,621)
Adjustments	(1,043)	1,164	(210)	—	(89)
Other, principally foreign currency translation	381	1,041	(68)	—	1,354
Balance at July 3, 2004	3,028	22,345	872	548	26,793
Amounts utilized	(1,285)	(11,161)	(722)	(207)	(13,375)
Adjustments	(350)	(952)	(18)	—	(1,320)
Other, principally foreign currency translation	26	245	(21)	10	260
Balance at July 2, 2005	1,419	10,477	111	351	12,358
Amounts utilized	(1,135)	(4,122)	—	(63)	(5,320)
Adjustments	279	(663)	(108)	—	(492)
Other, including foreign currency translation	(95)	250	(3)	—	152
Balance at July 1, 2006	$ 468	$ 5,942	$ —	$ 288	$ 6,698

Total amounts utilized in fiscal 2006, 2005 and 2004 consist of cash payments of $5,320,000, $13,375,000, and $44,212,000, respectively, and non-cash asset write-downs of $31,409,000, in fiscal 2004.

During fiscal 2006, the Company recorded certain adjustments to these reserves totaling $492,000, which were recorded in restructuring, integration and other charges in the consolidated statement of operations. These adjustments were a result of management's ongoing analysis of its restructuring reserves related primarily to the release of excess lease liabilities and additional severance reserve based on revised estimates of the Company's obligation.

During fiscal 2005, the Company recorded certain adjustments to reserves totaling $1,320,000 during fiscal 2005, which were recorded through selling, general and administrative expenses. The adjustments related primarily to the reversal of certain excess legal expense reserves associated with finalization of termination payments and reversal of excess severance reserves offset in part by additional severance costs recorded based upon revised estimates of required payouts. The Company also reduced certain lease reserves due to modification to sublease and termination assumptions based upon ongoing market conditions.

During the first and second quarters of fiscal 2004, the Company executed certain restructuring and cost cutting initiatives in order to improve profitability. These actions can generally be broken into three categories: (1) the combination of the CM and AC operating groups into one computer products and services business (see Note 16); (2) the reorganization of the Company's global IT resources, which had previously been administered generally on a separate basis within each of the Company's operating groups; and (3) various other reductions within EM and certain centralized support functions.

Restructuring and other charges incurred during the first quarter of fiscal 2004 totaled $32,153,000 pre-tax and $22,186,000 after-tax, or $0.18 per share on a diluted basis. The pre-tax charge consisted of severance costs ($9,393,000), charges related to consolidation of selected facilities ($10,848,000), write-downs of certain capitalized IT-related initiatives ($6,909,000) and other items, consisting primarily of the write-off of the remaining unamortized deferred loan costs associated with the Company's multi-year credit facility terminated in September 2003 as discussed in Note 7 ($5,003,000).

Severance charges related to workforce reductions of approximately 400 personnel completed during the first quarter of fiscal 2004, primarily in executive, support and other non-customer facing functions in the Americas and EMEA regions. Management also identified a number of facilities for consolidation primarily in the Americas and EMEA regions. These facilities generally related to certain logistics and warehousing operations as well as certain administrative facilities across both operating groups and at the corporate level. The charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in these facilities that have been vacated. Management also evaluated and elected to discontinue a number of IT-related initiatives similar to the decisions reached in the second quarter of fiscal 2004 as discussed below. These charges related to the write-off of capitalized hardware and software.

Restructuring charges incurred during the second quarter of fiscal 2004 totaled $23,465,000 pre-tax, $16,351,000 after-tax, or $0.14 per diluted share. The charges consisted of severance costs ($5,298,000), charges related to write-downs of owned assets and consolidation of selected facilities ($4,795,000), write-downs of certain capitalized IT-related initiatives ($12,850,000) and other items ($522,000).

Severance charges related to workforce reductions of approximately 120 personnel, the majority of whom staffed warehousing, administrative and support functions, primarily for facilities within the TS operations in EMEA that were identified for consolidation as part of the combination of CM and AC. A smaller portion of these charges also impacted operations in the Americas. The combination of CM and AC in EMEA also led to charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of assets located in the facilities that were vacated. The facilities primarily related to warehousing and administrative offices that became redundant with the combination of the two former operating groups into TS. Management also evaluated and elected to discontinue a number of IT-related initiatives that, in light of recent business restructurings, no longer met the Company's return on investment standards for continued use or deployment. These charges related to the write-off of capitalized hardware and software. Lastly, the Company's efforts to combine CM and AC in EMEA resulted in the decision to merge the former CM EMEA operations onto the computer systems that had historically been used in the AC EMEA business. The change in the use of this significant asset in CM EMEA generated a need to analyze the group of long-lived assets within the former CM EMEA operations for impairment. As a result of this analysis, the Company recorded an impairment charge to write-down certain long-lived assets to their estimated fair market values. This charge, totaling $9,430,000, of which $4,228,000 relates to the CM EMEA computer systems, is included in the facilities and IT-related charges quantified above.

During the fourth quarter of fiscal 2004, as part of management's ongoing analysis of the reserves for various restructuring activities, the Company recorded adjustments to certain of its remaining reserves. The adjustments occurred primarily in the Company's EM and TS operations in EMEA and related to adjustments to reduce excess severance reserves based upon revised estimates of statutorily required payouts and recording of additional charges related to leased facilities due to modifications to sublease and termination assumptions based upon ongoing market conditions. The Company also negotiated a favorable buyout of a hardware and software maintenance contract, which resulted in the reversal of certain IT-related reserves. These adjustments are reflected on the "Adjustments" line item in the above table for fiscal 2004.

The combined charges recorded during fiscal 2004 totaled $55,618,000 pre-tax and $38,537,000 after-tax, or $0.32 per diluted share.

In all periods, to the extent owned facilities, equipment or IT-related assets were written down as part of these charges, the write-downs were to estimated fair value based upon management's estimates of asset value from historical experience and/or analyses of comparable facilities or assets. Particularly in the case of IT-related initiatives, many of the assets were written off entirely as there is no potential to sell the related assets or otherwise realize value of the assets in the business. In such cases, the assets have generally been disposed of by the Company.

As of July 1, 2006, the Company's remaining reserves for fiscal 2004 restructuring and other related activities totaled $6,698,000. Of this balance, $468,000, relates to remaining severance reserves the majority of which the Company expects to utilize by the end of fiscal 2008. The remaining reserve balance also includes $5,942,000 related to reserves for contractual lease commitments (shown as Facility Exit Costs in the table at the beginning of this Note), substantially all of which the Company expects to utilize by the end of fiscal 2010, although a small portion of the remaining reserves relate to lease payouts that extend as late as fiscal 2012. The other reserves, which total $288,000, relate primarily to remaining contractual commitments, the majority of which the Company expects to utilize during fiscal 2007.

18. Summary of quarterly results (unaudited):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
		(Millions, except per share amounts)			
2006(a)					
Sales	$3,268.3	$3,759.1	$3,614.6	$3,611.6	$14,253.6
Gross profit	423.2	461.8	472.1	481.9	1,839.0
Net income	24.9	49.6	71.2	58.8	204.5
Diluted earnings per share	0.17	0.34	0.48	0.40	1.39
2005					
Sales	$2,600.0	$2,883.2	$2,758.2	$2,825.4	$11,066.8
Gross profit	349.6	373.9	364.6	370.9	1,459.0
Net income	36.3	43.5	41.1	47.3	168.2
Diluted earnings per share	0.30	0.36	0.34	0.39	1.39

(a) Quarterly results for fiscal 2006 include certain impacts to gross profit, net income and diluted earnings per share due to (i) restructuring, integration and other charges; (ii) incremental stock-based compensation costs; (iii) debt extinguishments costs (impacts first and fourth quarter); (iv) incremental intangible assets amortization in connection with the acquisition of Memec (impacts third and fourth quarter); and (v) net loss on sale of business lines divested (impacts third and fourth quarter). The impact of the charges described in (i) through (v) by quarter in Fiscal 2006 was $29.2 million pre-tax, $19.3 million after tax and $0.14 per share on a diluted basis in the first quarter; $36.4 million pre-tax, $24.0 million after tax and $0.16 per share on a diluted basis in the second quarter; $12.6 million pre-tax, $8.3 million after tax and $0.05 per share on a diluted basis in the third quarter; and $37.7 million pre-tax, $32.2 million after tax and $0.22 per share on a diluted basis in the fourth quarter. The impact of these charges on the twelve months ended July 1, 2006 were $115.9 million pre-tax, $83.9 million after tax and $0.57 per share on a diluted basis. For further details of the total impact of these charges on the fiscal year see footnote (a) to Item 6 of this Form 10-K.

SCHEDULE II

AVNET, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

Years Ended July 1, 2006, July 2, 2005 and July 3, 2004

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts—Describe	Deductions—Describe	Balance at End of Period
			(Thousands)		
Fiscal 2006					
Allowance for doubtful accounts	$ 85,079	$30,737	$11,503(a)	$(38,336)(b)	$ 88,983
Valuation allowance on foreign tax loss carryforwards (Note 9)	191,983	1,170	77,592(c)	—	270,745
Fiscal 2005					
Allowance for doubtful accounts	78,410	33,248	—	(26,579)(b)	85,079
Valuation allowance on foreign tax loss carryforwards (Note 9)	174,090	5,444	22,369(d)	(9,920)(e)	191,983
Fiscal 2004					
Allowance for doubtful accounts	84,042	36,434	—	(42,066)(b)	78,410
Valuation allowance on foreign tax loss carryforwards (Note 9)	148,382	25,708	—	—	174,090

(a) Includes allowance for doubtful accounts acquired as a result of the Memec acquisition (see Note 2).

(b) Uncollectible accounts written off.

(c) Includes certain valuation allowances acquired as a result of the Memec acquisition (see Note 2) and additional valuation allowances associated with legal entity reorganizations of certain foreign operations.

(d) Reclassification of contingency reserves to valuation allowance (see Note 8).

(e) Write-off of certain unrealizable tax loss carryforwards against the previously established valuation allowance.

INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Restated Certificate of Incorporation of the Company (incorporated herein by reference to the Company's Current Report on Form 8-K dated February 12, 2001, Exhibit 3(i).
3.2	By-laws of the Company, effective November 6, 2003 (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated November 14, 2003 Exhibit 3).
4.1	Indenture dated as of October 1, 2000, between the Company and Bank One Trust Company, N.A., as Trustee, providing for the issuance of Debt Securities in one or more series. (incorporated herein by reference to the Company's Current Report on Form 8-K dated October 12, 2000, Exhibit 4.1).
4.2	Officers' Certificate dated February 4, 2003, providing for the Notes, including (a) the form of the Notes, and (b) the Pricing Agreement. (incorporated herein by reference to the Company's Current Report on Form 8-K dated January 31, 2003, Exhibit 4.2).
4.3	Indenture dated as of March 5, 2004, by and between the Company and JP Morgan Trust Company, National Association. (incorporated herein by reference to the Company's Current Report on Form 8-K dated March 8, 2004, Exhibit 4.1).
4.4	Officers' Certificate dated March 5, 2004, establishing the terms of the 2% Convertible Senior Debentures due 2034. (incorporated herein by reference to the Company's Current Report on Form 8-K dated March 8, 2004, Exhibit 4.2).
4.5	Officers' Certificate dated August 19, 2005, establishing the terms of the 6.00% Notes due 2015. (incorporated herein by reference to the Company's Current Report on Form 8-K dated August 19, 2005, Exhibit 4.2).
	Note: The total amount of securities authorized under any other instrument that defines the rights of holders of Company's long-term debt does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. Therefore, these instruments are not required to be filed as exhibits to this Report. The Company agrees to furnish copies of such instruments to the Commission upon request.
	Executive Compensation Plans and Arrangements
10.1	Employment Agreement dated June 29, 1998 between the Company and David R. Birk (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 18, 1998, Exhibit 99.3).
10.2	Employment Agreement dated June 29, 1998 between the Company and Raymond Sadowski (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 18, 1998, Exhibit 99.4).
10.3	Employment Agreement dated April 1, 2000 between the Company and Andrew S. Bryant (incorporated herein by reference to the Company's Current Report on Form 8-K dated May 14, 2001, Exhibit 99C).
10.4	Employment Agreement dated May 1, 2000 between the Company and Richard Hamada (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10B).
10.5	Employment Agreement dated July 1, 2002 between the Company and Edward B. Kamins (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10C).
10.6	Change of Control Agreement dated March 1, 2001 between the Company and Edward B. Kamins (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated November 10, 2004, Exhibit 10.2).
10.7	Employment Agreement dated June 29, 2002 between the Company and Roy Vallee (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10D).
10.8	Change of Control Agreement dated as of March 1, 2001 between the Company and David R. Birk (incorporated herein by reference to the Company's Current Report on Form 8-K dated May 14, 2001, Exhibit 99D).

Exhibit Number	Exhibit
10.9	Change of Control Agreement dated as of March 1, 2001 between the Company and Ray Sadowski (incorporated herein by reference to the Company's Current Report on Form 8-K dated May 14, 2001, Exhibit 99H).
10.10	Change of Control Agreement dated September 22, 2003 between the Company and Richard Hamada (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated November 14, 2003, Exhibit 10).
10.11	Employment Agreement dated July 1, 2004 between the Company and Steven C. Church (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated May 8, 2006, Exhibit 10.2).
10.12	Change of Control Agreement dated July 1, 2004 between the Company and Steven C. Church (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated May 8, 2006, Exhibit 10.3).
10.13	Avnet 1988 Stock Option Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, Registration No. 33-29475, Exhibit 4-B).
10.14	Avnet 1990 Stock Option Plan (incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1992, Exhibit 10E).
10.15	Avnet 1995 Stock Option Plan (incorporated herein by reference to the Company's Current Report on Form 8-K dated February 12, 1996, Exhibit 10).
10.16	Avnet 1996 Incentive Stock Option Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, Registration No. 333-17271, Exhibit 99).
10.17	Amended and Restated Avnet 1997 Stock Option Plan (incorporated herein by reference to the Company's Current Report on Form 8-K dated August 29, 2006, Exhibit 10.1).
10.18	1994 Avnet Incentive Stock Program (incorporated herein by reference to the Company's Registration Statement on Form S-8, Registration No. 333-00129, Exhibit 99).
10.19	Stock Bonus Plan for Outside Directors (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 23, 1997, Exhibit 99.2).
10.20	Amendment to Stock Bonus Plan for Outside Directors dated November 8, 2002. Directors (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003 Exhibit 10G).
10.21	Retirement Plan for Outside Directors of Avnet, Inc., effective July 1, 1993 (incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1992, Exhibit 10i).
10.22	Amended and Restated Avnet, Inc. Deferred Compensation Plan for Outside Directors (incorporated herein by reference to the Company's Registration Statement on Form S-8, Registration No. 333-112062, Exhibit 10.1).
10.23	Avnet 1999 Stock Option Plan (incorporated by reference to the Company's Current Report on Form 8-K dated August 29, 2006, Exhibit 10.2).
10.24	Avnet, Inc. Executive Incentive Plan (incorporated herein by reference to the Company's Proxy Statement dated October 7, 2002).
10.25	Amended and Restated Employee Stock Purchase Plan (incorporated herein by reference to the Company's Proxy Statement dated October 1, 2003).
10.26	Avnet, Inc. 2003 Stock Compensation Plan (a) Form of nonqualified stock option agreement (b) Form of nonqualified stock option agreement for non-employee director (c) Form of incentive stock option agreement (d) Form of performance stock unit term sheet (incorporated by reference to the Company's Current Report on Form 8-K dated August 29, 2006, Exhibit 10.3).

Exhibit Number	Exhibit
10.27	Avnet Deferred Compensation Plan (incorporated by reference to the Company's Current Report on Form 8-K dated May 18, 2005, Exhibit 99.1).
10.28	Change of Control Agreement dated as of March 1, 2001 between the Company and Harley Feldberg (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 8, 2004, Exhibit 10.1).
10.29	Employment Agreement dated July 4, 2004 between the Company and Harley Feldberg (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated November 10, 2004, Exhibit 10.1).
10.30	Form of Indemnity Agreement. The Company enters into this form of agreement with each of its directors and officers. (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated May 8, 2006, Exhibit 10.1).
10.31	Form option agreements for stock option plans (incorporated by reference to the Company's Current Report on Form 8-K dated September 8, 2004, Exhibit 10.4).
	(a) Non-Qualified stock option agreement for 1999 Stock Option Plan
	(b) Incentive stock option agreement for 1999 Stock Option Plan
	(c) Incentive stock option agreement for 1996 Stock Option Plan
	(d) Non-Qualified stock option agreement for 1995 Stock Option Plan
	Bank Agreements
10.32	Securitization Program
	(a) Receivables Sale Agreement, dated as of June 28, 2001 between Avnet, Inc., as Originator and Avnet Receivables Corporation as Buyer (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10J).
	(b) Amendment No. 1, dated as of February 6, 2002, to Receivables Sale Agreement in 10.29(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10K).
	(c) Amendment No. 2, dated as of June 26, 2002, to Receivables Sale Agreement in 10.29(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10L).
	(d) Amendment No. 3, dated as of November 25, 2002, to Receivables Sale Agreement in 10.29(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10B).
	(e) Amendment No. 4, dated as of December 12, 2002, to Receivables Sale Agreement in 10.29(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10E).
	(f) Amendment No. 5, dated as of August 15, 2003, to Receivables Sale Agreement in 10.29(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003, Exhibit 10C).
	(g) Amendment No. 6, dated as of August 3, 2005, to Receivables Sale Agreement in 10.29(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 13, 2005, Exhibit 10.1).
	(h) Amended and Restated Receivables Purchase Agreement dated as of February 6, 2002 among Avnet Receivables Corporation, as Seller, Avnet, Inc., as Servicer, the Companies, as defined therein, the Financial Institutions, as defined therein, and Bank One, NA (Main Office Chicago) as Agent (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10M).*
	(i) Amendment No. 1, dated as of June 26, 2002, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10N).

Exhibit Number	Exhibit
	(j) Amendment No. 2, dated as of November 25, 2002, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10A).
	(k) Amendment No. 3, dated as of December 9, 2002, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10C).
	(l) Amendment No. 4, dated as of December 12, 2002, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10D).
	(m) Amendment No. 5, dated as of June 23, 2003, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003, Exhibit 10D).
	(n) Amendment No. 6, dated as of August 15, 2003, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003, Exhibit 10E).
	(o) Amendment No. 7, dated as of August 3, 2005, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 13, 2005, Exhibit 10.2).
	(p) Amendment No. 8, dated as of August 1, 2006, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated August 29, 2006, Exhibit 10.4).
	(q) Amendment No. 9, effective as of August 31, 2006, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated August 29, 2006, Exhibit 10.5).
10.33	Amended and Restated Credit Agreement, dated October 13, 2005, by and among Avnet, Inc., Avnet Logistics U.S., L.P. and Certain Other Subsidiaries, as Borrowers, Bank of America, N.A. as Administrative Agent, Swing Line Lender and L/C Issuer and the Other Lenders party thereto. (incorporated herein by reference to the Company's Current Report on Form 8-K dated October 17, 2005, Exhibit 10.1).
	Other Agreements
10.34	Securities Acquisition Agreement, dated April 26, 2005, by and among Avnet, Inc. and the sellers named therein and Memec Group Holdings Limited. (incorporated herein by reference to the Company's Current Report on Form 8-K dated April 26, 2005, Exhibit 2.1).
21	List of subsidiaries of the Company as of July 1, 2006 (incorporated herein by reference to the Company's Current Report on Form 8-K dated August 29, 2006, Exhibit 21).
23.1**	Consent of KPMG LLP.
31.1**	Certification by Roy Vallee, Chief Executive Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification by Raymond Sadowski, Chief Financial Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1***	Certification by Roy Vallee, Chief Executive Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2***	Certification by Raymond Sadowski, Chief Financial Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.

* This Exhibit does not include the Exhibits and Schedules thereto as listed in its table of contents. The Company undertakes to furnish any such Exhibits and Schedules to the Securities and Exchange Commission upon its request.

** Filed herewith.

*** Furnished herewith.

BOARD OF DIRECTORS

Roy Vallee	James A. Lawrence
Eleanor Baum	Frank R. Noonan
J. Veronica Biggins	Ray M. Robinson
Lawrence W. Clarkson	Peter Smitham
Ehud Houminer	Gary L. Tooker

GLOBAL EXECUTIVE COUNCIL

Roy Vallee	Chairman & Chief Executive Officer
Achim Apel	President, Avnet Technology Solutions EMEA*
David Birk	General Counsel & Secretary
Steve Church	Chief Human Resources Development Officer
Fred Cuen	President, Avnet Technology Solutions Americas
Harley Feldberg	President, Avnet Electronics Marketing Global
Phil Gallagher	President, Avnet Electronics Marketing Americas
Rick Hamada	Chief Operating Officer
Ed Kamins	Chief Operational Excellence Officer
Al Maag	Chief Communications Officer
Tom McCartney	President, Avnet Electronics Marketing Japan
Steve Phillips	Chief Information Officer
Ray Sadowski	Chief Financial Officer
Jim Smith	President, Avnet Logistics
KP Tang	President, Avnet Technology Solutions Asia
Stephen Wong	President, Avnet Electronics Marketing Asia
Patrick Zammit	President, Avnet Electronics Marketing EMEA*

*Europe, the Middle East and Africa

Footnotes

(1) Revenue growth for fiscal year 2006 does not include the revenue from Memec in fiscal year 2005.

(2) Calculations do not take into account stock-based compensation, amortization of intangibles, restructuring and other charges in fiscal year 2006.

(3) When adjusted to include Memec's sales in FY'05 and divestitures in the second half of FY'06.

SHAREHOLDER INFORMATION

Corporate Headquarters
2211 South 47th Street
Phoenix, AZ 85034
(480) 643-2000
(888) 822-8638
www.avnet.com

Independent Auditors
KPMG LLP
Phoenix, Ariz.

Transfer Agent and Registrar
American Stock Transfer and Trust Company
59 Maiden Lane
Plaza Level
New York, NY 10038

Annual Meeting of Shareholders
November 9, 2006
2:00 p.m. MST
Arizona Corporate Broadcast Center
2617 South 46th Street, Suite 300
Phoenix, AZ 85034
A formal notice of the meeting and a proxy statement will be mailed to each shareholder of record.

Investor Relations
Vince Keenan
Vice President and Director
(480) 643-7053
(480) 643-7370 (fax)
investorrelations@avnet.com

Avnet Web Site
Comprehensive investment information regarding Avnet, Inc., including current and previous annual reports, management presentations, a calendar of events, corporate governance and other information, is available at **www.ir.avnet.com**.

CEO/CFO Certifications
The most recent certifications by our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to our Form 10-K. We have also filed with the New York Stock Exchange the most recent Annual CEO Certification as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

Avnet ships approximately 8 million line items annually.

AVNET

www.avnet.com

50 YEARS

OF MAKING HISTORY

AVNET®

2005 ANNUAL REPORT

ABOUT AVNET

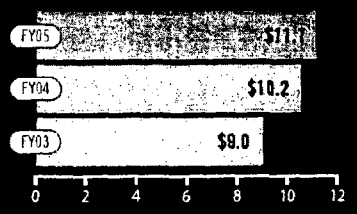
TAKING TECHNOLOGY TO MARKET FOR 50 YEARS

Happy 50th anniversary! Incorporated in 1955, Avnet is a leading global distributor of electronic components, computer products, and technology services and solutions. From cell phones, video games and computers to automotive instrumentation, test and measurement devices, automatic teller machines, and avionics and medical equipment, Avnet helps the world's technology manufacturers get their products to market quickly, efficiently and profitably. Avnet also specializes in integrating and installing computer networking and information technology systems. Through its premier market position, Avnet provides a breadth of capabilities helping partners accelerate growth and manage costs, including warehousing, inventory management, marketing, distribution, physical value-added services like assembly and programming, engineering design, logistics and other supply chain solutions. The Company's innovative culture and entrepreneurial spirit, coupled with its commitment to customer service excellence and strong business relationships, assure customers and suppliers they have chosen the right partner. AMD, Hewlett-Packard, IBM, Intel, Microsoft, National Semiconductor, Texas Instruments, Xilinx and more than 100,000 other companies put their trust in us. Avnet and the recently acquired Memec generated combined revenue in excess of $13 billion in the past year. Avnet's global scope and scale, talented people and focus on value-based management ensure it will remain an industry leader.

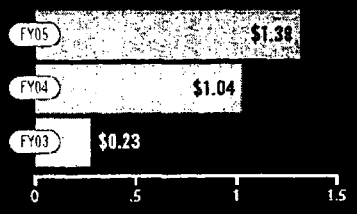
FOUNDED 1921 • INCORPORATED 1955

AVNET, INC.

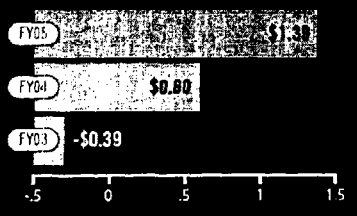
Sales
(in billions)



Diluted Earnings Per Share
Pro Forma EPS



Diluted Earnings (Loss) Per Share
GAAP EPS



AVNET®

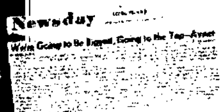
The Early Years

The Avnet family gathers for the 1931 marriage of Charles Avnet's son, Norman, now a retired radiologist, and his wife, Roz. Clockwise from top left: Robert Avnet and his wife, Maxine; Joan Avnet and her husband, Lester; Norman and Roz; and Helen Avnet and her husband, Charles.

From founder Charles Avnet's first sale on Radio Row in the 1920s to today's multimillion-dollar relationships with leading-edge companies, Avnet has been at the center of the technology industry, delivering value, creating solutions and building channels to market for our trading partners.

Charles Avnet and the Golden Age of Radio

With World War I a memory, New York City's docks were awash in surplus military and ship-to-shore radio parts. Amateur (ham) radio enthusiasts were putting together crystal set "cat's whiskers" devices of their own from kits. The market for radio components was heating up. Into this nascent



Newsday

We're Going to Be Biggest, Going to the Top—Avnet

industry came Charles Avnet, a 33-year-old Russian immigrant. He began buying and selling surplus radio parts in 1921, just as the first component stores opened for business on Lower Manhattan's Radio Row. As radio manufacturing grew, so did the role of parts distributors. Charles sold about $85,000 in components his first year in business and soon added automobile antenna assembly and kits to his repertoire. When the Depression hit, he shifted his focus from retailing to wholesaling radio and television set parts, an astute decision that allowed him to pay off all his debts and realize a modest profit. By making good on his loans, he was building a reputation of business acumen and honesty that would serve his namesake Company well.

The Connector Connection

Electronic components became priority defense items as the United States geared up for World War II. Charles turned his full attention to satisfying military and government requests. He opened his first major manufacturing facility in 1944 to assemble military antennas. As the war came to a close, Charles' son, Lester, persuaded him to shift his focus to connectors, which were not only available for pennies on the dollar as military surplus, but were intrinsic to almost every electronic device. Ten years after the war ended,

New York City

the Avnets had a thriving business manufacturing and assembling connectors to customers' specifications. They incorporated in 1955 as Avnet Electronic Supply Co. and the following year opened their first West Coast facility to serve the aviation and missile industries. In 1957, Bendix named Avnet an authorized factory jobber and assembler, Avnet's first franchised relationship. Soon renamed Avnet Electronics Corp., by 1959 the Company boasted overnight delivery coast to coast. In addition to connectors, the line card included capacitors, fasteners, switches and early semiconductor products. Avnet Electronics, with just over $6 million in sales, closed the decade by going public on the American Stock Exchange.

Diversify! Avnet Broadens its Horizons

With the commercialization of the integrated circuit and invention of the microprocessor, electronics entered an exciting age of innovation, and so did Avnet. The Company embarked on a new era with the purchase of audio equipment maker British Industries Corp. (BIC), a distributor of elite brands like Garrard turntables and Wharfedale speakers. It was just the first in a string of acquisitions that would turn Avnet from a components distributor and manufacturer into a company with expertise in an array of goods, from

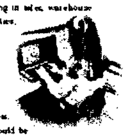
microprocessors and die casting machines to television antennas, musical instruments, perfume bottles, industrial engines, auto parts, record albums, trophies and more. Now a member of the New York Stock Exchange, the Company expanded into Canada in 1963 and changed its name to Avnet, Inc. the following year to reflect the breadth of its interests. It entered the

Peabody

big leagues in 1968, joining the *Fortune* 500 at No. 467. Although the pace of acquisitions slowed in the 1970s, Avnet continued to invest in stocking, manufacturing and sales facility expansion. Avnet, Inc. had become a diversified holding company with a fluid matrix of businesses involved in distribution, marketing, licensing and manufacturing activities around the world. Revenue surpassed $570 million.

Technology Wins the Day

Avnet's diversified portfolio helped it trump the economic slump of the mid-1970s recession, but after some 40 acquisitions in the 1960s it was time to fine-tune the Company. The strategy revolved primarily around consolidating divisions, investing in sales, warehouse or stocking facilities, developing new products, reinforcing relationships, adding new franchises and expanding markets.



Avnet's future would be in the field from whence it arose – technology distribution. The Company was already the leading U.S. distributor for semiconductors, connectors, computer products and passive components, and in many cases it was the single largest customer of each of its suppliers. Franchises with Intel, AMD, Fairchild, Motorola and other semiconductor suppliers contributed greatly to the Company's vigor. By the end of the decade, sales exceeded $1 billion and 75 percent of revenue came from the Electronic Marketing and Wire & Cable groups, which had contributed only 25 percent just 10 years prior. In the late 1980s, sales of personal and business computers took off. Avnet expanded its position, taking technology distribution beyond components to board-level and development systems, peripherals, microcomputers, software, servers and networks. The Video Communications and Electrical & Industrial groups were all that remained of Avnet's non-core business. Revenue neared $2 billion.

The World is Your Market

In 1990, Avnet completed an ambitious centralization and automation plan and set the stage for a spate of acquisitions that would redefine the global technology distribution industry. Stung by a nasty semiconductor downturn in the mid-1980s, the Company commenced an infrastructure overhaul. In five years, the Electronic Marketing Group metamorphosed from a constellation of more than 100 full-service stocking/sales/support facilities into an efficient collection of technologically advanced regional mega-warehouses and field support hubs interlaced with a network of local sales branches. That accomplished, the Company turned its focus to establishing a global footprint. The acquisitions of the Access Group in the U.K. in 1991 and Taiwan's WKK Semiconductors in 1995 were the first in Europe and Asia. Avnet averaged almost four acquisitions per year through 2001 – among them the EBV Group, Hall-Mark Electronics, the Savoir Technology Group and Sunrise Electronics – consolidating the technology distribution industry and supporting suppliers and customers as they sought cheaper manufacturing and new markets for their products. Avnet's computer products business came into its own, surpassing $1 billion in revenue in 1997 and becoming a stand-alone operating group, the Computer Marketing Group, the following year. In 2000, Avnet had a presence in 59 countries and had surpassed $6.3 billion in revenue.

Shenzhen

The Value Creation Era

Precipitated by a slowing world economy, muted demand for electronic equipment and a bloated technology supply chain, the industry collapsed into an unparalleled

Tongeren

downturn after a roaring millennial start. Though painful, it prompted Avnet to rethink its strategy for the 21st century. For years, the Company had focused on accounting profit, growing revenue, capturing market share and creating a global footprint. Now, it turned its attention to economic profit. "ROCE" became the new battle cry, measuring profit not as a percent of sales, but as a return on the capital employed to run the business and finance growth. By focusing on value-based management practices, Avnet steadily increased profit and return on capital following the downturn. The Company

Phoenix

ended fiscal 2005 with record working capital velocity in the fourth quarter. Services and solutions were at the forefront, making Avnet's expertise in logistics, financing, marketing, integration and a host of other value-added activities more important than ever.

Certainly a lot has changed over the past 80 years, but much remains the same. Whether powering radios, engines or computers, technology drives the global economy. Avnet remains committed to excellence in customer service, driven not only by an obsessive attention to our partners' needs, but by an information technology capability that allows us to manage them and our business efficiently and profitably. And our Company remains a culture of performance, values and entrepreneurial spirit, one in which our people are empowered to make decisions on the front lines to best serve their customers, markets and of course, Avnet. We celebrate the 50th anniversary of our incorporation this year as the No. 1 value-added technology distributor in the world, and our future is brighter than ever.

1921–2005 YEAR TO YEAR

1921 – 1921 – Charles Avnet begins selling radio parts in New York City's Lower Manhattan's Radio Row sales off.

1924 – 1924 – Commercially produced, battery-powered radios are introduced to an enthusiastic audience; half a million sets are sold, a fivefold increase over the previous year.

1938 – 1938 – There are 50 million radio sets in the U.S., up from 33 million two years prior.

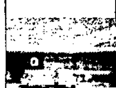
1944 – 1944 – Lester Avnet persuades his father and brother to turn their attention to industrial and military connectors.

1952 – 1952 – Leon Machiz founds Time Electronic Sales; its first franchise is with ITT Cannon.

1955 – 1955 – Avnet Electronic Supply Co. incorporates with Robert Avnet (right) as chairman, Lester Avnet (left) as president and founder Charles Avnet (middle) as vice president and treasurer.

1956 – 1956 – Avnet's sales surpass $1 million.

1956 – Avnet opens its first West Coast facility in Los Angeles.



1957 – 1957 – Tony Hamilton founds Hamilton Electro Sales.

1957 – The semiconductor industry surpasses $100 million in sales.

1959 – 1959 – Avnet goes public on the American Stock Exchange as Avnet Electronics Corp.

1960 – 1960 – Avnet completes its first acquisition, hi-fi equipment importer British Industries Corp., and is concurrently listed on the New York Stock Exchange.

1961 – 1961 – Wall Street analysts nickname Avnet "The Darling of the Big Board"; revenue nears $30 million with $0.76 earnings per share.

1962 – 1962 – Avnet acquires Hamilton Electro Sales; eight years later, Hamilton/Avnet is born and is soon the nation's largest electronic components distributor.

1964 – 1964 – Avnet Electronics Corp. is renamed Avnet, Inc. to reflect the company's diversification.

Dear Fellow Avnet Shareholder

Avnet is an efficient and cost-effective sales and marketing channel helping suppliers reach a broad base of customers

Avnet's state-of-the-art logistics systems manage a high volume of transactions and complex information flows to ensure accurate and timely product delivery

Avnet is an efficient manager of more than 300,000 unique products in the technology supply chain

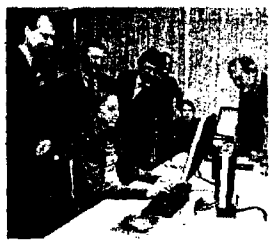
Avnet's supply chain management solutions reduce customers' working capital and inventory risk

Avnet's value-added solutions for design chain management help customers reduce cycle time and lower costs

Avnet's experienced technical customer support teams ensure the highest quality solutions and products are utilized by the customer

Posting year-over-year revenue growth for 10 consecutive quarters, we ended fiscal 2005 with $11.1 billion in sales. Memec, acquired by Avnet on July 5, 2005, had sales of $2.3 billion in the same 12 month period. The combined $13.4 billion in revenue would have represented an Avnet record. Memec is Avnet's first global acquisition, and it significantly expands our operations, enhances our design win capabilities and gives us entrée into the Japanese market (the only major market in Asia in which we had not yet established a presence). *(Please see page 8 for more on this historic acquisition.)*

This was a year in which we focused on maximizing profitable growth while improving productivity and efficiency. Diluted earnings per share more than doubled year over year, from $0.60 to $1.39. Operating income, which has increased annually four years in a row, came in at $321.3 million, up 59 percent over last year. Working capital velocity achieved record heights in the final quarter. This asset productivity drove return on working capital to 19.3 percent in the fourth quarter, an increase of 186 basis points over the same quarter last year. Operating margin rose to 2.9 percent from the prior year's 2.0 percent. Our net debt was at its lowest level in six years, and we were able to generate $426 million in free cash flow for the year.



Avnet supports children's education. In Germany, the Company's EBV Elektronik division sponsored a computer room for a local elementary school.

Avnet Electronics Marketing

The inventory correction that affected Avnet Electronics Marketing's results is, we believe, a mid-cycle one, reflecting a new paradigm for the technology components supply chain in which the cycles are more frequent but much less volatile than those that previously defined the industry. The operating group returned to positive

In China and around the world, Avnet employees celebrate their accomplishments.

book-to-bill ratios in all regions by the third quarter. Avnet Electronics Marketing finished the fiscal year with $6.3 billion in revenue, a 6.2 percent increase over FY04. Driven by our value-based management initiatives, we were able to react quickly to the changing marketplace and weather the short correction with minimal financial impact. The group reduced inventory 13 percent worldwide while maintaining optimum levels to support suppliers' and customers' needs, an effort that pushed operating income to $233.1 million, a 97 percent increase over the prior year. With inventory turns at a record 5.2 in the fourth quarter, the group contributed the majority of the cash generated at the enterprise level, which was instrumental in the Company's purchase of Memec. Working capital as a percent of revenue was at an all-time low in the final quarter.

Avnet Technology Solutions

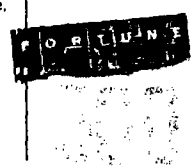
Avnet Technology Solutions, which serves an array of information technology and computer products customers, enjoyed record results in FY05, with revenue growing 10.5 percent to $4.8 billion and operating income up 49.4 percent to $147.7 million. Solutions – customized combinations of goods and services that meet specific needs – are the name of the game, driven by businesses looking for a rapid and demonstrable return on investment for their information technology purchases. Strong demand for services, software, servers and microprocessors contributed significantly to the group's growth. The solutions selling approach has led Avnet Technology Solutions to become IBM's No. 1 distributor, with more than $2 billion in sales of its computer products annually.

What's in Store for FY06

According to analysts, worldwide semiconductor growth is predicted to average 8 to 12 percent for the foreseeable future, and Avnet Electronics Marketing will focus on further improvements in productivity in the Americas and Europe, the Middle East and Africa (EMEA), where the markets we serve are maturing. In the Americas, quoting platforms are being merged and refined for speed, accuracy and ease of use. Gaining profitable market share will occupy the team in Asia, which is still posting gains as indigenous growth and the shift of manufacturing to low-cost regions continue. The integration of Memec will, of course, play a huge role in the coming year.

1965 – Avnet surpasses $50 million in sales with five divisions: Automotive, Electronics, Hi-Fidelity, Freeman Products, and Processes & Equipment

1968 – Avnet enters the *Fortune* 500 at No. 467



1973 – CEO Simon Sheib lauds the wisdom of a diversified portfolio; Avnet's five groups span the electronic components, consumer products, wire and cable, automotive, and electrical and engineering markets

1974 – Avnet surpasses $500 million in sales

1978 – An internal organization is established to handle a growing microcomputer system segments business

1979 – Avnet surpasses $1 billion in sales

1979 – Hamilton/Avnet opens the U.S. distribution industry's first Asia stocking location in Tokyo

1980 – Electronic Marketing Group sales account for more than 50% of Avnet's revenue

1981 – The Electronic Marketing Group touts a decentralized inventory strategy for speedy delivery, boasting 53 stocking locations in the U.S., Canada and Japan

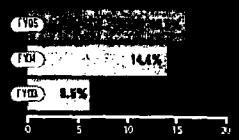
1982 – Avnet signs a deal to distribute Digital Equipment Corp.'s personal computers

Avnet will provide the highest value to our customers, suppliers, employees and shareholders as the premier technology marketing, distribution and services provider, globally.

AVNET, INC.

Sales by Region

Return on Working Capital



The outlook for Avnet Technology Solutions is healthy, with small and medium-sized businesses (SMBs) continuing to invest in information technology projects that enhance their productivity. Distributors' share of information technology products and services for SMBs is expected to grow faster than the industry for the foreseeable future, with software and services leading the way. Asia is particularly promising as its businesses, industries and governments continue to build and improve their technology infrastructures and we further increase our presence there. Avnet Technology Solutions will remain focused on selling solutions, an approach that has clearly proven its mettle. This model will only become more important as microprocessors, open source software, peripherals, hard drives and even servers become standardized. In FY05, we established the Industry Standard Components Center of Excellence in the Americas to capitalize on this trend. Avnet Technology Solutions' ability to bundle industry standard products to create solutions will accelerate its success.

The Big Picture

The technology market remains an economic powerhouse – a $700 billion frontier, of which distribution's share hovers around $120 billion – and Avnet is at the center of it, delivering value, creating solutions and building channels to market for our trading partners worldwide. We help our suppliers get their technology sold into our large account base. We help our customers choose the right technology for their applications. We provide both with supply chain and design chain solutions that accelerate their time to market and lower their total cost of ownership. Although we are the No. 1 company in revenue in our industry, there is clearly plenty of opportunity for profit growth.

Our Global Executive Council, composed of the Company's senior executives and regional presidents, is invaluable in coordinating our international efforts and providing insight into the nuances of each market. Our Global Information Solutions team leads the industry in the use of information technology. In FY05, Avnet ranked No. 3 on the *InformationWeek* 500 list of the nation's best users of information technology, the only company in its industry in the top 100. Avnet's B2B project connecting the Company's information technology systems to those of its customers ranked No. 4 on the *InfoWorld* list of the 100 Best Projects of the Year.

Our challenge is to produce attractive returns for our shareholders while creating value for our trading partners. The Avnet team is up to the challenge. Across the company, dedication to customer service excellence sets us apart from our competitors. We intend to grow faster than the markets we serve through innovative new models and the addition of new customers, suppliers, services and geographies. With scale and scope advantages, a bias for return on capital and economic profit, and a relentless focus on profitable growth, operational excellence and people development, Avnet's opportunities are limitless.

It is an honor to serve the company the Avnets and thousands of other passionate, talented and dedicated people have built. The values upon which our legacy rests are as relevant today as they were when Charles Avnet sold his first electronic component in 1921. Integrity. Customer service. Accountability. Teamwork. Innovation. A sincere thank-you to all the employees who have come before and all who serve with me today as temporary custodians of this amazing enterprise, to our trading partners, who have trusted us with their business through the years, and to our shareholders, who have allowed us to pursue our goals by investing their capital. May those celebrating the 100th anniversary of our incorporation in 2055 feel the same sense of pride and optimism for the future of Avnet we do today.

Roy Vallee
Chairman & CEO

Information technology is to a services provider like Avnet what research and development are to a manufacturer – a springboard to innovation and a competitive differentiator. Avnet Global Information Solutions' mission control is the epicenter of the company's information technology infrastructure.

1985 – Avnet opens its Peabody, Mass., regional megawarehouse, the largest electronic component distribution facility in the nation at the time

1987 – Avnet begins moving its West Coast component operations into its new Chandler, Ariz., megawarehouse

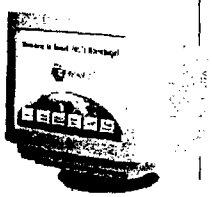
1988 – Hamilton/Avnet Computer is broken away from the electronic components-focused Hamilton/Avnet Electronics with future CEO Roy Vallee as its president

1991 – Avnet begins its modern era of globalization with the acquisition of the Access Group, a U.K. semiconductor distributor

1993 – Electronic Marketing Group semiconductor sales exceed $1 billion

1994 – Avnet's European distribution operations surpass $500 million in sales

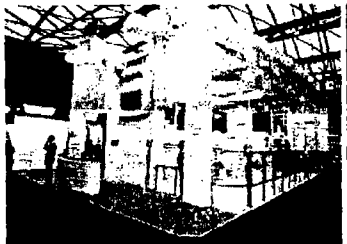
1995 – www.avnet.com goes live



1995 – Sales from value-added services top $1 billion

1996 – Avnet Integrated Material Services debuts as the Electronic Marketing Group's materials management specialist division

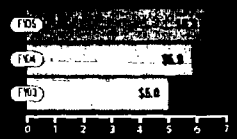
1996 – Avnet's sales exceed $5 billion, with international sales of more than $1 billion; the company refers to value-added services as its core competency



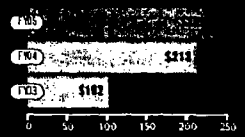
The Consumer Exhibition in Shanghai, China showcases the services and solutions Avnet Electronics Marketing offers its customers throughout the design cycle.

AVNET ELECTRONICS MARKETING

Sales
(in billions)



Operating Income
(in millions)



Avnet Electronics Marketing

Our total-systems approach helps customers integrate suppliers' technology. They rely on Avnet Electronics Marketing field application engineers (FAEs) for objective component analysis and on our online tools to research thousands of parts on their own. FAEs integrate components from multiple suppliers into reference and evaluation kits that solve real-world problems. Seminars and training programs bring people together for hands-on experience with new technologies. Demand creation programs extend suppliers' products into untapped markets early in the design cycle. Our expertise spans hardware design, embedded software development, ASIC and FPGA design, RF design and more.

Once in production, maintaining a steady, risk-free flow of components to manufacturing locations is crucial. Suppliers and customers capitalize on our global warehousing, logistics, finance, information technology and asset management capabilities. Just-in-time, point-of-use inventory replenishment systems provide pinpoint accuracy. Lean manufacturing initiatives help customers reduce inventory. In-plant stores, bonded and vendor-managed inventory allow for tailored materials management. ISO-certified programming, connector and cable assembly, motor and power modification services, and other physical value-added services increase efficiency. The Avnet Green Initiative helps customers and suppliers navigate the hazardous substance and waste materials legislation being enacted in the European Union.

From design to production, from engineering solutions to worldwide supply chain management, Avnet Electronics Marketing gives customers and suppliers Support Across the Board™ and Support Across the Globe™.

Avnet Technology Solutions

Our technology sales and marketing organization provides solutions worldwide to original equipment manufacturers, independent software vendors, system builders, system integrators, value-added resellers and end-user customers.

For suppliers, the value we deliver rests not only in establishing cost-effective channels to market, but in demand development, engineering and financing. Customers rely on us for the technical expertise and insight required to design and implement solutions, from individual component choices to the integration and delivery of complete systems and subsystems. We offer flexible assembly, system configuration and support, software preloading and system customization, along with technical, marketing and finance services, that are second to none in the industry.

Robust automation tools also help set Avnet Technology Solutions apart from the competition. Request to Order™ is now a part of the award-winning Channel Connection™ online toolkit, simplifying and streamlining order management for customers and improving their access to key information. FastTrac™ and QuickSource™ allow customers to quickly and efficiently design and build storage subsystems based on proven configurations, thus accelerating their time to market.

Customer service excellence and industry leading services are key to our continued success in the marketplace. Differentiation in a market where products are becoming standardized requires a keen understanding of the supply chain, the customer and the products and services comprising a business solution. Avnet Technology Solutions continues to make investments along the entire supply chain to meet the needs of our partners and customers, with an eye toward providing the best customer experience in the industry.

AVNET TECHNOLOGY SOLUTIONS

Sales
(in billions)

Operating Income
(in millions)

1997

1997 – Avnet Computer Group sales reach $1 billion

1997 – Avnet is 100% focused on electronic components and computer products after selling the last of its Channel Master businesses

1997 – Avnet Design Services is launched to meet customers' demand for engineering and technical assistance

1998

1998 – Leon Machiz retires; Roy Vallee becomes chairman and CEO

1998 – Avnet moves its corporate operations to Phoenix and becomes the largest publicly held corporation headquartered in Arizona

2001

1998 – With almost 25% of Avnet's business, the Computer Marketing Group is seperated from the Electronic Marketing Group, which is renamed Avnet Electronics Marketing

2001 – The Company posts a record $12.8 billion in annual revenue, but Avnet's books begin to reflect the historic downturn that will stun the global technology industry

2001 – *Computerworld* magazine ranks Avnet 7th on its list of the "100 Best Places to Work in IT"

2002

2002 – In celebration of Avnet's industry leadership, Chairman and CEO Roy Vallee and his leadership team ring the closing bell at the New York Stock Exchange

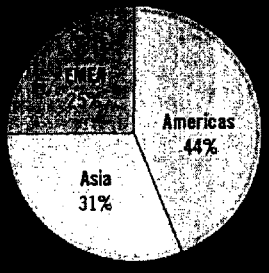
2002 – For the first time in its history, Avnet's earnings dip into negative territory

Memec Acquisition

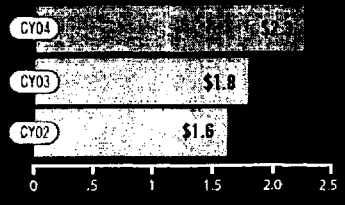
The acquisition of Memec opens the door to the Japanese market for Avnet.

MEMEC

Sales by Region 2004



Sales
(in billions)



- Memec was known worldwide for its strong demand creation focus.
- Memec had an excellent linecard with a broad array of suppliers, some of which are new to Avnet and will complement the Company's existing portfolio.
- With $2.3 billion in sales in calendar year 2004, Memec will boost Avnet's components revenue to more than $8.5 billion annually.
- Memec was the sole U.S.-based electronics distributor with a formal presence in Japan, the only major market in Asia in which Avnet had not yet established a physical presence.

With operations in 33 countries, Memec was the largest semiconductor distributor focused primarily on design chain services. They built a unique business providing engineering support to help original equipment manufacturers evaluate semiconductor devices early in the design process. Memec's ability to secure design wins – to get proprietary products built into manufacturers' end products – was also attractive to components suppliers.

The merger of Memec's engineering resources with Avnet's design chain and supply chain services creates a balanced business model. Customers benefit from an expanded supplier roster and additional technical expertise backed by Avnet's global capabilities and resources.

Memec is being integrated into the Avnet Electronics Marketing group. Less than a month after the acquisition, the integration of Memec's inventory, information technology systems, facilities and workforce was largely complete in the Americas,

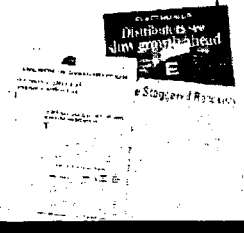
AVNET Memec

as was inventory consolidation in EMEA, and the Company had closed more than 130,000 square feet of warehouse space. Information technology systems in EMEA and Asia should be integrated by the end of calendar 2005, with the entire integration complete by June 2006. Avnet is maintaining the Memec warehouses in Japan and Australia. Annualized synergy benefits are expected to exceed $130 million worldwide.

All regions will have semiconductor-focused Avnet Memec divisions. Although strategic intricacies and supplier franchises may vary as appropriate for each market, the Avnet Memec divisions will continue to deliver the world-class engineering services upon which customers and suppliers rely.

2003

2003 – The technology industry freefall comes to an end; markets stabilize



2003 – Avnet surpasses $1 billion in sales in Asia

2004

2004 – Avnet programs 326,000 technology devices per day, just one of its many value-added services

2005

2005 – Avnet boasts 16 distribution, programming and value-added centers globally

2005 – Avnet outperforms 99.8% of technology hardware and equipment companies in corporate governance according to Institutional Shareholder Services

2005 – Avnet buys Memec, its largest and first global acquisition

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

Form 10-K

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

For the fiscal year ended July 2, 2005

Or

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

For the transition period from to

Commission file number 1-4224

Avnet, Inc.

(Exact name of registrant as specified in its charter)

New York *(State or other jurisdiction of incorporation or organization)*	**11-1890605** *(I.R.S. Employer Identification No.)*
2211 South 47th Street, Phoenix, Arizona *(Address of principal executive offices)*	**85034** *(Zip Code)*

Registrant's telephone number, including area code (480) 643-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value (approximate) of the registrant's common equity held by non-affiliates based on the closing price of a share of the registrant's common stock for New York Stock Exchange composite transactions on December 31, 2004 (the last business day of the registrant's most recently completed second fiscal quarter) $2,198,419,575

The number of shares of the registrant's Common Stock (net of treasury shares) outstanding at August 26, 2005 145,433,978

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive proxy statement (to be filed pursuant to Reg. 14A) relating to the Annual Meeting of Shareholders anticipated to be held on November 10, 2005 are incorporated herein by reference in Part III of this Report.

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FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the financial condition, results of operations and business of Avnet, Inc. and subsidiaries ("Avnet" or the "Company"). You can find many of these statements by looking for words like "believes," "expects," "anticipates," "should," "will," "may," "estimates" or similar expressions in this Report or in documents incorporated by reference in this Report.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, the following:

- A technology industry down-cycle, particularly in the semiconductor sector, would adversely affect Avnet's expected operating results.
- Competitive pressures among distributors of electronic components and computer products may increase significantly through entry of new competitors or otherwise.
- General economic or business conditions, domestic and foreign, may be less favorable than management expected, resulting in lower sales and profitability which can, in turn, impact the Company's credit ratings, debt covenant compliance and liquidity, as well as the Company's ability to maintain existing unsecured financing or to obtain new financing.
- Avnet may be adversely affected by the allocation of products by suppliers.
- Avnet's ability to successfully integrate the Memec acquisition may impact Avnet's ability to achieve the desired synergy savings and expected profitability in the combined business.
- Legislative or regulatory changes may adversely affect the businesses in which Avnet is engaged.
- Adverse changes may occur in the securities markets.
- Changes in interest rates and currency fluctuations may impact Avnet's profit margins.

Although management believes that the plans and expectations reflected in or suggested by these forward-looking statements are reasonable, management cannot assure you that we will achieve or realize these plans and expectations. Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by them. Management cautions you not to place undue reliance on these statements, which speak only as of the date of this Report.

Avnet does not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. *Business*

Avnet, Inc., incorporated in New York in 1955, together with its subsidiaries (the "Company" or "Avnet"), is one of the world's largest industrial distributors, based on sales, of electronic components, enterprise network and computer products and embedded subsystems. Avnet's sales in fiscal 2005 totaled $11.07 billion. Memec Group Holdings Limited ("Memec"), acquired by Avnet on July 5, 2005, had sales of $2.28 billion in the same twelve month period, which would represent over $13 billion of total sales for Avnet and Memec in the twelve months ended July 2, 2005. Avnet creates a vital link in the technology supply chain that connects over 300 of the world's leading electronic component and computer product manufacturers and software developers as a single source for multiple products for a global customer base of over 100,000 original equipment manufacturers ("OEMs"), contract manufacturers, original design manufacturers, value-added resellers ("VARs") and end-users. Avnet distributes electronic components, computer products and software as received from its suppliers or with assembly or other value added by Avnet. Additionally, Avnet provides engineering design, materials management and logistics services, system integration and configuration, and supply chain advisory services.

Organizational Structure

Avnet is comprised of two operating groups called Electronics Marketing ("EM") and Technology Solutions ("TS"). Both operating groups have operations in each of the three major economic regions of the world: the Americas; Europe, the Middle East and Africa ("EMEA"); and Asia. Each operating group has its own management team that is led by a group president and includes senior executives within the operating group that manage the accounting and finance, facilities, warehousing and other administrative tasks for each operating group as a whole. Each operating group also has distinct financial reporting that is evaluated at the corporate level and on which operating decisions and strategic planning for the Company as a whole are made. Divisions exist within each operating group that serve primarily as sales and marketing units to further streamline the sales and marketing efforts within each operating group and to enhance each operating group's ability to work with its customers and suppliers, generally along more specific product lines or based upon geography. However, each division relies heavily on the support services that are provided centrally within each operating group and centralized support at the corporate level.

Subsequent to fiscal 2005 (on July 5, 2005), the Company completed the acquisition of Memec, a global distributor that markets and sells a portfolio of semiconductor devices from industry-leading suppliers in addition to providing customers with engineering expertise and design services.

Management anticipates that Memec, with sales of $2.29 billion in its fiscal year ended December 31, 2004, will be fully integrated into Avnet's EM operating group by the end of Avnet's fiscal 2006, with a substantial portion of the integration completed by the end of the second quarter of fiscal 2006. The acquisition of Memec will provide for expansion of EM in each of the three major economic regions as well as allowing Avnet to gain entry into the Japanese market, the only major semiconductor market in which Avnet did not previously have a presence.

See *Acquisitions* in this Item 1 and Note 2 to the consolidated financial statements appearing in Item 15 of this Report for further discussion of the Memec acquisition.

A summary of each operating group, and the divisions included in each group, is discussed below. Further financial information by operating group and geography are also contained in Note 16 to the consolidated financial statements appearing in Item 15 of this Report.

Electronics Marketing ("EM")

EM markets and sells semiconductors and interconnect, passive and electromechanical devices ("IP&E"), and also offers an array of value-added services to its customers, such as supply-chain management, engineering design, inventory replenishment systems, connector and cable assembly and

semiconductor programming. EM markets and sells its products and services to a diverse customer base spread across end-markets including communications, computer hardware and peripheral, industrial and manufacturing, medical equipment, military and aerospace.

EM markets and sells products on behalf of over 300 of the world's leading electronic component manufacturers. Suppliers of components to EM include Analog Devices, Freescale Semiconductor, Infineon Technologies, Intel, National Semiconductor, ON Semiconductor, Philips Components, Texas Instruments, Tyco Electronics and Xilinx. EM sells to multinational, regional and local OEMs and contract manufacturers including Alcatel, Benchmark, Celestica, General Electric, Honeywell, Hon Hai Precision, Jabil, Plexus, Sanmina-SCI, and Solectron.

EM is Avnet's largest operating group, with sales in fiscal 2005 of $6.26 billion, representing 56.6% of Avnet's consolidated sales. EM is comprised of three regional operations: EM Americas, which had sales of $2.53 billion in fiscal 2005, or 22.9% of Avnet's consolidated sales; EM EMEA, which had sales of $2.37 billion in fiscal 2005, or 21.4% of Avnet's consolidated sales; and EM Asia, which had sales of $1.36 billion in fiscal 2005, or 12.3% of Avnet's consolidated sales.

Each of EM's sales and marketing divisions generally focuses on a specific customer segment, particular product lines provided by a specific group of suppliers or on a specific geography. The various divisions collectively focus on the transactional needs of the traditional global electronic components distribution market, and thereby offer one of the industry's broadest line cards and convenient one-stop shopping with an emphasis on responsiveness, engineering support, on-time delivery and quality. Certain specialty services are made available to the individual divisions through common support service units.

EM's division structure is as follows:

Americas

- EM Americas distributes semiconductors, electronic connectors, electronic wire and cable, other passive and electromechanical products and interconnect assemblies used in assembling and manufacturing of electronic products. EM Americas addresses the needs of its customers and suppliers through focused channels to service small- to medium-sized customers, global customers, defense and aerospace customers, emerging customers and contract manufacturers. EM Americas also provides an array of value-added services including engineering design, supply chain services, hi-reliability processing, parametric assembly, cable assembly, fan assembly, taping, reeling and component modification.

EMEA

- In EMEA, EM goes to market with seven sales and marketing divisions: EBV and WBC, based in Germany, which specialize in demand creation and logistics services for select semiconductor suppliers; Silica, based in the United Kingdom, a semiconductor marketer; Avnet Time, based in Germany, a marketer of IP&E and power supply components; Avnet Supply Chain Services, based in the United Kingdom, a provider of supply chain solutions, material management and warehousing services; BFI-Optilas, based in France, a marketer of specialty components and devices; Avnet Israel, based in Tel Aviv, a value-added electronic components distributor in Israel; and Avnet Kopp, based in South Africa, a distributor of electronic components. EM EMEA does business in over 40 western and eastern European countries, and over 10 countries in the Middle East and Africa.

Asia

- EM Asia is a value-added distributor of electronic components and services in 16 Asian countries, as well as Australia and New Zealand. All of EM Asia's operations have access to the products and services provided by EM globally. Avnet goes to market in China with three focused sales and marketing divisions — Sunrise, ChinaTronic and Avnet Technology.

Following the fiscal 2006 acquisition of Memec, EM has established Avnet-Memec specialty semiconductor distribution sales and marketing divisions in each of the three major economic regions to continue to focus on demand creation for particular suppliers and specialty needs for certain customers in those regions. Additionally, the Memec acquisition provides Avnet entry into the Japanese market where Avnet-Memec, Japan will continue to operate as a distinct sales and marketing division for EM.

Technology Solutions ("TS")

TS markets and sells mid- to high-end servers, data storage, software and networking solutions, and the services required to implement these solutions, to the VAR channel and enterprise computing customers. TS also focuses on the worldwide OEM market for computing technology, system integrators and non-PC OEMs that require embedded systems and solutions including engineering, product prototyping, integration and other value-added services.

TS is a leading partner for system vendors such as IBM and HP. Other key suppliers TS serves include Advanced Micro Devices, Cisco Systems, EIZO, EMC, Intel, Network Appliance, Oracle and Storage Technology Corp. TS markets and sells its products and services to the VAR channel and enterprise computing customers, which include ABS Computer Technologies, ASAP Software, Dell Computer, Evolving Solutions, GE Medical Systems, Intel, Key Information Systems, Sirius Computer Systems, Software Spectrum and Venture SystemSource.

Sales for TS were $4.81 billion in fiscal 2005, representing 43.4% of Avnet's consolidated sales. TS's fiscal 2005 global sales consisted of the following regional results: TS America sales of $3.27 billion, or 29.5% of Avnet's consolidated sales; TS EMEA sales of $1.31 billion, or 11.8% of Avnet's consolidated sales; and TS Asia sales of $230.8 million, or 2.1% of Avnet's consolidated sales.

As a global technology sales and marketing organization, TS has dedicated sales and marketing divisions focused on specific customer segments including OEMs, independent software vendors, system builders, system integrators, VARs and end-user customers. TS's select line card strategy enables an exceptional level of attention to the needs of its suppliers.

TS consists of the following primary divisions:

- Avnet Partner Solutions is a global value-added distributor of enterprise computing systems, software, storage, complex technology solutions and services. Avnet Partner Solutions is one of the industry's leading value-added distributors in the enterprise computing space in support of a limited line card of the foremost systems, storage and software manufacturers. Avnet Partner Solutions provides those manufacturers' products to VARs, along with complementary value-added services. Avnet Partner Solutions also provides logistics, financial, marketing, sales and technical services, including in-house engineering support, complex systems integration and configuration services. Avnet Partner Solutions has locations in North America in addition to European offices in Austria, Belgium, the Czech Republic, Germany, Hungary, Italy, Poland, Switzerland and the United Kingdom. Avnet Partner Solutions also operates a division in Australia, serving resellers, independent software vendors and system integrators.

- Avnet Computing Components serves the needs of manufacturers of general-purpose computers and system builders by providing them with the latest technologies such as microprocessors, DRAM modules and motherboards. Avnet Computing Components does business in all three of the major economic regions: Americas, EMEA and Asia.

- Avnet Applied Computing Solutions focuses on the unique needs of non-PC OEMs and system builders/integrators. Avnet Applied Computing Solutions provides technical design, integration and financing to developers of application specific computer solutions in the non-PC market place. Examples of these types of customers are OEMs in the medical, telecommunications, industrial control and digital creation market segments. Avnet Applied Computing Solutions does business in all three of the major economic regions: Americas, EMEA and Asia.

- Avnet Visual and Data Solutions concentrates on specialized video and display products, network products and storage solutions, while targeting primarily VARs and system integrators with its wireless switch and wireless standalone solutions. Avnet Visual and Data Solutions does business in eight European countries.
- Avnet Enterprise Solutions provides end-user customers with information technology solutions including hardware, software, maintenance, financial and professional services. Avnet Enterprise Solutions is a solutions integrator specializing in network solutions. Avnet Enterprise Solutions leverages its unique suite of technical and financial strategies and services to minimize risk, maximize flexibility and optimize the use of capital on IT infrastructures, and thus bring value to businesses intent on managing their total cost of technology infrastructure — from the data center, through the network, to the desktop. Avnet Enterprise Solutions provides services to customers primarily in the U.S.

Foreign Operations

As noted in the operating group discussions, Avnet's operations are deployed globally with significant operations in the three major economic regions of the world: the Americas, EMEA, and Asia. Historically, Avnet's operations in the Americas region (primarily the United States) have contributed the largest percentage of consolidated sales. During fiscal 2005, 2004 and 2003, the percentage of the Company's sales in the Americas has been 52%, 53% and 56%, respectively. The EMEA region's contribution to Avnet's consolidated sales has remained relatively stable at approximately 33% in each of the past three fiscal years. The Asia region has been continuously growing as a percentage of consolidated sales with 15%, 14% and 11%, respectively, of consolidated sales being generated in that region during fiscal 2005, 2004 and 2003. This growth in Asia is indicative of a worldwide industry trend and is a result of Avnet's continued investment into this rapidly growing region, particularly in the Peoples' Republic of China. Management expects the Asia region to continue to grow, both in volume of business and as a percentage of the Company's global business in the future, although the rate of growth may not remain at the same robust percentages exhibited in the past three to four years. Furthermore, the fiscal 2006 acquisition of Memec will provide Avnet with an expanded presence in the Asia region in addition to making Avnet one of the only U.S. based electronic components distributors with a significant presence in Japan.

Avnet's foreign operations are subject to a variety of risks including potential restrictions on transfers of funds due to statutory or tax regulations, foreign currency fluctuations, import and export duties and regulations, changing foreign tax laws and regulations, potential military conflicts, less flexible employee contracts in the event of business downturns, and the burden and cost of compliance with foreign laws. The most common of these risks is the Company's exposure to foreign currency fluctuations, which are hedged regularly as part of Avnet's treasury and cash management operations. These risks are discussed further at *Quantitative and Qualitative Disclosures About Market Risk* appearing in Item 7A of this Report. Additionally, the specific impacts of foreign currency fluctuations, most notably the Euro, on the Company's consolidated financial statements are further discussed in *Management's Discussion and Analysis of Financial Condition and Results of Operations* appearing in Item 7 of this Report.

Acquisitions

Subsequent to fiscal 2005 (on July 5, 2005), the Company completed the acquisition of Memec, a global distributor that markets and sells a portfolio of semiconductor devices from industry-leading suppliers, and a provider of engineering expertise and design services. The acquisition of Memec is the Company's largest acquisition to date, based on annual sales. Memec's sales in its fiscal year ended December 31, 2004 were $2.29 billion. The consideration for the Memec acquisition consisted of stock and cash valued at approximately $504.2 million, including transaction cost, plus the assumption of approximately $240.0 million of Memec's net debt (debt less cash acquired). Under the terms of the purchase, Memec investors received approximately 24.011 million shares of Avnet common stock plus approximately $64.0 million of cash. The shares of Avnet common stock were valued at $17.42 per share, which represents the five-day average stock price beginning two days before the acquisition announcement on April 26, 2005. See *Organizational Structure* in this Item 1 for further discussion of the integration of Memec into EM's operations.

The acquisition of Memec will provide for expansion of EM in each of the three major economic regions. The combination of Memec's Asian operations with Avnet's already industry-leading position, based on sales, in the Asia region will provide Avnet with a dominant position in this key growth region. Memec's established position in Japan — the only U.S.-based distributor with such a presence in the Japanese market — also represents a significant opportunity by providing entry into this major electronic component marketplace. In addition, because Memec's operations and business model is similar to Avnet's, management believes significant synergies can be obtained in the combined businesses, thus allowing for significant operating cost reductions upon completion of the integration of Memec.

With the exception of the acquisition of Memec subsequent to fiscal 2005, Avnet has made no significant acquisitions in the past three years. Avnet has historically pursued a strategic acquisition program to grow its presence in world markets for electronic components and compuer products. This program was a significant factor in Avnet becoming one of the largest industrial distributors of such products worldwide. Avnet will continue to pursue strategic acquisitions as part of its overall growth strategy, with its focus likely directed at smaller targets in markets where the Company is seeking to expand its global presence or increase its scale and scope where an acquisition may be beneficial. Management currently does not anticipate making any significant acquisitions in the near term.

Major Products

One of Avnet's competitive strengths is the breadth and quality of the suppliers whose products it distributes. In fiscal 2005, IBM represented the only supplier from which sales of its products exceeded 10% of the Company's consolidated sales. During fiscal 2005, IBM products accounted for approximately 18.7% of the Company's sales.

Listed in the table below are the major product categories and the Company's approximate sales of each during the past three fiscal years:

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
		(Millions)	
Semiconductors	$ 6,082.2	$ 5,663.3	$4,819.1
Computer products	4,003.8	3,656.8	3,457.8
Connectors	481.7	442.8	376.3
Passives, electromechanical and other	499.1	481.8	395.2
	$11,066.8	$10,244.7	$9,048.4

As of July 2, 2005, the Company had more than 250 locations worldwide, as well as a limited number of instances where Avnet-owned product is stored in customer facilities. Many of these locations contain sales, warehousing and administrative functions for multiple sales and marketing units. Avnet sells to customers in approximately 70 countries.

Competition & Markets

Avnet is one of the world's largest industrial distributors, based on sales, of electronic components and computer products.

The electronic component and computer product industry continues to be extremely competitive and is subject to rapid technological advances. The Company's major competitors are Arrow Electronics, Inc., Future Electronics, World Peace Group and Agilysys, Inc. There are also certain smaller, specialized competitors who focus upon one market or product or a particular sector. As a result of these factors, Avnet must remain competitive in its pricing of goods and services.

Another key competitive factor in the electronic component and computer product distribution industry as a whole is the need to carry a sufficient amount of inventory to meet rapid delivery requirements of

customers. However, to minimize its exposure related to valuation of inventory on hand, the majority of the Company's products are purchased pursuant to non-exclusive distributor agreements, which typically provide certain protections to the Company for product obsolescence and price erosion in the form of rights of return and price protection. Furthermore, these agreements are generally cancelable upon 30 to 180 days notice and, in most cases, provide for inventory return privileges upon cancellation. In addition, the Company enhances its competitive position by offering a variety of value-added services which entail the performance of services and/or processes tailored to individual customer specifications and business needs such as point of use replenishment, testing, assembly, supply chain management and materials management.

A key strength of the Company is the breadth and quality of the suppliers whose products it distributes. Because of the number of Avnet's suppliers, many customers can make all of their required purchases with Avnet, rather than purchasing from several different vendors.

Seasonality

With the exception of a relatively minor impact on consolidated results from the growth in revenues in the computer-related business (TS) during Avnet's fiscal quarter ending in December, Avnet's business is not materially impacted by seasonality.

Number of Employees

At July 2, 2005, Avnet had approximately 9,800 employees.

Avnet Website

In addition to the information about Avnet and its subsidiaries contained in this Report, extensive information about the Company can be found through our website located at www.avnet.com, including information about our management team, products and services and our corporate governance practices.

The corporate governance information on our website includes the Company's Corporate Governance Guidelines, the Code of Conduct and the charters for each of the committees of our Board of Directors. In addition, amendments to the Code of Conduct and waivers granted to our directors and executive officers under the Code of Conduct, if any, will be posted in this area of our website. These documents can be accessed at www.avnet.com under the "Investor Relations — Governance" caption. Printed versions of our Corporate Governance Guidelines, our Code of Conduct and the charters of our Board committees can be obtained, free of charge, by writing to the Company at: Avnet, Inc., 2211 South 47th Street, Phoenix, AZ 85034: Attn: Corporate Secretary.

In addition, the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those Reports, if any, filed or furnished pursuant to Section 13(a) or 15(d) of The Securities Exchange Act of 1934, as well as Section 16 filings made by any of the Company's executive officers or directors with respect to Avnet Common Stock, are available on the Company's website (www.avnet.com under the "Investor Relations — SEC Filings" caption) as soon as reasonably practicable after the report is electronically filed with, or furnished to, the Securities and Exchange Commission.

These details about Avnet's website and its content are for information. The contents of the Company's website are not, nor shall be deemed to be incorporated by reference in this Report.

Item 2. ***Properties***

At July 2, 2005, the Company owned and leased approximately 600,000 and 3,392,000 square feet of space, respectively, of which approximately 50% is located in the United States. The following table summarizes certain of the Company's key facilities as of July 2, 2005:

Location	Sq. Footage	Leased or Owned	Primary Use
Phoenix, Arizona	176,000	Leased	Corporate and EM headquarters
Tempe, Arizona	132,000	Leased	TS headquarters
Chandler, Arizona	395,000	Owned	EM warehousing and value-added operations
Phoenix, Arizona	122,000	Leased	TS warehousing, integration and value-added operations
Grapevine, Texas	181,000	Leased	EM warehousing and value-added operations
Poing, Germany	190,000	Leased	EM warehousing and value-added operations
Tongeren, Belgium	167,000	Owned	EM and TS warehousing and value-added operations

Item 3. ***Legal Proceedings***

As a result primarily of certain former manufacturing operations, Avnet may have liability under various federal, state and local environmental laws and regulations, including those governing pollution and exposure to and the handling, storage and disposal of hazardous substances. For example, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA") and similar state laws, Avnet may be liable for the costs of cleaning up environmental contamination on or from its current or former properties, and at off-site locations where the Company disposed of wastes in the past. Such laws may impose joint and several liability. Typically, however, the costs for cleanup at such sites are allocated among potentially responsible parties ("PRPs") based upon each party's relative contribution to the contamination, and other factors.

In May 1993, the Company and the former owners of a Company-owned site in Oxford, North Carolina entered into a Settlement Agreement in which the former owners agreed to bear 100% of all costs associated with investigation and cleanup of soils and sludges remaining on the site and 70% of all costs associated with investigation and cleanup of groundwater. The Company agreed to be responsible for 30% of the groundwater investigation and cleanup costs. In October 1993, the Company and the former owners entered into a Consent Decree and Court Order with the Environmental Protection Agency (the "EPA") for the environmental clean-up of the site, the cost of which, according to the EPA's remedial investigation and feasibility study, was estimated to be approximately $6.3 million, exclusive of the approximately $1.5 million in EPA past costs paid by the PRPs. Based on current information, the Company does not anticipate its liability in the matter will be material to its financial position, cash flow or results of operations.

The Company is a PRP at a manufacturing site in Huguenot, New York, currently under investigation by the New York State Department of Environmental Conservation ("NYSDEC"), which site the Company owned from the mid-1960s until the early-1970s. The Company has been engaged in litigation to apportion the estimated clean-up costs among it and the current and former owners and operators of the site. Subsequent to fiscal 2005, the Company reached a tentative settlement in this matter, which will, upon payment, relieve the Company of ongoing liability for the first phase of the environmental clean up (estimated to cost a total of $2.4 million for all parties to remediate contaminated soils) and for past costs incurred by NYSDEC and the current owner of the site. This tentative agreement is still subject to finalization, including ratification by all parties involved and the remediation plan is subject to final approval by NYSDEC. Based on the tentative settlement arrangement and the expected costs of the remediation efforts, the Company does not anticipate its liability in the matter will be material to its financial position, cash flow or results of operations.

Based on the information known to date, management believes that the Company has appropriately accrued in its consolidated financial statements for its share of the costs associated with these environmental clean-up sites.

The Company and/or its subsidiaries are also parties to various other legal proceedings arising from time to time in the normal course of business. While litigation is subject to inherent uncertainties, management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the Company's financial position, cash flow or results of operations.

Item 4. ***Submission of Matters to a Vote of Security Holders***

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

Market price per share

The Company's common stock is listed on the New York Stock Exchange. Quarterly market prices (as reported for the New York Stock Exchange composite transactions) for the last two fiscal years were:

	2005		2004	
Fiscal Quarters	*High*	*Low*	*High*	*Low*
1st	$20.90	$15.66	$18.82	$12.02
2nd	19.70	15.80	22.60	16.85
3rd	20.14	16.10	27.52	21.05
4th	22.99	16.75	26.92	20.78

The Company paid no dividends during fiscal 2005 or 2004, nor are any dividend payments currently contemplated in the future.

Record Holders

As of August 26, 2005, there were approximately 4,903 holders of record of Avnet's common stock.

Equity Compensation Plan Information as of July 2, 2005

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders(1)	10,054,527(2)	$20.28	6,241,814(3)
Equity compensation plans not approved by security holders...	—	—	21,361
Total	10,054,527	$20.28	6,263,175

(1) Options assumed through acquisitions accounted for as purchases are excluded from (2) below. The outstanding balance of acquired options was 143,810 (column (a)) with a related weighted average exercise price of $34.03 (column (b)).

(2) Includes 9,811,391 outstanding options and 243,136 stock incentive shares awarded but not yet delivered.

(3) Includes 3,737,704 options available for grant, 1,873,680 incentive shares not yet awarded and 630,430 shares authorized for the Employee Stock Purchase Plan but not yet utilized.

The Company has one equity compensation plan that has not been approved by shareholders — the Outside Director Stock Bonus Plan. Under this plan, non-employee directors are awarded shares equal to $20,000 of Avnet common stock upon their re-election each year, as part of their director compensation package. Directors may elect to receive this compensation in the form of common stock under the Outside Director Stock Bonus Plan or they may elect to defer their compensation to be paid in common stock at a later date. Shares are issued in January of each year and the number of shares is calculated by dividing $20,000 by the average of the high and low price of the common stock on the first business day of January. The Board of Directors established a reserve of 50,000 shares for this plan in November 2002. Aggregate shares issued under the plan totaled 8,832, 3,724 and 16,083 for fiscal 2005, 2004 and 2003, respectively.

Issuer Purchases of Equity Securities

The following table includes the Company's monthly purchases of common stock during the fourth quarter ended July 2, 2005:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That may yet be Purchased Under the Plans or Programs
April	20,000	$18.31	—	—
May	25,000	18.89	—	—
June	20,000	21.59	—	—

The purchases of Avnet common stock noted above were made on the open market to obtain shares for purchase under the Company's Employee Stock Purchase Plan. None of these purchases were made pursuant to a publicly announced repurchase plan and the Company does not currently have a stock repurchase plan in place.

Item 6. ***Selected Financial Data****

	Years Ended				
	July 2, 2005	July 3, 2004	June 27, 2003	June 28, 2002	June 29, 2001
	(Millions, except for per share and ratio data)				
Income:					
Sales	$11,066.8	$10,244.7	$9,048.4	$8,920.2	$12,814.0
Gross profit	1,459.0	1,364.9	1,215.0	1,222.8(c)	1,865.5(e)
Operating income (loss)	321.3	202.2(a)	12.7(b)	(3.0)(c)	253.7(e)
Income tax provision (benefit)	71.5	25.5(a)	(33.3)(b)	(36.4)(c)	87.2(e)
Earnings (loss)	168.2	72.9(a)	(46.1)(b)	(84.4)(c)(d)	0.1(e)
Financial Position:					
Working capital	2,065.4	1,839.0	1,820.0	1,928.7	1,177.4
Total assets	5,098.2	4,863.7	4,500.0	4,682.0	5,864.1
Long-term debt	1,183.2	1,196.2	1,278.4	1,565.8	919.5
Shareholders' equity	2,097.0	1,953.4	1,832.5	1,804.5	2,374.6
Per Share:					
Basic earnings (loss)	1.39	0.61(a)	(0.39)(b)	(0.71)(c)(d)	—(e)
Diluted earnings (loss)	1.39	0.60(a)	(0.39)(b)	(0.71)(c)(d)	—(e)
Dividends	—	—	—	0.15	0.30
Book value	17.36	16.21	15.33	15.11	20.15
Ratios:					
Operating income (loss) margin on sales	2.9%	2.0%(a)	0.1%(b)	—%(c)	2.0%(e)
Profit (loss) margin on sales	1.5%	0.7%(a)	(0.5)%(b)	(0.9)%(c)(d)	—%(e)
Return on equity	8.1%	3.9%(a)	(2.6)%(b)	(4.1)%(c)(d)	—%(e)
Return on capital	6.5%	3.9%(a)	0.5%(b)	(0.2)%(c)(d)	2.3%(e)
Quick	1.5:1	1.3:1	1.4:1	1.2:1	0.7:1
Working capital	2.2:1	2.1:1	2.4:1	2.5:1	1.5:1
Total debt to capital	37.2%	41.0%	44.4%	47.4%	48.3%

See footnotes to Selected Financial Data on the following page.

* Income amounts are from continuing operations and net assets from discontinued operations have been classified as current assets. All amounts for fiscal 2001 have been restated for the acquisition of Kent Electronics Corporation, which was completed in June 2001 and has been accounted for using the "pooling-of-interests" method.

(a) Includes the impact of restructuring and other charges recorded in both the first and second quarters of fiscal 2004 in connection with cost cutting initiatives and the combination of the Computer Marketing ("CM") and Applied Computing ("AC") operating groups into one operating group now called Technology Solutions. These charges amounted to $55.6 million (all of which was included in operating expenses), $38.6 million after-tax and $0.32 per share on a diluted basis. Fiscal 2004 results also include the impact of debt extinguishment costs associated with the Company's cash tender offer completed during the third quarter of fiscal 2004 for $273.4 million of the 7⅞% Notes due February 15, 2005. These debt extinguishment costs amounted to $16.4 million pre-tax, $14.2 million after-tax and $0.12 per share on a diluted basis. The total impact of these charges recorded in fiscal 2004 amounted to $72.0 million pre-tax, $52.8 million after-tax and $0.44 per share on a diluted basis.

(b) Includes the impact of restructuring and other charges related to certain cost cutting initiatives instituted during fiscal 2003, including severance costs, charges for consolidation of facilities and write-offs of certain capitalized IT-related initiatives. These charges totaled $106.8 million pre-tax (all of which was included in operating expenses), $65.7 million after-tax and $0.55 per share on a diluted basis. Fiscal 2003 results also include the impact of debt extinguishment costs associated with the Company's cash tender offers and repurchases completed during the third quarter of fiscal 2003 for $159.0 million of its 6.45% Notes due August 15, 2003 and $220.1 million of its 8.20% Notes due October 17, 2003. These debt extinguishment costs amounted to $13.5 million pre-tax, $8.2 million after tax and $0.07 per share on a diluted basis. The total impact of the charges recorded in fiscal 2003 amounted to $120.3 million pre-tax, $73.9 million after-tax and $0.62 per share on a diluted basis.

(c) Includes the impact of integration charges related to the write-down of certain assets acquired in the fiscal 2001 acquisition of Kent, net of certain recoveries of previous write-downs and reserves, and other restructuring charges taken in response to business conditions, including an impairment charge to write-down certain investments in unconsolidated Internet-related businesses to their fair value and severance charges for workforce reductions announced during the fourth quarter of fiscal 2002. The net restructuring and integration charges amounted to $79.6 million pre-tax ($21.6 million included in cost of sales and $58.0 million included in operating expenses), $62.1 million after- tax and $0.52 per share on a diluted basis.

(d) The fiscal 2002 selected financial data excludes the impact of the Company's adoption of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets*, on June 30, 2001, the first day of the Company's fiscal 2002. SFAS 142, which requires that ratable amortization of goodwill, be replaced with periodic tests for goodwill impairment, resulted in a transition impairment charge recorded by the Company of $580.5 million, or $4.90 per share on a diluted basis for the year. This charge is reflected as a cumulative change in accounting principle in the consolidated statements of operations.

(e) Includes the impact of charges related to the acquisition and integration of Kent, which was accounted for as a "pooling-of-interests," and other integration, reorganization and cost cutting initiatives taken in response to business conditions. The charges amounted to $327.5 million pre-tax ($80.6 million included in cost of sales and $246.9 million included in operating expenses), $236.7 million after-tax and $1.99 per share on a diluted basis.

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

For an understanding of Avnet and the significant factors that influenced the Company's performance during the past three fiscal years, the following discussion should be read in conjunction with the description of the business appearing in Item 1 of this Report and the consolidated financial statements, including the related notes, and other information appearing in Item 15 of this Report. The Company operates on a "52/53-week" fiscal year and, as a result, the fiscal year ended July 2, 2005 contained 52 weeks, the fiscal year ended July 3, 2004 contained 53 weeks and the fiscal year ended June 27, 2003 contained 52 weeks.

There are numerous references to the impact of foreign currency translation in this *Management's Discussion and Analysis of Financial Condition and Results of Operations* ("MD&A"). Over the past three years, the US Dollar has weakened significantly in comparison to most foreign currencies, especially the Euro (which strengthened against the US Dollar by roughly 7% from fiscal 2004 to fiscal 2005 and by roughly 14% from fiscal 2003 to fiscal 2004). When the weaker US Dollar exchange rates of the current year are used to translate the results of operations of Avnet's subsidiaries denominated in foreign currencies, the resulting impact is an increase, in US Dollars, of reported results. In the discussion that follows, we refer to this as the translation impact of changes in foreign currency exchange rates.

In addition to disclosing financial results that are determined in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company also discloses certain non-GAAP financial information such as income or expense items as adjusted for the translation impact of changes in foreign currency exchange rates as discussed above. Management believes that providing this additional information is useful to the reader to better assess and understand operating performance, especially when comparing results with previous periods or forecasting performance for future periods, primarily because management typically monitors the business both including and excluding these adjustments to GAAP results. Management also uses the non-GAAP measures to establish operational goals and, in some cases, for measuring performance for compensation purposes. However, analysis of results and outlook on a non-GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with GAAP.

Subsequent to fiscal 2005 (on July 5, 2005), the Company acquired Memec Group Holdings Limited ("Memec"), a global distributor that markets and sells a portfolio of semiconductor devices from industry-leading suppliers, in addition to providing customers with engineering expertise and design services. The acquisition of Memec is the Company's largest acquisition to date, based on sales. Memec's sales for its fiscal year ended December 31, 2004 were $2.29 billion. See ***Acquisitions*** appearing in Item 1 of this Report and see Note 2 to the consolidated financial statements appearing in Item 15 of this Report for further discussion of the Memec transaction.

Results of Operations

Executive Summary

Avnet's consolidated results for fiscal 2005 were driven by two primary trends: (1) a softening in the electronics components market served by Electronics Marketing ("EM"), which was more pronounced during the first half of the fiscal year, as certain EM customers reduced their inventory levels and (2) a record sales and profit year for Technology Solutions ("TS"). The combination of these trends resulted in the Company's consolidated sales growing by 8.0% from fiscal 2004 to fiscal 2005. Nearly one-third of this year-over-year growth in consolidated sales is estimated to have resulted from the translation impact of changes in foreign currency exchange rates.

Within EM, fiscal 2005 sales increased 6.2% year-over-year. This growth rate is down from year-over-year growth in EM's sales in fiscal 2004 of 18.1% as the electronic components industry was first emerging, in fiscal 2004, from the unprecedented economic and industry downturn that began in the Company's third quarter of fiscal 2001. The current year growth rate in annual sales was lower than in the prior year largely due to the mid-cycle inventory correction in the electronics components markets referred to above. The mid-cycle inventory correction began in the final one-to-two months of fiscal 2004, most prevalent first in the Asia region, although the trend spread to the Americas and EMEA regions in fiscal 2005 as well. The result

was declining sequential quarterly sales in the first two quarters of fiscal 2005 before EM returned to sequential quarterly growth in the second half of the fiscal year and sales levels for electronic components returned to levels experienced before the mid-cycle inventory correction began. In contrast, TS's record sales in fiscal 2005 grew by 10.5% as compared with fiscal 2004 sales for the computer products group. This growth rate was 327 basis points higher than the 7.2% growth in sales in TS in fiscal 2004 compared with fiscal 2003, when the industry was emerging from the multi-year downturn discussed above. The current year increase in sales was a result of strength in the small-and medium-sized business segments served by TS, as well as growth in sales for microprocessors throughout the fiscal year.

Geographically, both operating groups grew sales in all three major economic regions in which they operate: the Americas: Europe, the Middle East and Africa ("EMEA"); and Asia. Positive growth trends for EM Asia, particularly in the second half of fiscal 2005, are especially encouraging as EM Asia was the first region to feel the impacts of the mid-cycle inventory correction in the electronic components sector. The growth in the second half of the fiscal year, coupled with positive trends in customer bookings in all regions, are encouraging signs for continued growth in EM. These trends helped EM Asia yield its seventh consecutive year of record annual sales. The Asia region exhibited the largest percentage growth for TS, which represents a significant ongoing strategic opportunity for the Company's computer products group but is the smallest region for TS, with Asia sales accounting for less than 5% of TS's consolidated sales. The Americas and Asia regions of TS both achieved record annual sales in fiscal 2005, bolstered by strong server and software sales in the Americas and strong microprocessor sales in Asia. Although the EMEA region of TS did not quite post a record regional sales year in fiscal 2005, EMEA has returned to essentially the same sales levels as fiscal 2002 — TS's previous highest sales year for the EMEA region.

Avnet's ongoing focus on the management of operating costs and return on working capital have resulted in Avnet's highest level of operating profits and operating profit margin since before the multi-year economic and industry downturn began. Avnet's operating income as a percentage of sales was 2.90% in fiscal 2005, up 93 basis points from 1.97% in fiscal 2004. Fiscal 2004 operating expenses also included restructuring and other charges of $55.6 million, or 0.54% of sales (see ***Restructuring and Other Charges*** in this MD&A for further discussion). With gross profit margins remaining relatively stable year-over-year, the Company's reduction of ongoing operating costs has been key to the significant improvement in profitability. As a result, the Company's fiscal 2005 operating income drop-through, which is the percentage of incremental gross profit dollars that drop through to the operating income line before restructuring and other charges, was 67% (126% including the impact of the fiscal 2004 restructuring and other charges). The Company also maintained inventory turns for fiscal year 2005 at levels comparable to the prior fiscal year. However, this includes a period of decline in this asset velocity metric in the first half of fiscal year 2005, which was more than offset by the improvement in the second half of the fiscal year as EM began to emerge from the mid-cycle inventory correction and achieved record quarterly inventory turns by the fourth quarter of fiscal 2005. TS also maintained high levels of working capital productivity even after the computer business's typical seasonal peak in Avnet's second fiscal quarter.

Operating efficiency and working capital management will remain a key focus of Avnet's overall value-based management initiatives and its efforts to continue growing profitability and return on capital at a faster rate than its growth in revenues.

It is difficult for the Company, as a distributor, to forecast the material trends of the electronic component and computer product industry, aside from some of the normal seasonality discussed herein, because Avnet does not typically have material forward-looking information available from its customers and suppliers beyond approximately three to four months of forecast information. As such, management relies on the publicly available information published by certain industry groups and other related analyses in evaluating its business plans in the longer term.

Sales

The tables below provide a year-over-year summary of sales for the Company and its operating groups:

Three-Year Analysis of Sales: By Operating Group and Geography

	Years Ended						Percent Change	
	July 2, 2005	% of Total	July 3, 2004	% of Total	June 27, 2003	% of Total	2005 to 2004	2004 to 2003
	(Dollars in millions)							
Sales by Operating Group:								
EM	$ 6,259.0	56.6%	$ 5,892.4	57.5%	$4,988.4	55.1%	6.2%	18.1%
TS	4,807.8	43.4	4,352.3	42.5	4,060.0	44.9	10.5	7.2
	$11,066.8		$ 10,244.7		$9,048.4		8.0	13.2
Sales by Geographic Area:								
Americas	$ 5,804.9	52.4%	$ 5,409.6	52.8%	$5,028.7	55.6%	7.3%	7.6%
EMEA	3,669.8	33.2	3,380.2	33.0	2,997.1	33.1	8.6	12.8
Asia/Pacific	1,592.1	14.4	1,454.9	14.2	1,022.6	11.3	9.4	42.3
	$11,066.8		$ 10,244.7		$9,048.4		8.0	13.2

Avnet's consolidated sales in fiscal 2005 were $11.07 billion, up $822 million, or 8.0%, over fiscal 2004 consolidated sales of $10.24 billion. On a per week basis, to normalize the impact of the extra week in fiscal 2004, sales were up 10.1% in fiscal 2005 compared to fiscal 2004. Fiscal 2005 sales were the highest for Avnet since fiscal 2001 — the year in which the multi-year downturn in the electronic components and computer product industry began. Management estimates that the translation impact of changes in foreign currency exchange rates contributed approximately $250 million of this year-over-year increase in sales. As indicated in the table above, the year-over-year growth rate occurred in both operating groups. EM's sales growth was not as significant as in the prior year due to the adverse impact of the previously discussed mid-cycle inventory correction, particularly in the first half of fiscal 2005. However, TS posted year-over-year sales growth of 10.5%. Avnet's sales also grew in all three global regions in which it does business.

EM recorded sales of $6.26 billion in fiscal 2005, up $367 million, or 6.2%, over EM's fiscal 2004 sales of $5.89 billion. Approximately $150 million of this year-over-year growth is estimated to have resulted from the translation impact of changes in foreign currency exchange rates. EM Americas was again EM's largest region based on sales. EM Americas fiscal 2005 sales were $2.53 billion, up $69 million, or 2.8%, over fiscal 2004 sales of $2.46 billion. The mid-cycle inventory correction resulted in sequential quarterly revenue declines for EM Americas in the first half of fiscal 2005. However, this impact was more than offset by growth in EM Americas' sales in the second half of the year as the region saw increasing demand and a pickup in booking trends as the year progressed. EM Asia posted the most significant growth in sales for EM, which were $1.36 billion, up $62 million, or 4.8%, over fiscal 2004 sales of $1.30 billion. This growth yielded EM Asia's seventh consecutive record for annual sales. More importantly, the positive growth trend in Asia is encouraging as this region was the first to feel the negative impact of the mid-cycle inventory correction and also appears to have been the first region to positively emerge from this trend during fiscal 2005. EM's EMEA operations yielded the largest year-over-year percentage increase in sales of 11.0% (from $2.13 billion in fiscal 2004 to $2.37 billion in fiscal 2005), although EM EMEA was also the most positively impacted by the translation impact of changes in foreign currency exchange rates due to the strengthening of the Euro, particularly in the first half of fiscal 2005. As a result, management estimates that over 60% of this year-over-year growth in EM EMEA is a result of the translation impact of changes in foreign currency exchange rates. The remaining growth in EM EMEA's sales is less than in the other regions for EM as the electronic components industry in the EMEA region continues to be impacted by softer demand than the other regions. However, EM EMEA also began to show improved trends in bookings near the end of fiscal 2005.

The acquisition of Memec, completed subsequent to the end of fiscal 2005, will contribute significantly to the growth of EM's operations looking forward to fiscal 2006. Memec's calendar 2004 annual sales of approximately $2.29 billion were dispersed regionally as follows: Americas — 44%; EMEA — 25%; and Asia (including Japan) — 31%. Management does not expect any significant loss of sales in any regions as the global operations of Memec are fully integrated into Avnet during fiscal 2006.

TS's sales in fiscal 2005 were a record $4.81 billion, up $456 million, or 10.5%, over fiscal 2004 sales of $4.35 billion. The Americas region sales of $3.28 billion again accounted for the majority of TS's total sales. The Americas region also accounted for the largest dollar increase in sales, year-over-year, with sales up $325 million, or 11.0%, over fiscal 2004 sales of $2.95 billion for TS Americas. This is the second consecutive year where TS Americas has grown sales by 11% or more, with the current year growth coming primarily from increased microprocessor sales and growth in TS's enterprise computing business. TS EMEA posted sales of $1.30 billion in fiscal 2005, up $56 million, or 4.4%, over fiscal 2004 sales of $1.25 billion. Similar to EM, the TS operations in EMEA were more favorably impacted than the other regions by changes in foreign currency exchange rates. After removing the foreign currency impact, TS EMEA sales in fiscal 2005 are estimated to have declined by approximately 3% from fiscal 2004. This decline in constant dollars is a result of some softness in EMEA in the Avnet Visual and Data Solutions business, although this softness is offset in part by growth and a return to profitability for TS's enterprise computing division in EMEA. TS Asia sales of $231 million represented the largest percentage increase for any region of TS, growing by $75 million, or 47.8%, over fiscal 2004 sales of $156 million. The growth in Asia is driven primarily by increased volume in microprocessor sales.

As a result of the factors discussed above, TS grew as a percentage of Avnet's consolidated sales in fiscal 2005, constituting 43.4% of the Company's sales in fiscal 2005 as compared with 42.5% in fiscal 2004. The regional dispersion of Avnet's consolidated sales has remained relatively consistent between fiscal 2005 and fiscal 2004.

The Company's consolidated sales in fiscal 2004 were $10.24 billion, up $1.19 billion, or 13.2%, over fiscal 2003 sales of $9.05 billion. This significant sales growth was primarily a result of an electronic component and computer product industry that had emerged, in fiscal 2004, from the industry and economic downturn that began in the Company's fiscal 2001. Additionally, approximately $410 million of this sales growth was a function of the translation impact of changes in foreign currency exchange rates between fiscal 2003 and fiscal 2004. EM's sales of $5.89 billion in fiscal 2004 were up $904 million, or 18.1%, over EM's fiscal 2003 sales of $4.99 billion, driven primarily by significant growth in the Asia region, foreign currency exchange rate impacts and the emergence from the downturn in the more cyclical electronics components sector as previously discussed. TS recorded sales of $4.35 billion in fiscal 2004, which was an increase of $292 million, or 7.2%, over TS's fiscal 2003 sales of $4.06 billion. Approximately half of this growth was a result of the translation impact of changes in foreign currency exchange rates. The remaining growth in fiscal 2004 was a function of increased sales of storage, software and networking products in fiscal 2004, offset in part by the impacts, mostly in the EMEA region, of the Company's decision to exit certain low-profit, low return-on-capital-employed business in the second half of fiscal 2003.

Gross Profit and Gross Profit Margins

Avnet's consolidated gross profit in fiscal 2005 was $1.46 billion, which represents a gross profit margin of 13.2%. Consolidated gross profit in fiscal 2004 was $1.36 billion and gross profit margin was 13.3%. The mix of business between Avnet's two operating groups impacts the gross profit margin of the Company. The computer product sales of TS typically yield lower gross profit margins, but also a lower capital investment, than the electronic component sales of EM. As a result, the slight increase in percentage of consolidated sales generated by TS in fiscal 2005 resulted in a downward impact on Avnet's consolidated gross profit margin. Additionally, the softer demand in the electronics component market, particularly in the first half of fiscal 2005 during the mid-cycle inventory correction, also negatively impacted the Company's margins in the current year. Management expects gross profit margins to be more stable in the near term with the increasing demand in the electronic components industry emerging from the mid-cycle inventory correction. Furthermore, Memec is more of a design chain services-oriented business, which yields a slightly higher gross profit

margin than Avnet. As a result, the integration of Memec's operations into Avnet in fiscal 2006 is also expected to favorably impact consolidated gross profit margins in the upcoming year.

Another key metric measured by the Company is gross profit per average employee. The increase in gross profit dollars combined with a slight decline in average headcount resulting from restructuring efforts in past years (see ***Restructuring and Other Charges*** in this MD&A for further discussion) has yielded gross profit per average employee in fiscal 2005 of approximately $148,000, up over 6% when compared with $139,000 per average employee in fiscal 2004.

Consolidated gross profit margins in fiscal 2004 were 13.3%, down from 13.4% in fiscal 2003. The regional mix of EM's business impacted margin between the two years. Because the business model for EM Asia yields lower gross profit margins but also a lower operating cost structure than the other regions of EM's operations, the significant growth of the EM Asia's operations, in comparison to the Americas and EMEA regions, contributed to the decrease in gross profit margins between fiscal 2004 and fiscal 2003.

Selling, General and Administrative Expenses

Avnet's consolidated selling, general and administrative expenses were $1.14 billion, or 10.3% of sales, in fiscal 2005 as compared with $1.11 billion, or 10.8% of sales, in fiscal 2004. Management also monitors the metric of selling, general and administrative expenses as a percentage of gross profit. This ratio was 78.0% in fiscal 2005, a 313 basis point improvement over 81.1% in fiscal 2004. Each of these ratios has improved to its best annual level since before the industry and economic downturn began in fiscal 2001. The current year improvement in these key measures of operating leverage is a result of the significant cost reductions that the Company has put in place in recent years to manage its overall profitability (see ***Restructuring and Other Charges*** in this MD&A for further discussion of the cost reduction actions taken by the Company). Selling, general and administrative expenses were negatively impacted in fiscal 2005 by an increased level of corporate operating expenses, driven primarily by increased professional fees and related costs associated with the Company's Sarbanes-Oxley Section 404 compliance efforts. Finally, management estimates that substantially all of the net year-over-year increase of $31 million in selling, general and administrative expenses, or 0.3% of fiscal 2005 sales, is a result of the translation impact of changes in foreign currency exchange rates. Excluding this impact of foreign currency exchange rates, the Company grew its gross profit dollars year-over-year by over 4% with virtually no increase in operating expense, thereby demonstrating the operating leverage in the business. The Company's focus on the key operating leverage ratios discussed previously, in addition to a focus on returns on working capital, have allowed Avnet to continue to post these improvements in operating profitability, even in the face of the mid-cycle inventory correction in the first half of fiscal 2005. EM completed fiscal 2005 with a record for inventory turns in the fiscal fourth quarter.

The acquisition of Memec will bring a higher level of operating expense dollars in fiscal 2006. However, management expects to remove more than $120 million of annualized operating costs from the combined business, largely through headcount, facility and IT-related synergies. As a result, management expects the Company will be able to maintain positive trends in the operating leverage ratios discussed above as the Company moves into fiscal 2006.

Selling, general and administrative expenses of $1.11 billion in fiscal 2004 were 10.8% of sales as compared with $1.10 billion, or 12.1% of sales, in fiscal 2003. Selling, general and administrative expenses as a percentage of gross profit of 81.1% in fiscal 2004 represented a 905 basis point improvement over the same ratio in fiscal 2003. The significant improvement in these metrics between fiscal 2004 and fiscal 2003 was a more direct impact of the Company's restructuring efforts. Specifically, the restructuring efforts completed by the Company during fiscal 2003 did not fully impact operating results until fiscal 2004. Fiscal 2004 also benefited from a portion of annualized synergies that were realized from restructuring actions taken in the first half of that fiscal year. Partially offsetting the positive impacts of restructuring charges, the fiscal 2004 selling, general and administrative expenses were negatively impacted by the translation impact of changes in foreign currency exchange rates between fiscal 2004 and fiscal 2003, which management estimates yielded an increase in fiscal 2004 costs of approximately $56 million (0.5% of fiscal 2004 sales and 4.1% of fiscal 2004 gross profits).

Restructuring and Other Charges

The Company recorded a number of restructuring and other charges during fiscal 2004 and 2003. There were no restructuring charges recorded in fiscal 2005. The prior year charges relate primarily to the reorganization of operations in each of the three major regions of the world in which the Company operates, generally taken in response to business conditions at the time of the charge and as part of the Company's efforts to return to the profitability levels enjoyed by the business prior to the industry and economic downturn that commenced in fiscal 2001. See Note 17 to the consolidated financial statements appearing in Item 15 of this Report for a more detailed summary of activity within the restructuring and other charge accounts during the past three years.

Fiscal 2005

Although there were no restructuring charges recorded in fiscal 2005, the Company recorded certain adjustments to reserves totaling $1.3 million during fiscal 2005, which were recorded through selling, general and administration expenses. The adjustments related primarily to the reversal of certain excess legal expense reserves associated with finalization of termination payments and reversal of excess severance reserves, offset in part by additional severance costs recorded based upon revised estimates of required payouts. The Company also reduced certain lease reserves due to modification to sublease and termination assumptions based upon ongoing market conditions.

Fiscal 2004

During the first and second quarters of fiscal 2004, the Company executed certain restructuring and cost reduction initiatives designed to continue improving the profitability of the Company. These actions can generally be broken into three categories: (1) the combination of the Company's former Computer Marketing ("CM") and Applied Computing ("AC") segments into one computer products and services business called Technology Solutions ("TS"), as discussed in Note 16 to the consolidated financial statements appearing in Item 15 of this Report; (2) the reorganization of the Company's global IT resources, which had previously been administered generally on a separate basis within each of the Company's operating groups; and (3) various other reductions within EM and certain centralized support functions.

Restructuring and other charges incurred during the first quarter of fiscal 2004 totaled $32.1 million pre-tax and $22.1 million after-tax, or $0.18 per share on a diluted basis. The pre-tax charge consisted of severance costs ($9.4 million), charges related to consolidation of selected facilities ($10.8 million), write-downs of certain capitalized IT-related initiatives ($6.9 million) and other items, consisting primarily of the write-off of the remaining unamortized deferred loan costs associated with the Company's multi-year credit facility terminated in September 2003 ($5.0 million).

Severance costs resulted from workforce reductions of approximately 400 personnel completed during the first quarter, primarily in executive, support and other non-customer facing functions in the Americas and EMEA regions. Management also identified a number of facilities for consolidation primarily in the Americas and EMEA regions. These facilities generally related to certain logistics and warehousing operations as well as certain administrative facilities across both operating groups and at the corporate level. The charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in these facilities that have been vacated. Management also evaluated and elected to discontinue a number of IT-related initiatives that, in light of recent business restructurings, no longer met the Company's return on investment standards for continued use or deployment. These charges related to write-offs of capitalized hardware and software.

Restructuring charges incurred during the second quarter of fiscal 2004 totaled $23.5 million pre-tax, $16.4 million after-tax, or $0.14 per diluted share. The charges consisted of severance costs ($5.3 million), charges related to write-downs of owned assets and consolidation of selected facilities ($4.8 million), write-downs of certain capitalized IT-related initiatives ($12.9 million) and other items ($0.5 million).

Severance charges related to workforce reductions of approximately 120 personnel, the majority of whom staffed warehousing, administrative and support functions primarily for facilities within TS EMEA operations that were identified for consolidation as part of the combination of CM and AC. A smaller portion of these charges also impacted operations in the Americas. The combination of CM and AC in EMEA also led to charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in the facilities that were vacated. The facilities primarily served in warehousing and administrative capacities. Management also evaluated and elected to discontinue a number of IT-related initiatives similar to the decisions also reached in the first quarter of fiscal 2004 as discussed above. These charges related to the write-off of capitalized hardware and software. Lastly, the Company's efforts to combine CM and AC in EMEA resulted in the decision to merge the former CM EMEA operations onto the computer systems that have historically been used in the AC EMEA business. The change in the use of this significant asset of CM EMEA generated a need to analyze the group of long-lived assets within the former CM EMEA operations for impairment. As a result of this analysis, the Company recorded an impairment charge to write-down certain long-lived assets to their estimated fair market values. This charge, totaling $9.4 million, of which $4.2 million relates to the CM EMEA computer systems that were disposed of, is included in the facilities and IT-related charges discussed above.

During the fourth quarter of fiscal 2004, as part of management's ongoing analysis of the reserves for various restructuring activities, the Company recorded adjustments to certain of its remaining reserves. The adjustments occurred primarily in the Company's EM and TS operations in EMEA and related to adjustments to reduce excess severance reserves based upon revised estimates of statutorily required payouts and recording of additional charges related to leased facilities due to modifications to sublease and termination assumptions based upon ongoing market conditions. The Company also negotiated a favorable buyout of a hardware and software maintenance contract, which resulted in the reversal of certain IT-related reserves. The net amount of these adjustments was less than $0.1 million.

The combined charges recorded during fiscal 2004 totaled $55.6 million pre-tax and $38.5 million after-tax, or $0.32 per diluted share. Approximately $24.2 million of these pre-tax charges required the use of cash with the remaining $31.4 million representing non-cash write-downs as discussed in greater detail above.

Fiscal 2003

During the second quarter of fiscal 2003, the Company executed certain actions as part of its cost reduction initiatives and, accordingly, recorded charges totaling $106.8 million pre-tax, $65.7 million after tax, or $0.55 per diluted share. The charge consisted of severance costs ($21.7 million pre-tax), charges related to the consolidation of selected facilities ($37.4 million pre-tax) and charges related to certain IT-related initiatives ($47.7 million pre-tax).

Charges related to severance costs and the consolidation of selected facilities were taken in response to the business environment. During the second quarter of fiscal 2003, management identified a number of facilities in each of the Company's operating groups and its corporate functions, which covered each of the Company's geographic regions, to be consolidated into other facilities. The facilities were identified in an effort to combine certain logistics and administrative operations wherever possible and eliminate what would otherwise be duplicative costs. The charges related to reserves for remaining non-cancelable lease obligations, write-downs of the carrying value of certain owned facilities to market value and write-downs to fair market value of owned assets located in these leased and owned facilities that were vacated. Additionally, workforce reductions at these and other facilities worldwide resulted in the termination of approximately 750 personnel. The impacted personnel were primarily in non-customer facing positions. The IT-related charges resulted from management's decision during the second quarter of fiscal 2003 to discontinue a number of IT-related initiatives that represented insufficient benefit to the Company if they were kept in service or continued to be developed. These charges included the write-off of capitalized hardware, software and software licenses.

During the fourth quarter of fiscal 2003, the Company executed certain additional actions that resulted in charges totaling $6.6 million pre-tax. The incremental impact of these actions was substantially offset by certain adjustments that the Company recorded, also in the fourth quarter of fiscal 2003, primarily relating to

certain of the reserves recorded from the restructuring activity in the second quarter of fiscal 2003. The new charge activity, mostly for severance and consolidation of selected facilities, related to each of the Company's three operating groups and its corporate functions in the Americas and EMEA regions. The additional census reductions totaled approximately 175 and resulted primarily from: (1) EM's decision to combine its Cilicon and RF and Microwave sales divisions; and (2) TS's decision to reduce its participation in certain market segments where profitability of the products in question have not yielded acceptable economic returns to the Company. The fourth quarter adjustments to prior restructuring and other charges reflect changes in estimates from the time the charges and applicable reserves were initially recorded, relating to: (1) reserves for severance and for leases and other contractual commitments that were determined to be excessive during the fourth quarter based upon payments made or still to be made and/or based upon more favorable than anticipated sublease or lease buyout arrangements; and (2) an adjustment, based upon estimated sales price net of costs to sell as derived from current market studies and comparable sales, of a portion of a write-down that was recorded in the second quarter of fiscal 2003 related to an owned facility that was vacated and classified as held for sale during that quarter.

Approximately $55.3 million of the $113.4 million total pre-tax charges recorded in fiscal 2003 were a result of non-cash write-downs.

In all periods, to the extent owned facilities, equipment or IT-related assets were written down as part of these charges, the write-downs were to estimated fair value based upon management's estimates of asset value from historical experience and/or analyses of comparable facilities or assets. Particularly in the case of IT-related initiatives, many of the assets were written off entirely as there is no potential to sell the related assets or otherwise realize value of the assets in the business. In such cases, the assets have generally been disposed of by the Company.

Status of Restructuring Reserves

As of July 2, 2005, the Company's remaining reserves for restructuring and other related reserve activities totaled $12.4 million. Of this balance, $1.4 million relates to remaining severance reserves, the majority of which management expects to utilize during fiscal 2006. Reserves of $10.5 million relate to contractual lease commitments, substantially all of which the Company expects to utilize by the end of fiscal 2007. Lastly, the Company's IT-related and other reserves, which total $0.5 million, relate primarily to remaining contractual commitments, the majority of which the Company expects to utilize in the first half of fiscal 2006.

Operating Income

Operating income for fiscal 2005 was $321.3 million, or 2.9% of consolidated sales, as compared with operating income of $202.2 million, or 2.0% of consolidated sales, in fiscal 2004. Operating income in fiscal 2004 was negatively impacted by the restructuring and other charges discussed above, which totaled $55.6 million, or 0.5% of sales, in the prior fiscal year. The significant growth of operating income in both dollars and as a percentage of sales is a function of the moderate increase in consolidated sales between the two fiscal years and the reduction of selling, general and administrative expenses discussed previously in this MD&A.

EM's fiscal 2005 operating income of $233.1 million, or 3.7% of EM's sales, was up from operating income of $212.5 million, or 3.6% of EM's sales in fiscal 2004, as EM continued to focus on the management of its cost structure in the face of sales that only grew moderately year-over-year as a result of the mid-cycle inventory correction discussed previously in this MD&A. The improvement in operating profitability was more pronounced at TS where operating income in fiscal 2005 was $147.7 million, or 3.1% of TS sales, as compared with $98.9 million, or 2.3% of TS sales in fiscal 2004. The stronger improvement in these results was driven by the record sales year for TS, coupled with its continuing efforts to manage ongoing operating costs.

Avnet's fiscal 2004 consolidated operating income of $202.2 million, or 2.0% of consolidated sales, was up from operating income of $12.7 million, or 0.1% of consolidated sales, in fiscal 2003. Both periods were negatively impacted by restructuring and other charges discussed previously in this MD&A, which totaled $55.6 million, or 0.5% of sales, in fiscal 2004 and $106.8 million, or 1.2% of sales, in fiscal 2003. The

substantial improvement in profitability from fiscal 2003 to fiscal 2004 is primarily a function of growth in sales, as the Company emerged from the previous economic and industry downturn in fiscal 2004, and as a result of ongoing management of operating costs through the various restructuring actions taken by the Company in recent years (see *Restructuring and Other Charges* for further discussion).

Interest Expense and Other Income (Expense)

Interest expense was $85.1 million in fiscal 2005, down $9.5 million, or 10.1%, as compared with interest expense of $94.6 million in fiscal 2004. The reduction in interest expense year-over-year is due to a combination of reduced total debt outstanding and a lower effective interest rate on outstanding borrowings. As further described below, the Company has used cash and new financings to further repay outstanding debt obligations. As a result of these actions, the Company's total debt outstanding at July 2, 2005 was $1.24 billion and the average debt outstanding during fiscal 2005 was approximately $1.30 billion. This is down from total debt outstanding at the end of fiscal 2004 and an average debt balance during fiscal 2004 of $1.36 billion and $1.41 billion, respectively. The Company's overall effective interest rate also declined as a result of two actions. First, the Company repaid in cash, at maturity, its $100.0 million 6⅞% Notes due March 15, 2004. These notes were outstanding for nearly three quarters of fiscal 2004 with no comparable interest expense in fiscal 2005. Additionally, the Company paid off $273.4 million of its 7⅞% Notes due February 15, 2005 with the proceeds from its 2% Convertible Debentures due March 15, 2034, which were issued in March 2004. This resulted in a substantial decrease in effective rates between these two obligations year-over-year. The remaining $86.6 million of the 7⅞% Notes were paid off in cash at their maturity date during the third quarter of fiscal 2005, which eliminated the remaining interest expense on the 7⅞% Notes for the remainder of fiscal 2005. These positive impacts on the Company's effective interest rate were offset, in part, by short-term interest rates that rose throughout fiscal 2005, which results in the Company's fair value hedges paying interest at a higher rate. Specifically, from the end of fiscal 2004 to the end of fiscal 2005, the interest rates on the Company's $400.0 million hedge of its 8% Notes and $300.0 million hedge of its 9.75% Notes each rose by approximately 190 basis points. See *Liquidity and Capital Resources — Financing Transactions* for further discussion of the Company's financing.

The acquisition of Memec, completed subsequent to fiscal 2005, is not expected to have a significant impact on the Company's annual interest expense as the Company was able to satisfy the cash obligations of the purchase with cash on hand. Simultaneous with the July 5, 2005 close of the acquisition, Avnet also repaid, in cash, substantially all of Memec's ongoing debt obligations. Certain foreign lines of credit in the Asia region represent the only significant remaining debt of Memec subsequent to the acquisition by Avnet.

Interest expense was $94.6 million in fiscal 2004, down 9.8% as compared with $104.9 million in fiscal 2003. Trends similar to those discussed above drove this downward trend in interest expense. First, Avnet's average debt outstanding was approximately $210 million less in fiscal 2004 as compared with fiscal 2003. Second, Avnet's effective interest rate on borrowings was lower in fiscal 2004 as a result of the Company's tender and early redemption in the third quarter of fiscal 2003 of certain public debt obligations that were maturing in the following twelve months. These tenders and early redemptions were financed by the issuance of $475.0 million of 9¾% Notes due February 15, 2008. However, with the fair value hedges that the Company entered into on this newly issued debt, the resulting effective interest rate was lower than it was on the debt that was retired. Avnet fully repaid, through tender and early redemption in the third quarter of fiscal 2003, its original principal balances of $200.0 million of 6.45% Notes due August 15, 2003 and $250.0 million of 8.20% Notes due October 17, 2003. This repayment was financed by the issuance of $475.0 million of 9¾% Notes due February 15, 2008 in the third quarter of fiscal 2003. The Company simultaneously executed a fair value hedge of the 9¾% Notes to convert this new debt from a fixed rate of 9¾% to a variable rate (7.8% at July 3, 2004) based upon US LIBOR plus a spread. Additionally, the final four months of fiscal 2004 were benefited by the previously discussed issuance of the 2% Convertible Debentures due March 15, 2034 and tender to pay down a portion of the 7⅞% Notes due February 15, 2005.

Other income, net, which includes interest income, was $3.5 million in fiscal 2005 as compared with $7.1 million in fiscal 2004 and $26.2 million in fiscal 2003. The primary driver of the variations between years is the effect of foreign currency exchange gains and losses. Fiscal 2005 and fiscal 2004 both contained foreign

currency losses which offset a portion of the interest income earned in the respective years on the Company's cash and cash equivalent balances. Fiscal 2003 results contained a $15.6 million gain on foreign currency exchange. The Company has an active hedge program in place, which has been applied on a more global basis from fiscal 2004 forward. See Item 7A — *Quantitative and Qualitative Disclosures About Market Risk* for further discussion.

Debt Extinguishment Costs

As discussed further under *Liquidity and Capital Resources — Financing Transactions*, the Company incurred debt extinguishment costs in both fiscal 2004 and fiscal 2003 associated with the tender and early purchase of a portion of its outstanding publicly traded debt. In completing these transactions, the Company incurred debt extinguishment costs, related primarily to premiums and other transaction costs associated with these tenders and early purchases, which totaled $16.4 million pre-tax, $14.2 million after-tax, or $0.12 per share on a diluted basis in fiscal 2004 and $13.5 million pre-tax, $8.2 million after-tax, or $0.07 per share on a diluted basis in fiscal 2003.

Income Tax Provision (Benefit)

The Company's effective tax rate in fiscal 2005 was 29.8% as compared with 25.9% in fiscal 2004. The mix of Avnet's profits amongst its various international subsidiaries with varying statutory tax rates impacts the Company's effective tax rates. Continuing improvement in profitability, particularly in the EMEA and Asia regions, has led to effective tax rates substantially lower than the 35% U.S. federal tax rate in fiscal 2005 and fiscal 2004. Similarly, the mix of profits amongst international subsidiaries in fiscal 2003 yielded an effective tax rate of 41.9% on the Company's pre-tax loss that year, which was also more favorable than the 35% U.S. federal tax rate.

Net Income (Loss)

As a result of the factors described in the preceding sections of this MD&A, the Company's net income was $168.2 million, or $1.39 per share on a diluted basis, in fiscal 2005 as compared with net income of $72.9, or $0.60 per share on a diluted basis, in fiscal 2004 and a net loss of $46.1 million, or $0.39 per share on a diluted basis, in fiscal 2003. The fiscal 2004 results include the negative after-tax impact of restructuring and other charges and debt extinguishment costs, discussed previously in this MD&A, totaling $52.8 million, or $0.44 per share on a diluted basis. The fiscal 2003 results similarly include the negative after-tax impact of previously discussed charges totaling $73.9 million, or $0.62 per share on a diluted basis.

Critical Accounting Policies

The Company's consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. These estimates and assumptions are based upon the Company's continuous evaluation of historical results and anticipated future events. Actual results may differ from these estimates under different assumptions or conditions.

The Securities and Exchange Commission defines critical accounting polices as those that are, in management's view, most important to the portrayal of the Company's financial condition and results of operations and that require significant judgments and estimates. Management believes the Company's most critical accounting policies relate to:

Valuation of Receivables

The Company maintains an allowance for doubtful accounts for estimated losses resulting from customer defaults. Bad debt reserves are recorded based upon historic default averages as well as the Company's regular assessment of the financial condition of its customers. Therefore, if collection experience or the financial

condition of specific customers were to deteriorate, management would evaluate whether additional allowances and corresponding charge to the consolidated statement of operations are required.

Valuation of Inventories

Inventories are recorded at the lower of cost (first in — first out) or estimated market value. The Company's inventories include high-technology components, embedded systems and computing technologies sold into rapidly changing, cyclical and competitive markets whereby such inventories may be subject to early technological obsolescence.

The Company regularly evaluates inventories for excess, obsolescence or other factors that may render inventories less marketable. Write-downs are recorded so that inventories reflect the approximate net realizable value and take into account the Company's contractual provisions with its suppliers, which provide certain protections to the Company for product obsolescence and price erosion in the form of rights of return and price protection. Because of the large number of transactions and the complexity of managing the process around price protections and stock rotations, estimates are made regarding adjustments to the carrying amount of inventories. Additionally, assumptions about future demand, market conditions and decisions to discontinue certain product lines can impact the decision to write down inventories. If assumptions about future demand change or actual market conditions are less favorable than those projected by management, management would evaluate whether additional write-downs of inventories are required. In any case, actual values could be different from those estimated.

Accounting for Income Taxes

Management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against net deferred tax assets. The carrying value of the Company's net operating loss carry-forwards is dependent upon its ability to generate sufficient future taxable income in certain tax jurisdictions. In addition, the Company considers historic levels of income, expectations and risk associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing a tax valuation allowance. Should the Company determine that it is not able to realize all or part of its deferred tax assets in the future, an additional valuation allowance may be recorded against the deferred tax assets with a corresponding charge to income in the period such determination is made.

The Company establishes reserves for potentially unfavorable outcomes of positions taken on certain tax matters. These reserves are based on management's judgments and estimates of probable future tax liabilities. As these estimates are highly judgmental, there may be differences between the anticipated and actual outcomes of these matters that may result in reversals of reserves or additional tax liabilities in excess of the reserved amounts. To the extent such adjustments are warranted, the Company's effective tax rate may potentially fluctuate as a result.

Restructuring, Integration and Impairment Charges

The Company has been subject to the financial impact of integrating acquired businesses and charges related to business reorganizations. In connection with such events, management is required to make estimates about the financial impact of such matters that are inherently uncertain. Accrued liabilities and reserves are established to cover the cost of severance, facility consolidation and closure, lease termination fees, inventory adjustments based upon acquisition-related termination of supplier agreements and/or the re-evaluation of the acquired working capital assets (inventory and accounts receivable), and write-down of other acquired assets including goodwill. Actual amounts incurred could be different from those estimated.

Additionally, in assessing the Company's goodwill for impairment in accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets*, the Company is required to make significant assumptions about the future cash flows and overall performance of its reporting units. Should these assumptions or the structure of the reporting units change in the future based upon market conditions or changes in business strategy, the Company may be required to record impairment charges to goodwill.

Contingencies and Litigation

The Company is involved in various legal proceedings and other claims related to environmental, labor, product and other matters, all of which arise in the normal course of business. The Company is required to assess the likelihood of any adverse judgment or outcome to these matters, as well as the range of potential losses. A determination of the reserves required, if any, is made after careful analysis by management and internal and, when necessary, external counsel. The required reserves may change in the future due to developments or a change in circumstances. Changes to reserves could increase or decrease earnings in the period the changes are effective.

The Company does not consider revenue recognition to be a critical accounting policy due to the nature of its business in which revenues are generally recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collectibility is reasonably assured. Generally, these criteria are met upon the actual shipment of product to the customer. Accordingly, other than for estimates related to possible returns of products from customers, discounts or rebates, the recording of revenue does not require significant judgments or estimates. Provisions for returns are estimated based on historical sales returns, credit memo analysis and other known factors. Provisions are made for discounts and rebates, which are primarily volume-based, and are generally based on historical trends and anticipated customer buying patterns. Finally, revenues from maintenance contracts, which are deferred and recognized to income over the life of the agreement, are not material to the consolidated results of operations of the Company.

Recently Issued Accounting Pronouncements

In May 2005, the FASB issued Statement of Financial Accounting Standard No. 154 ("SFAS 154"), *Accounting Changes and Error Corrections*. SFAS 154 applies to all voluntary changes in accounting principle as well as to changes required by an accounting pronouncement that does not include specific transition provisions. SFAS 154 eliminates the requirement in Accounting Principles Board Opinion No. 20, *Accounting Changes*, to include the cumulative effect of changes in accounting principle in the income statement in the period of change and, instead, requires changes in accounting principle to be retrospectively applied. Retrospective application requires the new accounting principle to be applied as if the change occurred at the beginning of the first period presented by modifying periods previously reported, if an estimate of the prior period impact is practicable and estimable. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not currently anticipate any changes in accounting principle other than the adoption of SFAS 123(R) discussed below, which has its own adoption transition provision and is therefore not in the scope of SFAS 154. As a result, Avnet does not believe the adoption of SFAS 154 will have a material impact on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payments* ("SFAS 123(R)") which revises SFAS No. 123, *Accounting for Stock-Based Compensation* and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, be measured at fair value and expensed in the consolidated statement of operations over the service period (generally the vesting period). SFAS 123(R) is effective in Avnet's first quarter of fiscal 2006 at which point the Company has now begun to record the expense associated with share-based payments to employees. Upon adoption subsequent to fiscal 2005, the Company transitioned to SFAS 123(R) using the modified prospective application, whereby compensation cost is only recognized in the consolidated statements of operations beginning with the first period that SFAS 123(R) is effective and thereafter, with prior periods still presented on a pro forma basis. Management has not yet quantified what the precise impact of adopting SFAS 123(R) will be in the first quarter of fiscal 2006 and thereafter. However, the pro-forma impacts of expensing share-based payments on the periods presented herein are presented in Note 1 to the consolidated financial statements appearing in Item 15 of this Report. Management expects that the fiscal 2005 pro forma impacts will be a reasonable approximation of the expense associated with share-based payments in fiscal 2006. In addition, the Company will continue to use the Black-Scholes option valuation model to value stock options.

In December 2004, the FASB issued Staff Position No. 109-2 ("FSP 109-2"), *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004*, which provides guidance for implementing the repatriation of earnings provisions of the American Jobs Creation Act of 2004 (the "Jobs Act") and the impact on the Company's income tax expense and deferred income tax liabilities. The Jobs Act was enacted in October 2004. However, FSP 109-2 allows additional time beyond the period of enactment to allow the Company to evaluate the effect of the Jobs Act on the Company's plan for reinvestment or repatriation of foreign earnings. The Company is currently evaluating the impact of the repatriation provisions of FSP 109-2 and expects to complete this evaluation before the end of fiscal 2006. The Company is performing its evaluation in stages and, at this point, is considering a range between zero and $100 million for potential repatriation. However, the related range of income tax effects from such repatriation cannot be reasonably estimated at this time.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4* ("SFAS 151"). SFAS 151 requires that abnormal inventory costs such as abnormal freight, handling costs and spoilage be expensed as incurred rather than capitalized as part of inventory, and requires the allocation of fixed production overhead costs to be based on normal capacity. SFAS 151 is to be applied prospectively and is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SFAS 151 will not have a material impact on the Company's consolidated financial statements.

In September 2004, the Emerging Issues Task Force ("EITF") of the FASB reached a final consensus on EITF Issue No. 04-08 ("EITF 04-08"), *The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share*. EITF 04-08 requires instruments with conversion features that are contingent upon an issuer's stock price to be included in the earnings per share calculation using the "if-converted" method regardless of whether the contingency is met. However, EITF 04-08 allows for treasury stock method treatment for any convertible instruments that have provisions requiring cash-settlement up to the par value. EITF 04-08 is effective for interim and annual periods ending after December 15, 2004. In December 2004, the Company made an irrevocable election to satisfy the principal portion of its 2.0% Convertible Senior Debentures (see *Liquidity and Capital Resources — Financing Transactions*), if converted, in cash. Therefore, the Company has applied the treasury stock method for the Debentures both prospectively and retroactively for all periods presented. The adoption of EITF 04-08 had no impact on the Company's consolidated financial statements or earnings per share as the Debentures were antidilutive both retrospectively and for the year ended July 2, 2005. In addition, EITF 04-08 does not require retrospective application for the 4.5% Convertible Notes, which matured on September 1, 2004, because the Company settled these Notes in cash upon maturity.

Liquidity and Capital Resources

Cash Flows

The following table summarizes the Company's cash flow activities for fiscal 2005, 2004 and 2003, including the Company's computation of free cash flow and a reconciliation of this metric to the nearest GAAP measures of net income and net cash flow from operations. Management's computation of free cash flow consists of net cash flow from operations plus cash flows generated from or used for purchases and sales of property, plant and equipment, acquisitions of operations, effects of exchange rates on cash and cash equivalents and other financing activities. Management believes that the non-GAAP metric of free cash flow is a useful measure to help management and investors better assess and understand the Company's operating performance and sources and uses of cash. Management also believes the analysis of free cash flow assists in identifying underlying trends in the business. Computations of free cash flow may differ from company to company. Therefore, the analysis of free cash flow should be used as a complement to, and in conjunction with, the Company's consolidated statements of cash flows presented in the accompanying financial statements appearing in Item 15 of this Report.

Management also analyzes cash flow from operations based upon its three primary components noted in the table below: net income, non-cash and other reconciling items and cash flow generated from or used for

working capital. Similar to free cash flow, management believes that this breakout is an important measure to help management and investors understand the trends in the Company's cash flows, including the impact of management's focus on asset utilization and efficiency through reductions in the net balance of receivables, inventories and accounts payable.

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
		(Thousands)	
Net income (loss)	$ 168,239	$ 72,897	$ (46,116)
Non-cash and other reconciling items(1)	172,595	140,783	215,573
Cash flow generated from (used for) working capital (excluding cash and cash equivalents)(2)	121,002	(149,031)	482,421
Net cash flow from operations	461,836	64,649	651,878
Cash flow generated from (used for):			
Purchases of property, plant and equipment	(31,338)	(28,623)	(34,169)
Cash proceeds from sales of property, plant and equipment	7,271	5,229	16,379
Acquisition of operations and investments	(3,563)	(50,528)	(9,210)
Effect of exchange rates on cash and cash equivalents	(10,816)	8,834	13,194
Other, net financing activities	2,274	13,914	(474)
Net free cash flow	425,664	13,475	637,598
Reduced drawings under accounts receivable securitization program	—	—	(200,000)
Repayment of debt, net	(100,464)	(96,275)	(201,365)
Net increase (decrease) in cash and cash equivalents	$ 325,200	$ (82,800)	$ 236,233

(1) Non-cash and other reconciling items are the combination of depreciation and amortization, deferred income taxes, non-cash restructuring and other charges, and other, net, in cash flows from operations.

(2) Cash flow generated from working capital is the combination of the changes in the Company's working capital and other balance sheet accounts in cash flows from operations (receivables, inventories, accounts payable and accrued expenses and other, net).

Avnet generated operating cash flows of $461.8 million during fiscal 2005. This positive cash flow is largely driven by the Company's improved profitability in fiscal 2005, as further discussed in *Results of Operations* in this MD&A, and the generation of cash from its working capital, excluding cash and cash equivalents. Management has continued to focus on improving asset utilization and efficiency since the economic and industry downturn that began in fiscal 2001. This focus was enhanced again in fiscal 2005 as the Company weathered the mid-cycle inventory correction in the electronic components sector. The Company's efforts to manage the combined balance of accounts receivable and inventories, net of accounts payable, allowed the Company to generate positive cash flows from these working capital components of $166.4 million in fiscal 2005. A significant catalyst for this cash flow has been the Company's ability to effectively manage inventory levels throughout its business. As discussed in *Results of Operations*, EM achieved record quarterly inventory turns in the fourth quarter of fiscal 2005 as a direct result of this effort. The cash flows associated with purchases and sales of property, plant and equipment remained relatively consistent in fiscal 2005 when compared with prior years. Cash expenditures for acquisitions of operations relate to the first quarter fiscal 2005 acquisition of DNS Slovakia, a small computer product distributor, as well as certain legal and other costs incurred in fiscal 2005 related to the acquisition of Memec, which did not close until after fiscal 2005. Trends in foreign currency exchange rates shifted in fiscal 2005 to generate a net cash outflow as most foreign currencies, particularly the Euro, weakened slightly against the U.S. Dollar in the second half of fiscal 2005. This negative cash flow results from the translation of Avnet's cash and cash equivalents held in foreign currencies, which were generally higher throughout the second half of fiscal 2005 resulting largely from the combination of the Company's higher profitability and working capital management as it emerged from the mid-cycle inventory correction. The combination of these factors yielded net free cash flow in fiscal 2005 of

$425.7 million, of which the Company utilized $100.5 million for repayment of debt (see *Liquidity and Capital Resources — Financing Transactions*).

During fiscal 2004, the Company generated $64.7 million of cash and cash equivalents from its operating activities. A return to profitability in fiscal 2004 plus the impacts of non-cash and other reconciling items combined to yield cash inflows for fiscal 2004 of $213.7 million. Partially offsetting this amount are cash flows of $149.0 million used for the Company's working capital needs (excluding cash and cash equivalents) during fiscal 2004. The primary driver of this outflow relate to the growth of receivables ($271.3 million) and inventory ($240.5 million), net of cash flow generation from accounts payable ($285.4 million) and other working capital items ($77.4 million). These trends in working capital are typical of an up-cycle in the electronic components industry as growth in receivables and payables is driven by higher sales and purchasing volumes. Additionally, inventory growth was also expected as the industry moved into an up-cycle, especially in the electronic components sector where longer lead times from suppliers and increased demand from customers typically result in the distributor carrying higher levels of inventory. As a result, EM grew inventory in certain products to accommodate the growing levels in demand and in support of customer contractual agreements to purchase certain inventory. Therefore, it is not uncommon to see cash outflows associated with working capital when the Company is in the growth phase of an up-cycle. Despite the overall increase, the Company continued to manage its working capital utilization and efficiency. Within EM, where the majority of the inventory increases took place, fiscal 2004 inventory turns improved by 16% over fiscal 2003. This improvement in turns is driven by a combination of the increased sales and the buildup of inventory only in high demand, and thus, higher volume product lines.

Since the industry and economic downturn commenced in fiscal 2001, the Company has significantly reduced its capital expenditures as well as its acquisition and investment activity. However, during fiscal 2004, the Company completed a contingent purchase price payment associated with its January 2000 acquisition of 84% of the stock of Eurotronics B.V., which went to market as SEI. Pursuant to the terms of the share purchase agreement, in fiscal 2004, Avnet paid $48.9 million to former shareholders of Eurotronics B.V. in final settlement of contingent consideration related to this acquisition. This coupled with other, less significant contingent purchase price payments and the acquisition of a minority interest in one of the Company's foreign subsidiaries resulted in total cash outflow for acquisitions and investments of $50.5 million during fiscal 2004. These outflows for investing activities, offset in part by the favorable impact of foreign currency on cash and cash equivalents and other financing activities, yielded a net free cash flow of $13.5 million. This net free cash flow, coupled with the cash usage for the Company's retirement, both early and at maturity, of certain of the Company's debt net of proceeds from new debt issued during fiscal 2004 (see *Liquidity and Capital Resources — Financing Transactions*), resulted in a net decrease in cash during fiscal 2004 of $82.8 million.

In fiscal 2003, cash flow of $169.5 million was generated from the combination of the Company's net loss and non-cash and other reconciling items, and $482.4 million was generated by reductions in working capital (excluding cash and cash equivalents), thus generating net cash flow from operations of $651.9 million. The positive cash flow generated from working capital reductions resulted from the Company's continued efforts to improve its asset utilization and efficiency, primarily through reductions of receivables (cash inflow of $140.7 million) and inventories (cash inflow of $387.1 million), in what continued to be a stable but weak electronic components and computer products distribution industry during fiscal 2003. In addition to cash flow from operating activities in fiscal 2003, $5.1 million was needed for other business operations including purchases of property, plant and equipment, net of cash proceeds from sales of property, plant and equipment, and cash generated from other items, including the impact of foreign currency exchange rates on the Company's cash and cash equivalents. The Company also used $9.2 million for acquisitions of operations and investments (primarily contingent purchase price payments) during fiscal 2003, to yield net free cash flow in fiscal 2003 of $637.6 million. A total of $401.4 million of this free cash flow was used to reduce the Company's borrowings under its accounts receivable securitization program in addition to the retirement of certain of the Company's long-term debt, net of proceeds from new debt issued during fiscal 2003, resulting in a $236.2 million increase in cash and cash equivalents during fiscal 2003.

Capital Structure

The Company uses a variety of financing arrangements, both short-term and long-term, to fund its operations. The Company also uses diversified sources of funding so that it does not become overly dependent on one source and to achieve lower cost of funding through these different alternatives. These financing arrangements include public bonds, short-term and long-term bank loans and an accounts receivable securitization program. For a detailed description of the Company's external financing arrangements outstanding at July 2, 2005, please refer to Note 7 to the consolidated financial statements appearing in Item 15 of this Report.

The following table summarizes the Company's capital structure as of the end of fiscal 2005 with a comparison with the end of fiscal 2004:

	July 2, 2005	% of Total Capitalization	July 3, 2004	% of Total Capitalization
	(Dollars in thousands)			
Short-term debt	$ 61,298	1.8%	$ 160,660	4.9%
Long-term debt	1,183,195	35.4	1,196,160	36.1
Total debt	1,244,493	37.2	1,356,820	41.0
Shareholders' equity	2,097,033	62.8	1,953,426	59.0
Total capitalization	$3,341,526	100.0	$3,310,246	100.0

Long-term debt in the above table includes a fair value adjustment increasing total debt and capitalization by $0.9 million and $13.6 million at July 2, 2005 and July 3, 2004, respectively. The fair value adjustment relates to the interest rate hedges on the Company's 8.00% Notes and 9¾% Notes discussed in *Financing Transactions*.

Financing Transactions

In August 2005, the Company issued $250.0 million of 6.00% senior notes due September 1, 2015 (the "6% Notes"). The proceeds from the offering, net of discount and underwriting fees, totaled $246.5 million. These proceeds were used to launch a tender offer to purchase up to $250.0 million of the Company's 8.00% Notes due November 15, 2006 (the "8% Notes") at a price of $1,045 per $1,000 principal amount of 8% Notes. The tender offer period closes on September 13, 2005.

In August 2005, the Company also amended its accounts receivable securitization program which, among other things, now provides that financing under the facility no longer qualifies as off-balance sheet financing (see *Off-Balance Sheet Arrangements*). As a result, the receivables and related debt obligation will remain on the Company's consolidated balance sheet when amounts are drawn on the facility.

During fiscal 2005, the Company repaid the remaining $3.0 million of the 4.5% Convertible Notes upon maturity on September 1, 2004 and repaid the remaining $86.6 million of the 7⅞% Notes upon maturity on February 15, 2005.

In March 2004, the Company issued $300.0 million of 2% Convertible Senior Debentures due March 15, 2034 (the "Debentures"). The Debentures are convertible into Avnet common stock, at a rate of 29.5516 shares of common stock per $1,000 principal amount of Debentures. The Debentures are only convertible under certain circumstances, including if: (i) the closing price of the Company's common stock reaches $45.68 per share (subject to adjustment in certain circumstances) for a specified period of time; (ii) the average trading price of the Debentures falls below a certain percentage of the conversion value per Debenture for a specified period of time; (iii) the Company calls the Debentures for redemption; or (iv) certain corporate transactions, as defined, occur. Upon conversion, the Company will deliver cash in lieu of common stock as the Company made an irrevocable election in December 2004 to satisfy the principal portion of the Debentures, if converted, in cash. The Company may redeem some or all of the Debentures for cash any time on or after March 20, 2009 at the Debentures' full principal amount plus accrued and unpaid interest, if any. Holders of the Debentures may require the Company to purchase, in cash, all or a portion of

the Debentures on March 15, 2009, 2014, 2019, 2024 and 2029, or upon a fundamental change, as defined, at the Debentures' full principal amount plus accrued and unpaid interest, if any.

The proceeds from the issuance of the Debentures, net of underwriting fees, were $292.5 million. The Company used these proceeds to fund the tender and purchase of $273.4 million of its 7⅞% Notes due February 15, 2005. The Company incurred debt extinguishment costs of $16.4 million pre-tax, $14.2 million after-tax and $0.12 per share on a diluted basis during fiscal 2004 related primarily to premiums and other transaction costs associated with this tender and early redemption.

The Company has an unsecured, three-year $350.0 million credit facility with a syndicate of banks (the "Credit Facility"), which expires in June 2007. The Company may select from various interest rate options, currencies and maturities under the Credit Facility. The Credit Facility contains certain covenants, all of which the Company was in compliance with as of July 2, 2005. There were no borrowings under the Credit Facility at July 2, 2005 or July 3, 2004.

In March 2004, the Company also repaid in cash its $100.0 million of 6⅞% Notes that matured on March 15, 2004.

At July 2, 2005, the Company had two interest rate swaps with a total notional amount of $400.0 million in order to hedge the change in fair value of the 8% Notes related to fluctuations in interest rates. These contracts were classified as fair value hedges and were to mature in November 2006. The interest rate swaps modified the Company's interest rate exposure by effectively converting the fixed rate on the 8% Notes to a floating rate (6.4% at July 2, 2005) based on three-month U.S. LIBOR plus a spread through their maturities. Upon launching the tender offer to purchase up to $250.0 million of the 8% Notes in August 2005, the Company terminated the $400.0 million notional amount of interest rate swaps.

The Company has three additional interest rate swaps with a total notional amount of $300.0 million in order to hedge the change in fair market value of the 9¾% Notes due February 15, 2008 (the "9¾% Notes") related to fluctuations in interest rates. These hedges are classified as fair value hedges and mature in February 2008. These interest rate swaps modify the Company's interest rate exposure by effectively converting the fixed rate on the 9¾% Notes to a floating rate (9.7% at July 2, 2005) based on three-month U.S. LIBOR plus a spread through their maturities.

The hedged fixed rate debt and the interest rate swaps are adjusted to current market values through interest expense in the consolidated statements of operations included in Item 15 of this Report. The Company accounts for the hedges using the shortcut method as defined under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Hedging Activities*. Due to the effectiveness of the hedges since inception, the market value adjustments for the hedged debt and the interest rate swaps directly offset one another.

In addition to its primary financing arrangements, the Company has several small lines of credit in various locations to fund the short-term working capital, foreign exchange, overdraft and letter of credit needs of its wholly owned subsidiaries in Europe and Asia. Avnet generally guarantees its subsidiaries' debt under these facilities.

Off-Balance Sheet Arrangements

At July 2, 2005, the Company had a $350.0 million accounts receivable securitization program (the "Program") with two financial institutions whereby it was able to sell, on a revolving basis, an undivided interest in a pool of its trade accounts receivable. Under the Program, the Company was able to sell receivables in securitization transactions and retain a subordinated interest and servicing rights to those receivables. Receivables sold under the Program were sold without legal recourse to third party conduits through a wholly owned bankruptcy-remote special purpose entity that is consolidated for financial reporting purposes. At July 2, 2005, the Program qualified for sale treatment under Statement of Financial Accounting Standards No. 140, *Accounting for Transfer and Servicing of Financial Assets and Extinguishment of Liabilities*. There were no receivables sold under the Program at July 2, 2005 or July 3, 2004.

In August 2005, the Company amended its accounts receivable securitization program to, among other things, increase the maximum available for borrowing from $350.0 million to $450.0 million. The availability for financing under the amended facility is dependent on the level of the Company's trade receivables from month-to-month. In addition, the Program, as amended, no longer qualifies as off-balance sheet financing. As a result, the receivables and related debt will remain on the Company's consolidated balance sheet when amounts are drawn on the Program. The purpose of the Program is to provide the Company with an additional source of liquidity at interest rates more favorable than it could receive through other forms of financing. The Program, as amended, has a one-year term, which expires in August 2006.

Covenants and Conditions

The Program agreement discussed above required the Company to maintain senior unsecured credit ratings above certain minimum ratings triggers in order to continue utilizing the Program. These minimum ratings triggers were Ba3 by Moody's Investor Services or BB- by Standard & Poors. The minimum ratings triggers were eliminated in the amended Program discussed in ***Off-Balance Sheet Arrangements*** and replaced with minimum interest coverage and leverage ratios as defined in the Credit Facility (see discussion below). The Program agreement in effect at July 2, 2005, as well as the amended Program agreement also contain certain covenants relating to the quality of the receivables sold. If these conditions are not met, the Company may not be able to borrow any additional funds and the financial institutions may consider this an amortization event, as defined in the agreements, which would permit the financial institutions to liquidate the accounts receivable sold to cover any outstanding borrowings. Circumstances that could affect the Company's ability to meet the required covenants and conditions of the agreements include the Company's ongoing profitability and various other economic, market and industry factors. The Company was in compliance with all covenants of the Program at July 2, 2005.

The Credit Facility discussed in ***Financing Transactions*** contains certain covenants with various limitations on debt incurrence, dividends, investments and capital expenditures and also includes financial covenants requiring the Company to maintain minimum interest coverage and leverage ratios, as defined. Management does not believe that the covenants in the Credit Facility limit the Company's ability to pursue its intended business strategy or future financing needs. The Company was in compliance with all covenants of the Credit Facility as of July 2, 2005.

See ***Liquidity*** for further discussion of the Company's availability under these various facilities.

Liquidity

The Company had total borrowing capacity of $700.0 million at July 2, 2005 under the Credit Facility and the Program, against which $19.7 million in letters of credit were issued under the Credit Facility as of July 2, 2005, resulting in $680.3 million of net availability. The Company also had an additional $637.9 million of cash and cash equivalents at July 2, 2005. Approximately $343 million of this cash balance, excluding transaction costs, was used to fund the acquisition of Memec and paydown of substantially all of Memec's outstanding debt obligations, including related expenses, subsequent to fiscal 2005 (see ***Acquisitions*** in Item 1 and Note 2 to the consolidated financial statements appearing in Item 15 of this Report). Also subsequent to fiscal 2005, the Company contributed $55.6 million to its defined benefit pension plan. There are no significant financial commitments of the Company outside of normal debt and lease maturities as disclosed in ***Long-Term Contractual Obligations***. Even with the usage of cash for the Memec acquisition, management believes that Avnet's borrowing capacity, its cash availability and the Company's expected ability to generate operating cash flows are sufficient to meet its projected financing needs. As discussed more fully in ***Cash Flows***, the Company is less likely to generate positive cash flows from working capital reductions during an up-cycle in the electronic components and computer products industry. However, additional cash requirements for working capital are generally expected to be offset by the operating cash flows generated by the Company's enhanced profitability model resulting from the Company's significant cost reductions achieved in recent years. Furthermore, subsequent to fiscal year end, the Company made a tender offer to repurchase up to $250 million of the $400.0 million 8% Notes, which is the Company's next significant public debt maturity.

The Company is funding the tender to repurchase the 8% Notes with the proceeds from the August 2005 issuance of $250 million in 6% Notes, which do not mature until September 1, 2015.

The following table highlights the Company's liquidity and related ratios for the past two years:

COMPARATIVE ANALYSIS — LIQUIDITY

	Years Ended		
	July 2, 2005	July 3, 2004	Percentage Change
	(Dollars in millions)		
Current Assets	$3,783.0	$3,484.0	8.6%
Quick Assets	2,526.5	2,056.6	22.8
Current Liabilities	1,717.5	1,645.0	4.4
Working Capital	2,065.4	1,839.0	12.3
Total Debt	1,244.5	1,356.8	(8.3)
Total Capital (total debt plus total shareholders' equity)	3,341.5	3,310.2	0.9
Quick Ratio	1.5:1	1.3:1	
Working Capital Ratio	2.2:1	2.1:1	
Debt to Total Capital	37.2%	41.0%	

The single biggest driver of the Company's growth in current assets year-over-year is the net cash flow generation of $325.2 million during fiscal 2005. The Company's accounts receivable balance also grew year-over-year, commensurate with the moderate growth in sales in fiscal 2005. However, the growth in accounts receivable was more than offset by reductions in inventory, as a function of the Company's previously discussed working capital management initiatives, and other assets. As a result, quick assets (cash and cash equivalents plus accounts receivable) grew at a greater rate than current assets. Current liabilities grew at a lesser rate year-over-year as growth in accounts payable (also a function of the moderate increase in sales and, thus, purchasing activity in fiscal 2005) was offset in part by the pay down of certain current debt maturities (see *Financing Transactions*) during fiscal 2005. These trends in the Company's current assets and liabilities combined to generate a 12.3% increase in working capital year-over-year. At July 2, 2005, quick assets were greater than the Company's current liabilities by $809.0 million as compared with $411.6 million at July 3, 2004. Working capital increased to $2.07 billion at the end of fiscal 2005 as compared with $1.84 billion at the end of the prior year.

Long-Term Contractual Obligations

The Company has the following contractual obligations outstanding as of July 2, 2005 (in millions):

	Total	Due In Less Than 1 Year	Due In 1-3 Years	Due In 4-5 Years	Due After 5 Years
Long-term debt, including amounts due within one year	$1,243.6	$ 61.3	$876.4	$ 1.8	$304.1
Operating leases	172.2	47.2	66.2	36.1	22.7
	$1,415.8	$108.5	$942.6	$37.9	$326.8

At July 2, 2005, the Company has five interest rate swaps outstanding on two of its fixed rate debt instruments which have yielded a fair value adjustment of $0.9 million to the Company's long-term debt included in the consolidated balance sheet at July 2, 2005. The issuance of the $250.0 million 6% Notes due in 2015 subsequent to fiscal 2005, with the net proceeds used to fund the purchase of up to $250.0 million of the 8% Notes due in 2006 (see *Financing Transactions*), will result in a shift of approximately $250.0 million between the 1-3 year maturity group and the after 5 year maturity group in the table above.

The Company does not currently have any material commitments for capital expenditures.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

The Company seeks to reduce earnings and cash flow volatility associated with changes in interest rates and foreign currency exchange rates by entering into financial arrangements intended to provide a hedge against all or a portion of the risks associated with such volatility. The Company continues to have exposure to such risks to the extent they are not hedged.

The Company has used interest rate swaps that convert certain fixed rate debt to variable rate debt, effectively hedging the change in fair value of the fixed rate debt resulting from fluctuations in interest rates. At July 2, 2005, the Company had five interest rate swaps outstanding under which the Company pays a variable interest rate and receives a fixed interest rate. The following tables set forth the scheduled maturities of the Company's debt outstanding at July 2, 2005 and the total fair value (generally based on quoted market prices) of the debt outstanding at July 2, 2005 and July 3, 2004 (dollars in millions):

	Fiscal Year						
	2006	2007	2008	2009	2010	Thereafter	Total
Liabilities:							
Fixed rate debt	$ 1	$400	$476	$ 1	$ 1	$304	$1,183
Floating rate debt	$60	$ —	$ —	$—	$—	$ —	$ 60
Interest Rate Swaps:							
Fixed to variable (notional amounts)	$—	$400	$300	$—	$—	$ —	$ 700

As discussed in *Financing Transactions*, subsequent to fiscal 2005, the Company initiated a tender offer to purchase up to $250 million of the 8% Notes, which are included in the fiscal 2007 maturities in the table above. The Company financed this tender through the issuance of $250 million of 6% Notes, which are not due to mature until fiscal 2016. Additionally, $400.0 million notional amount of the interest rate swaps reflected in the table below were terminated in August 2005 as a result of this tender for the underlying debt.

	Carrying Value at July 2, 2005	Fair Value at July 2, 2005	Carrying Value at July 3, 2004	Fair Value at July 3, 2004
Liabilities:				
Fixed rate debt	$1,183	$1,249	$1,273	$1,365
Average interest rate	7.2%		7.2%	
Floating rate debt	$ 60	$ 60	$ 70	$ 70
Average interest rate	4.0%		2.5%	
Interest Rate Swaps:				
Fixed to variable	$ 1	$ 1	$ 14	$ 14
Average pay rate	LIBOR + 4.3%		LIBOR + 4.3%	
Average receive rate	8.8%		8.8%	

Many of the Company's subsidiaries, on occasion, purchase and sell products in currencies other than their functional currencies. This subjects the Company to the risks associated with the fluctuations of foreign currency exchange rates. The Company reduces this risk by utilizing natural hedging (offsetting receivables and payables) as well as by creating offsetting positions through the use of derivative financial instruments, primarily forward foreign exchange contracts with maturities of less than sixty days. The Company adjusts all foreign denominated balances and any outstanding foreign exchange contracts to fair market value through the consolidated statements of operations. Therefore, the market risk related to foreign exchange contracts is offset by changes in valuation of the underlying items being hedged. The asset or liability representing the fair value of foreign exchange contracts is classified in the captions "other current assets" or "accrued expenses and other," as applicable, in the accompanying consolidated balance sheets. A hypothetical 10% change in currency exchange rates under the contracts outstanding at July 2, 2005 would result in an increase or decrease of approximately $16.6 million to the fair value of the forward foreign exchange contracts, which would generally be offset by an opposite effect on the related hedged positions.

Item 8. ***Financial Statements and Supplementary Data***

The financial statements and supplementary data are listed under Item 15 of this Report.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the reporting period covered by this Annual Report on Form 10-K. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Annual Report on Form 10-K, the Company's disclosure controls and procedures are effective such that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and forms relating to the Company.

During the last quarter of fiscal 2005, there have been no changes to the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

The Company's management, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act of 1934. The Company's internal control over financial reporting is 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 in the United States of America. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of July 2, 2005. In making this assessment, management used the framework established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that the Company maintained effective internal control over financial reporting as of July 2, 2005.

The Company's independent registered public accounting firm, KPMG LLP, has audited the effectiveness of the Company's internal controls over financial reporting and management's assessment of the effectiveness of such controls as of July 2, 2005, as stated in its audit report which is included herein.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Avnet, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Avnet, Inc. (the Company) maintained effective internal control over financial reporting as of July 2, 2005, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Avnet, 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 Avnet, Inc. maintained effective internal control over financial reporting as of July 2, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control — Integrated Framework issued by COSO. Also, in our opinion, Avnet, Inc. maintained, in all material respects, effective internal control over financial reporting as of July 2, 2005, based on criteria established in Internal Control — Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Avnet, Inc. and subsidiaries as of July 2, 2005 and July 3, 2004, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended July 2, 2005, and our report dated September 7, 2005 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Phoenix, Arizona
September 7, 2005

Item 9B. ***Other Information***

Not applicable.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

The information called for by Item 10 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 10, 2005.

Item 11. ***Executive Compensation***

The information called for by Item 11 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 10, 2005.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information called for by Item 12 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 10, 2005.

Item 13. ***Certain Relationships and Related Transactions***

The information called for by Item 13 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 10, 2005.

Item 14. ***Principal Accountant Fees and Services***

The information called for by Item 14 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 10, 2005.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

a. The following documents are filed as part of this Report:

	Page
1. Consolidated Financial Statements:	
Report of Independent Registered Public Accounting Firm	40
Avnet, Inc. and Subsidiaries Consolidated Financial Statements:	
Consolidated Balance Sheets at July 2, 2005 and July 3, 2004	41
Consolidated Statements of Operations for the years ended July 2, 2005, July 3, 2004 and June 27, 2003	42
Consolidated Statements of Shareholders' Equity for the years ended July 2, 2005, July 3, 2004 and June 27, 2003	43
Consolidated Statements of Cash Flows for the years ended July 2, 2005, July 3, 2004 and June 27, 2003	44
Notes to Consolidated Financial Statements	45
2. Financial Statement Schedules:	
Schedule II (Valuation and Qualifying Accounts) for the years ended July 2, 2005, July 3, 2004 and June 27, 2003	73

Schedules other than that above have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. Exhibits — The exhibit index for this Report can be found on pages 74 to 77.

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.

AVNET, INC.
(Registrant)

By: /s/ ROY VALLEE
Roy Vallee,
Chairman of the Board, Chief Executive Officer and Director

Date: September 13, 2005

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 indicated on September 13, 2005.

Signature	Title
/s/ ROY VALLEE Roy Vallee	Chairman of the Board, Chief Executive Officer and Director
/s/ ELEANOR BAUM Eleanor Baum	Director
/s/ J. VERONICA BIGGINS J. Veronica Biggins	Director
/s/ LAWRENCE W. CLARKSON Lawrence W. Clarkson	Director
/s/ EHUD HOUMINER Ehud Houminer	Director
/s/ JAMES A. LAWRENCE James A. Lawrence	Director
/s/ FRANK R. NOONAN Frank R. Noonan	Director
/s/ RAY M. ROBINSON Ray M. Robinson	Director
/s/ PETER M. SMITHAM Peter M. Smitham	Director
/s/ GARY L. TOOKER Gary L. Tooker	Director
/s/ RAYMOND SADOWSKI Raymond Sadowski	Senior Vice President, Chief Financial Officer and Principal Accounting Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Avnet, Inc.:

We have audited the accompanying consolidated balance sheets of Avnet, Inc. and subsidiaries (the Company) as of July 2, 2005, and July 3, 2004, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended July 2, 2005. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule for each of the years in the three-year period ended July 2, 2005, as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Avnet, Inc. and subsidiaries as of July 2, 2005 and July 3, 2004, and the results of their operations and their cash flows for each of years in the three-year period ended July 2, 2005, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule for each of the years in the three-year period ended July 2, 2005, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Avnet, Inc.'s internal control over financial reporting as of July 2, 2005, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated September 7, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

Phoenix, Arizona
September 7, 2005

AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	July 2, 2005	July 3, 2004
	(Thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 637,867	$ 312,667
Receivables, less allowances of $85,079 and $78,410, respectively (Note 3)	1,888,627	1,743,962
Inventories	1,224,698	1,364,037
Other	31,775	63,320
Total current assets	3,782,967	3,483,986
Property, plant and equipment, net (Note 5)	157,428	187,339
Goodwill (Note 6)	895,300	894,882
Other assets	262,520	297,444
Total assets	$5,098,215	$4,863,651
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Borrowings due within one year (Note 7)	$ 61,298	$ 160,660
Accounts payable	1,296,713	1,099,703
Accrued expenses and other (Note 8)	359,507	384,630
Total current liabilities	1,717,518	1,644,993
Long-term debt, less due within one year (Note 7)	1,183,195	1,196,160
Other long-term liabilities (Note 10)	100,469	69,072
Total liabilities	3,001,182	2,910,225
Commitments and contingencies (Notes 11 and 13)		
Shareholders' equity (Notes 1 and 12):		
Common stock $1.00 par; authorized 300,000,000 shares; issued 120,771,000 shares and 120,483,000 shares, respectively	120,771	120,483
Additional paid-in capital	569,638	567,060
Retained earnings	1,283,028	1,114,789
Cumulative other comprehensive income (Note 4)	123,705	151,195
Treasury stock at cost, 5,231 shares and 5,695 shares, respectively	(109)	(101)
Total shareholders' equity	2,097,033	1,953,426
Total liabilities and shareholders' equity	$5,098,215	$4,863,651

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
	(Thousands, except per share amounts)		
Sales	$11,066,816	$10,244,741	$9,048,442
Cost of sales	9,607,833	8,879,888	7,833,487
Gross profit	1,458,983	1,364,853	1,214,955
Selling, general and administrative expenses	1,137,667	1,106,988	1,095,461
Restructuring and other charges (Note 17)	—	55,618	106,765
Operating income	321,316	202,247	12,729
Other income, net	3,499	7,094	26,204
Interest expense	(85,056)	(94,573)	(104,851)
Debt extinguishment costs (Note 7)	—	(16,370)	(13,487)
Income (loss) before income taxes	239,759	98,398	(79,405)
Income tax provision (benefit) (Note 9)	71,520	25,501	(33,289)
Net income (loss)	$ 168,239	$ 72,897	$ (46,116)
Net earnings (loss) per share (Note 14):			
Basic	$ 1.39	$ 0.61	$ (0.39)
Diluted	$ 1.39	$ 0.60	$ (0.39)
Shares used to compute earnings (loss) per share (Note 14):			
Basic	120,629	120,086	119,456
Diluted	121,469	121,252	119,456

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended July 2, 2005, July 3, 2004 and June 27, 2003

	Common Stock	Additional Paid-in Capital	Retained Earnings	Cumulative Other Comprehensive Income	Treasury Stock	Total Shareholders' Equity
	(Thousands, except per share amounts)					
Balance, June 28, 2002	$119,431	$569,437	$1,088,008	$ 27,812	$(178)	$1,804,510
Net loss	—	—	(46,116)	—	—	(46,116)
Translation adjustments (Note 4)	—	—	—	98,346	—	98,346
Minimum pension liability adjustment, net of tax of $19,988 (Notes 4, 10 and 15)	—	—	—	(22,951)	—	(22,951)
Comprehensive income (Note 4)						29,279
Stock option and incentive programs, including related tax benefits of $278	124	(1,427)	—	—	36	(1,267)
Balance, June 27, 2003	119,555	568,010	1,041,892	103,207	(142)	1,832,522
Net income	—	—	72,897	—	—	72,897
Translation adjustments (Note 4)	—	—	—	45,470	—	45,470
Minimum pension liability adjustment, net of tax of $1,651 (Notes 4, 10 and 15)	—	—	—	2,518	—	2,518
Comprehensive income (Note 4)						120,885
Eurotronics contingent purchase price (Note 2)	—	(15,000)	—	—	—	(15,000)
Stock option and incentive programs, including related tax benefits of $756	928	14,050	—	—	41	15,019
Balance, July 3, 2004	120,483	567,060	1,114,789	151,195	(101)	1,953,426
Net income	—	—	168,239	—	—	168,239
Translation adjustments (Note 4)	—	—	—	(8,825)	—	(8,825)
Minimum pension liability adjustment, net of tax of $11,877 (Notes 4, 10 and 15)	—	—	—	(18,665)	—	(18,665)
Comprehensive income (Note 4)						140,749
Stock option and incentive programs, including related tax benefits of $102	288	2,578	—	—	(8)	2,858
Balance, July 2, 2005	$120,771	$569,638	$1,283,028	$123,705	$(109)	$2,097,033

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
		(Thousands)	
Cash flows from operating activities:			
Net income (loss)	$ 168,239	$ 72,897	$ (46,116)
Non-cash and other reconciling items:			
Depreciation and amortization	61,746	64,540	88,839
Deferred income taxes (Note 9)	63,734	(2,815)	21,606
Non-cash restructuring and other charges (Note 17)	—	31,409	55,344
Other, net (Note 15)	47,115	47,649	49,784
Changes in (net of effects from business acquisitions):			
Receivables	(168,892)	(271,311)	140,656
Inventories	144,004	(240,520)	387,081
Accounts payable	191,270	285,386	(120,849)
Accrued expenses and other, net	(45,380)	77,414	75,533
Net cash flows provided from operating activities	461,836	64,649	651,878
Cash flows from financing activities:			
Reduced drawings under accounts receivable securitization program (Note 3)	—	—	(200,000)
Issuance of notes in public offerings, net of issuance costs (Note 7)	—	292,500	465,313
Repayment of notes (Note 7)	(89,589)	(444,245)	(379,197)
(Repayment of) proceeds from bank debt, net	(10,789)	55,974	(285,795)
Payment of other debt, net	(86)	(504)	(1,686)
Other, net	2,274	13,914	(474)
Net cash flows used for financing activities	(98,190)	(82,361)	(401,839)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(31,338)	(28,623)	(34,169)
Cash proceeds from sales of property, plant and equipment	7,271	5,229	16,379
Acquisitions of operations, net (Note 2)	(3,563)	(50,528)	(9,210)
Net cash flows used for investing activities	(27,630)	(73,922)	(27,000)
Effect of exchange rate changes on cash and cash equivalents	(10,816)	8,834	13,194
Cash and cash equivalents:			
— increase (decrease)	325,200	(82,800)	236,233
— at beginning of year	312,667	395,467	159,234
— at end of year	$ 637,867	$ 312,667	$ 395,467

Additional cash flow information (Note 15)

See notes to consolidated financial statements

1. Summary of significant accounting policies

Principles of consolidation — The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries. All intercompany accounts and transactions have been eliminated.

Cash and cash equivalents — The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories — Inventories, comprised principally of finished goods, are stated at cost (first-in, first-out) or market, whichever is lower.

Investments — Investments in joint ventures and entities in which the Company has an ownership interest greater than 50% and exercises control over the venture are consolidated in the accompanying consolidated financial statements. Minority interests in the years presented, which amounts are not material, are included in the caption "accrued expenses and other" in the accompanying consolidated balance sheets. The Company invests from time to time in ventures in which the Company's ownership interest is less than 20% and over which the Company does not exercise significant influence. Such investments are accounted for under the cost method. The fair values for investments not traded on a quoted exchange are estimated based upon the performance of the ventures historically, the ventures' forecasted financial performance and management's evaluation of the ventures' viability and business models. To the extent the book value of an investment exceeds its assessed fair value, the Company will record an appropriate impairment charge. Thus, the carrying value of the Company's investments approximates fair value.

Depreciation and amortization — Depreciation and amortization is generally provided for by the straight-line method over the estimated useful lives of the assets. The estimated useful lives for depreciation and amortization are typically as follows: buildings — 30 years; machinery, fixtures and equipment — 2-10 years; and leasehold improvements — over the applicable remaining lease term or useful life if shorter.

Long-lived assets — Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment is recognized when the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. An impairment is measured as the amount an asset's net book value exceeds its estimated fair value. The Company continually evaluates the carrying value and the remaining economic useful life of all long-lived assets and will adjust the carrying value and the related depreciation and amortization period if and when appropriate.

Goodwill — Goodwill represents the excess of the purchase price over the fair value of net assets acquired. The Company has no other material identifiable intangible assets besides goodwill. In accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets*, the Company does not amortize goodwill. Instead, periodic tests for goodwill impairment are performed by applying a fair-value based test to Avnet's reporting units, defined as each of the three regional businesses, which are the Americas, EMEA (Europe, Middle East and Africa), and Asia, within each of the Company's operating groups. The Company conducts its periodic test for goodwill impairment annually, on the first day of the fiscal fourth quarter. A two-step process is used to evaluate goodwill for impairment. The first step is to determine if there is an indication of impairment by comparing the estimated fair value of each reporting unit to its carrying value including existing goodwill. Goodwill is considered impaired if the carrying value of a reporting unit exceeds the estimated fair value. The second step, which is performed only if there is an indication of impairment, determines the amount of the impairment by comparing the implied fair value of the reporting unit's goodwill with its carrying value. To estimate fair value of each reporting unit, the Company uses a combination of present value and multiple of earnings valuation techniques. The estimated fair values could change in the future due to changes in market and business conditions that could affect the assumptions and estimates used in these valuation techniques. Furthermore, in a cyclical business, the timing of a valuation may be an

important factor in the outcome of the valuation exercise. The Company's annual impairment tests in fiscal 2005, 2004 and 2003 yielded no impairments to the carrying value of the Company's goodwill.

Foreign currency translation — The assets and liabilities of foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date, with the related translation gains and losses reported as a separate component of shareholders' equity and comprehensive income. Results of operations are translated using the average exchange rates prevailing throughout the period. Transactions denominated in currencies other than the functional currency of the Avnet business unit that is party to the transaction (primarily trade receivables and payables) are translated at exchange rates in effect at the balance sheet date or upon settlement of the transaction. Gains and losses from such translation are recorded to the consolidated statements of operations as a component of "other income, net." In fiscal 2005, 2004 and 2003, the Company's net gains (losses) on foreign currency translation (including the impact of foreign currency hedges in place) totaled ($737,000), ($1,774,000) and $15,598,000, respectively.

Income taxes — The Company follows the asset and liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the estimated future tax impact of differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Based upon historical and projected levels of taxable income and analysis of other key factors, the Company records a valuation allowance against its deferred tax assets, as deemed necessary, to state such assets at their net realizable value. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the new rate is enacted.

No provision for U.S. income taxes has been made for approximately $536,403,000 of cumulative unremitted earnings of foreign subsidiaries at July 2, 2005 because those earnings are expected to be permanently reinvested outside the U.S. A hypothetical calculation of the deferred tax liability, assuming that earnings were remitted, is not practicable.

Self-insurance — The Company is primarily self-insured for workers' compensation, and general, product and automobile liability costs; however, the Company also has a stop-loss insurance policy in place to limit the Company's exposure to individual and aggregate claims made. Liabilities for these programs are estimated based upon outstanding claims and claims estimated to have been incurred but not yet reported based upon historical loss experience. These estimates are subject to variability due to changes in trends of losses for outstanding claims and incurred but not recorded claims, including external factors such as future inflation rates, benefit level changes and claim settlement patterns.

Revenue recognition — Revenue from product sales is recognized in accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 104 ("SAB 104"), *Revenue Recognition*. Under SAB 104, revenue from product sales is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collectibility is reasonably assured. Generally, these criteria are met upon shipment to customers. Most of the Company's product sales come from product Avnet purchases from a supplier and holds in inventory. A portion of the Company's sales are shipments of product directly from its suppliers to its customers. In such circumstances, Avnet negotiates the price with the customer, pays the supplier directly for the product shipped and bears credit risk of collecting payment from its customers. Furthermore, in such drop-shipment arrangements, Avnet bears responsibility for accepting returns of product from the customer even if Avnet, in turn, has a right to return the product to the original supplier if the product is defective. Under these terms, the Company serves as the principal with the customer, as defined under SEC Staff Accounting Bulletin No. 104 and Emerging Issues Task Force Issue No. 99-19 ("EITF 99-19"), *Reporting Revenue Gross as a Principal versus Net as an Agent*, and therefore recognizes the sale and cost of sale of the product upon receiving notification from the supplier that the product has shipped.

In addition, the Company has more limited contractual relationships with certain of its customers and suppliers whereby Avnet assumes an agency relationship in the transaction as defined by EITF 99-19. In such arrangements, the Company recognizes the fee associated with serving as an agent in sales with no associated cost of sales.

Revenues from maintenance contracts are recognized ratably over the life of the contracts, ranging from one to three years. Revenues are recorded net of discounts, rebates and estimated returns. Provisions are made for discounts and rebates, which are primarily volume-based, and are based on historical trends and anticipated customer buying patterns. Provisions for returns are estimated based on historical sales returns, credit memo analysis and other known factors.

Comprehensive income (loss) — Comprehensive income (loss) represents net income (loss) for the year adjusted for changes in shareholders' equity from non-shareholder sources. Cumulative comprehensive income (loss) items typically include currency translation, valuation adjustments for marketable securities and the impact of the Company's additional minimum pension liability, net of tax (see Note 4).

Stock-based compensation — The Company accounts for its stock based compensation plans using the intrinsic value method initially prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"), *Accounting for Stock Issued to Employees*. In applying APB 25, no expense is recognized upon grant of stock under the Company's various stock option plans, except in the rare circumstances where the exercise price is less than the fair market value on the grant date, nor is expense recognized in connection with shares purchased by employees under the Employee Stock Purchase Plan (see Note 12).

No expense was recognized for options granted under the Company's various stock option plans as the options granted during the periods presented had exercise prices equal to the market value of the underlying stock on the date of the grants. FASB Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure — An Amendment of FASB Statement No. 123*, requires certain disclosures of the pro forma impact on net income (loss) and earnings (loss) per share as if a fair value-based method of measuring stock-based compensation, as defined by the FASB's Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, had been applied.

Reported and pro forma net income (loss) and earnings (loss) per share are as follows:

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
	(Thousands, except per share amounts)		
Net income (loss), as reported	$168,239	$ 72,897	$(46,116)
Less: Fair value impact of employee stock compensation, net of tax	(7,717)	(9,668)	(8,953)
Pro forma net income (loss)	$160,522	$ 63,229	$(55,069)
Earnings (loss) per share:			
Basic — as reported	$ 1.39	$ 0.61	$ (0.39)
Basic — pro forma	$ 1.33	$ 0.53	$ (0.46)
Diluted — as reported	$ 1.39	$ 0.60	$ (0.39)
Diluted — pro forma	$ 1.32	$ 0.52	$ (0.46)
Number of shares of common stock issued under the employee stock purchase plan	289,241	304,641	548,932

The fair value of the stock options granted is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted average assumptions used and the weighted average estimated fair values of an option granted are as follows:

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
Expected life (years)	6.0	6.1	6.0
Risk-free interest rate	3.5%	3.4%	3.2%
Volatility	44.8%	46.9%	41.8%
Dividend yield	—	—	—
Weighted average fair value	$8.40	$9.07	$5.77

Concentration of credit risk — Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents and trade accounts receivable. The Company invests its excess cash primarily in overnight Eurodollar time deposits and institutional money market funds with quality financial institutions. The Company sells electronic components and computer products primarily to original equipment and contract manufacturers, including the military and military contractors, throughout the world. To reduce credit risk, management performs ongoing credit evaluations of its customers' financial condition and, in some instances, has obtained insurance coverage to reduce such risk. The Company maintains reserves for potential credit losses, but has not experienced any material losses related to individual customers or groups of customers in any particular industry or geographic area.

Fair value of financial instruments — The carrying amounts of the Company's financial instruments, including cash and cash equivalents, receivables and accounts payable approximate their fair values at July 2, 2005 due to the short-term nature of these instruments. See Note 7 for further discussion of the fair value of the Company's fixed rate long-term debt instruments and see *Investments* in this Note 1 for further discussion of the fair value of the Company's investments in unconsolidated entities.

Accounts receivable securitization — The Company had an accounts receivable securitization program whereby the Company may sell receivables in securitization transactions and retain a subordinated interest and servicing rights to those receivables. The Company accounts for the program under the FASB's Statement of Financial Accounting Standards No. 140 ("SFAS 140"), *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities.* The gain or loss on sales of receivables is determined at the date of transfer based upon the relative fair value of the assets sold and the interests retained. The Company estimates fair value based on the present value of future expected cash flows using management's best estimates of the key assumptions, including collection period and discount rates. In August 2005, the Company amended the accounts receivable securitization program agreement (see Note 3).

Derivative financial instruments — The Company accounts for derivative financial instruments in accordance with the FASB's Statement of Financial Accounting Standards No. 133 ("SFAS 133"), *Accounting for Derivative Instruments and Hedging Activities*, as amended by Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Hedging Activities* and Statement of Financial Accounting Standards No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities.*

Many of the Company's subsidiaries, on occasion, purchase and sell products in currencies other than their functional currencies. This subjects the Company to the risks associated with the fluctuations of foreign currency exchange rates. The Company reduces this risk by utilizing natural hedging (offsetting receivables and payables) as well as by creating offsetting positions through the use of derivative financial instruments, primarily forward foreign exchange contracts with maturities of less than sixty days. The Company adjusts all foreign denominated balances and any outstanding foreign exchange contracts to fair market value through the

consolidated statements of operations. Therefore, the market risk related to the foreign exchange contracts is offset by the changes in valuation of the underlying items being hedged. The asset or liability representing the fair value of foreign exchange contracts is classified in the captions "other current assets" or "accrued expenses and other," as applicable, in the accompanying consolidated balance sheets.

The Company has also entered into hedge transactions that convert certain fixed rate debt to variable rate debt, effectively hedging the change in fair value of the fixed rate debt resulting from fluctuations in interest rates. Those fair value hedges and the hedged debt are adjusted to current market values through interest expense in accordance with SFAS 133, as amended (see Note 7).

The Company generally does not hedge its investment in its foreign operations nor its floating interest rate exposures. The Company does not enter into derivative financial instruments for trading or speculative purposes and monitors the financial stability and credit standing of its counter parties.

Fiscal year — The Company operates on a "52/53 week" fiscal year, which ends on the Saturday closest to June 30th (Friday closest to June 30th in fiscal year 2003). Fiscal 2005 and 2003 contained 52 weeks as compared with 53 weeks in fiscal 2004. Unless otherwise noted, all references to "fiscal 2005" or any other "year" shall mean the Company's fiscal year.

Management estimates — The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncements — In May 2005, the FASB issued Statement of Financial Accounting Standard No. 154 ("SFAS 154"), *Accounting Changes and Error Corrections*. SFAS 154 applies to all voluntary changes in accounting principle as well as to changes required by an accounting pronouncement that does not include specific transition provisions. SFAS 154 eliminates the requirement in Accounting Principles Board Opinion No. 20, *Accounting Changes*, to include the cumulative effect of changes in accounting principle in the income statement in the period of change and, instead, requires changes in accounting principle to be retrospectively applied. Retrospective application requires the new accounting principle to be applied as if the change occurred at the beginning of the first period presented by modifying periods previously reported, if an estimate of the prior period impact is practicable and estimable. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not currently anticipate any changes in accounting principle other than the adoption of SFAS 123(R) discussed below, which has its own adoption transition provision and is therefore not in the scope of SFAS 154. As a result, Avnet does not believe the adoption of SFAS 154 will have a material impact on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payments* ("SFAS 123(R)") which revises SFAS No. 123, *Accounting for Stock-Based Compensation* and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, be measured at fair value and expensed in the consolidated statement of operations over the service period (generally the vesting period). SFAS 123(R) is effective in Avnet's first quarter of fiscal 2006 at which point the Company has now begun to record the expense associated with share-based payments to employees. Upon adoption subsequent to fiscal 2005, the Company transitioned to SFAS 123(R) using the modified prospective application, whereby compensation cost is only recognized in the consolidated statements of operations beginning with the first period that SFAS 123(R) is effective and thereafter, with prior periods still presented on a pro forma basis. Management has not yet quantified what the precise impact of adopting SFAS 123(R) will be in the first quarter of fiscal 2006 and thereafter. However, the pro-forma impacts of expensing share-based payments on the periods

presented herein are included in *Stock-based Compensation* in this Note 1. Management expects that the fiscal 2005 pro forma impacts will be a reasonable approximation of the expense associated with share-based payments in fiscal 2006. In addition, the Company will continue to use the Black-Scholes option valuation mode. to value stock options.

In December 2004, the FASB issued Staff Position No. 109-2 ("FSP 109-2"), *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004*, which provides guidance for implementing the repatriation of earnings provisions of the American Jobs Creation Act of 2004 (the "Jobs Act") and the impact on the Company's income tax expense and deferred income tax liabilities. The Jobs Act was enacted in October 2004. However, FSP 109-2 allows additional time beyond the period of enactment to allow the Company to evaluate the effect of the Jobs Act on the Company's plan for reinvestment or repatriation of foreign earnings. The Company is currently evaluating the impact of the repatriation provisions of FSP 109-2 and expects to complete this evaluation before the end of fiscal 2006. The Company is performing its evaluation in stages and, at this point, is considering a range between zero and $100,000,000 for potential repatriation. However, the related range of income tax effects from such repatriation cannot be reasonably estimated at this time.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4* ("SFAS 151"). SFAS 151 requires that abnormal inventory costs such as abnormal freight, handling costs and spoilage be expensed as incurred rather than capitalized as part of inventory, and requires the allocation of fixed production overhead costs to be based on normal capacity. SFAS 151 is to be applied prospectively and is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of SFAS 151 will not have a material impact on the Company's consolidated financial statements.

In September 2004, the Emerging Issues Task Force ("EITF") of the FASB reached a final consensus on EITF Issue No. 04-08 ("EITF 04-08"), *The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share*. EITF 04-08 requires instruments with conversion features that are contingent upon an issuer's stock price to be included in the earnings per share calculation using the "if-converted" method regardless of whether the contingency is met. However, EITF 04-08 allows for treasury stock method treatment for any convertible instruments that have provisions requiring cash-settlement up to the par value. EITF 04-08 is effective for interim and annual periods ending after December 15, 2004. In December 2004, the Company made an irrevocable election to satisfy the principal portion of its 2.0% Convertible Senior Debentures (see Note 7), if converted, in cash. Therefore, the Company has applied the treasury stock method for the Debentures both prospectively and retroactively for all periods presented. The adoption of EITF 04-08 had no impact on the Company's consolidated financial statements or earnings per share as the Debentures were antidilutive both retrospectively and for the year ended July 2, 2005. In addition, EITF 04-08 does not require retrospective application for the 4.5% Convertible Notes, which matured on September 1, 2004, because the Company settled these Notes in cash upon maturity.

2. Acquisitions and dispositions

Acquisition Subsequent to Fiscal 2005

On July 5, 2005, the Company acquired Memec Group Holdings Limited ("Memec"), a global distributor that markets and sells a portfolio of semiconductor devices from industry leading suppliers in addition to providing customers with engineering expertise and design services. Memec, with sales of $2.29 billion in its fiscal year ended December 31, 2004, is anticipated to be fully integrated into the Electronics Marketing group of Avnet by the end of fiscal 2006, with a substantial portion of the integration to be completed by the end of the second quarter of fiscal 2006.

The consideration for the Memec acquisition consisted of stock and cash valued at approximately $504,229,000, including transaction costs, plus the assumption of $239,960,000 of Memec's net debt (debt less cash acquired). Under the terms of the purchase, Memec investors received approximately 24,011,000 shares of Avnet common stock plus $63,957,000 of cash. The shares of Avnet common stock were valued at $17.42 per share, which represents the five-day average stock price beginning two days before the acquisition announcement on April 26, 2005.

The Memec acquisition will be accounted for as a business combination. Assets acquired and liabilities assumed will be recorded in the Company's fiscal 2006 consolidated balance sheet at their fair values as of July 5, 2005. A preliminary allocation of purchase price to the assets acquired and liabilities assumed at the date of acquisition is presented in the table below. This allocation is based upon a preliminary valuation using management's estimates and assumptions. This preliminary allocation is subject to refinement as the Company has not yet completed its evaluation of the fair value of assets and liabilities acquired, including the valuation of any potential intangible assets created through the acquisition. Furthermore, the assets and liabilities in the table below include preliminary estimates of severance for Memec workforce reductions, lease liabilities, write-downs in value of Memec owned facilities that will no longer be used or for which the use will be substantially changed in the combined business, and write-offs or write-downs in value of certain Memec information technology assets that will have limited or no use in the combined business. These estimates are also subject to further refinement as the Company finalizes the actions that will be taken and the charges associated with the integration of Memec into Avnet's operations.

	July 5, 2005 (Unaudited) (In thousands)
Current assets	$ 723,804
Property, plant and equipment, net	8,714
Goodwill	500,766
Other assets	10,206
Total assets acquired	1,243,490
Current liabilities, excluding current portion of long-term debt	459,258
Long term liabilities	12,700
Total debt	27,343
Total liabilities assumed	499,301
Net assets acquired	$ 744,189

The acquisition of Memec will provide for expansion of EM in each of the three major economic regions. The combination of Memec's Asian operations with Avnet's already industry-leading position, based on sales, in the Asia region will provide Avnet with a dominant position in this key growth region. Memec's already established position in Japan — the only U.S.-based distributor with such a presence in the Japanese market — also represents a significant opportunity by providing entry into this major electronic component marketplace. In addition, because Memec's operations and business model is similar to Avnet's, management believes significant synergies can be obtained in the combined businesses, thus allowing for significant operating cost reductions upon completion of the integration of Memec. The combination of these factors are the drivers behind the excess of purchase price paid over the value of assets and liabilities acquired.

The consideration paid in excess of Memec net assets is reflected as a preliminary estimate of goodwill in the table above. As stated previously, the Company has not completed its valuation of any potential intangible assets created as a result of the acquisition. The Company has engaged a third party valuation consultant who is currently assisting management in this valuation process. Any intangible assets identified and valued as a

result of this process will affect the final determination of goodwill. A portion of the goodwill generated by the Memec acquisition is expected to be deductible for tax purposes, although the Company has not yet quantified the deductible portion.

During fiscal 2005, the Company incurred $2,465,000 of costs associated with the acquisition of Memec, consisting primarily of legal and other costs associated with the due diligence efforts. These costs are capitalized as part of other long-term assets in the accompanying consolidated balance sheet at July 2, 2005 and are reflected as part of cash flows for acquisitions of operations and investments in the accompanying consolidated statement of cash flows for the year ended July 2, 2005.

Fiscal 2005

In August 2004, Avnet completed the acquisition of DNS Slovakia ("DNS"), a value-added distributor of enterprise computing solutions. DNS, with annual sales of approximately $15,000,000, was integrated into Avnet's Technology Solutions operations in Europe. The Company acquired DNS for cash consideration, net of cash acquired, totaling $1,098,000.

Fiscal 2004

During fiscal 2004, the Company completed a contingent purchase price payment associated with its January 2000 acquisition of 84% of the stock of Eurotronics B.V., which went to market as SEI. Pursuant to the terms of the share purchase agreement, in fiscal 2004, Avnet paid $48,930,000 to former shareholders of Eurotronics B.V. in final settlement of contingent consideration related to this acquisition. This payment resulted in an addition to goodwill of $33,930,000 and a reduction of additional paid-in capital of $15,000,000, based upon an initial estimate of the fair value of the stock guarantee incorporated into the purchase price accounting at the time of the Eurotronics B.V. acquisition. During fiscal 2004, the Company also acquired the interest of a 9% minority shareholder in the Company's majority-owned Brazilian subsidiary, Avnet do Brasil, LTDA, as well as making contingent purchase price payments associated with certain companies acquired in prior years. The acquisition of minority interests and contingent purchase price payments discussed above required a total investment of $50,528,000, all of which was paid in cash.

Fiscal 2003

During fiscal 2003, the Company acquired the remaining 40% interest in Max India Ltd. as well as minority interests in various Israeli subsidiaries. The Company also completed contingent purchase price payments associated with companies acquired in previous years including Sunrise Technology Ltd. and Avnet Italy. The acquisitions of these minority interests and the contingent purchase price payments required a total investment of $9,210,000, all of which was paid in cash.

Also during fiscal 2003, the Company and the seller of the European operations of the VEBA Electronics Group (acquired by the Company in fiscal 2001) resolved certain purchase price contingencies related to this acquisition. This resolution resulted in a refund to Avnet, totaling approximately $6,486,000, of a portion of the amount paid by Avnet at the closing of the acquisition. The refunded purchase price was recorded as a reduction of operating expenses in the fiscal 2003 consolidated statement of operations as the goodwill related to the VEBA Electronics Group had been written off as a result of the transition impairment test performed upon the adoption of SFAS 142 in fiscal 2002.

3. Accounts receivable securitization

As of July 2, 2005, the Company had an accounts receivable securitization program (the "Program") with two financial institutions that allowed the Company to sell, on a revolving basis, an undivided interest of up to $350,000,000 in eligible U.S. receivables while retaining a subordinated interest in a portion of the

receivables. The eligible receivables were sold without legal recourse to third party conduits through a wholly owned bankruptcy-remote special purpose entity that is consolidated for financial reporting purposes. The Company continues servicing the sold receivables and charges the third party conduits a monthly servicing fee at market rates; accordingly, no servicing asset or liability has been recorded.

At July 2, 2005, the Program qualified for sale treatment under SFAS 140. As of July 2, 2005 and July 3, 2004, the Company had no drawings outstanding under the Program and therefore there are no securitized accounts receivable held by the third party conduits. Cash outflows for reduced drawings under the Program in the consolidated statements of cash flows for fiscal 2003 reflect the impact of a lower amount of accounts receivable being sold, on a revolving basis, into the third party conduits during that fiscal year.

In August 2005, the Company amended the Program to, among other things, increase the maximum amount available for borrowing from $350,000,000 to $450,000,000. In addition, the amended Program now provides that financing under the Program no longer qualifies as off-balance sheet financing. As a result, the receivables and related debt obligation will remain on the Company's consolidated balance sheet when amounts are drawn on the Program. The Program, as amended, has a one year term which expires in August 2006.

At July 2, 2005, the Program agreement required the Company to maintain senior unsecured credit ratings above certain minimum ratings triggers in order to continue utilizing the Program in its current form. These minimum ratings triggers are Ba3 by Moody's Investor Services or BB — by Standard & Poors. The minimum ratings triggers were eliminated in the amended agreement discussed above, and were replaced with minimum interest coverage and leverage ratios as defined in the Credit Facility (see Note 7).

Expenses associated with the Program in effect at July 2, 2005 were as follows:

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
	(Thousands)		
Losses on sales of receivables and discount on retained interest, net of servicing revenues	$ —	$ 52	$1,244
Program, facility and professional fees	2,999	2,358	1,864
Total	$2,999	$2,410	$3,108

Losses on sales of receivables and discount on retained interest, net of related servicing revenues, were recorded in interest expense while the other costs associated with the Program were recorded in selling, general and administrative expenses in the accompanying consolidated statements of operations. To the extent there have been drawings under the Program, the Company has historically measured the fair value of its retained interests at the time of a securitization using a present value model incorporating two key assumptions: (1) a weighted average life of trade accounts receivable of 45 days and (2) a discount rate of 6.75% per annum.

4. Comprehensive income (loss)

The following table illustrates the cumulative balances of comprehensive income (loss) items at July 2, 2005, July 3, 2004 and June 27, 2003:

	July 2, 2005	July 3, 2004	June 27, 2003
		(Thousands)	
Cumulative translation adjustments, net	$179,853	$188,678	$143,208
Cumulative minimum pension liability adjustments, net	(56,148)	(37,483)	(40,001)
Total	$123,705	$151,195	$103,207

5. Property, plant and equipment, net

Property, plant and equipment are recorded at cost and consist of the following:

	July 2, 2005	July 3, 2004
	(Thousands)	
Land	$ 4,008	$ 5,126
Buildings	69,758	76,098
Machinery, fixtures and equipment	482,165	480,613
Leasehold improvements	38,088	34,073
	594,019	595,910
Less — accumulated depreciation and amortization	436,591	408,571
	$157,428	$187,339

Depreciation and amortization expense related to property, plant and equipment was $55,955,000, $58,644,000 and $80,338,000 in fiscal 2005, 2004 and 2003, respectively.

6. Goodwill

The following table presents the carrying amount of goodwill, by reportable segment, for the periods presented:

	Electronics Marketing	Technology Solutions	Total
		(Thousands)	
Carrying value at June 27, 2003	$601,236	$255,874	$857,110
Additions	35,652	—	35,652
Foreign currency translations	286	1,834	2,120
Carrying value at July 3, 2004	637,174	257,708	894,882
Additions	—	507	507
Foreign currency translations	(52)	(37)	(89)
Carrying value at July 2, 2005	$637,122	$258,178	$895,300

Additions during fiscal 2005 related primarily to the acquisition of DNS Slovakia (see Note 2). Additions during fiscal 2004 related primarily to the contingent purchase price payment for Eurotronics B.V. and other prior year acquisitions as well as acquisitions of minority interests (see Note 2).

7. External financing

Short-term debt consists of the following:

	July 2, 2005	July 3, 2004
	(Thousands)	
Bank credit facilities	$60,468	$ 70,096
4.5% Convertible Notes due September 1, 2004	—	2,956
7⅞% Notes due February 15, 2005	—	86,633
Other debt due within one year	830	975
Short-term debt	$61,298	$160,660

The bank credit facilities consist of various committed and uncommitted lines of credit with financial institutions utilized primarily to support the working capital requirements of foreign operations. The weighted average interest rates on the bank credit facilities at July 2, 2005 and July 3, 2004 were 4.0% and 2.5%, respectively.

During fiscal 2005, the Company repaid the remaining $2,956,000 of the 4.5% Convertible Notes that matured on September 1, 2004 and repaid the remaining $86,633,000 of the 7⅞% Notes that matured on February 15, 2005.

Long-term debt consists of the following:

	July 2, 2005	July 3, 2004
	(Thousands)	
8.00% Notes due November 15, 2006	$ 400,000	$ 400,000
9¾% Notes due February 15, 2008	475,000	475,000
2% Convertible Senior Debentures due March 15, 2034	300,000	300,000
Other long-term debt	7,285	7,597
Subtotal	1,182,285	1,182,597
Fair value adjustment for hedged 8.00% and 9¾% Notes	910	13,563
Long-term debt	$1,183,195	$1,196,160

During August 2005, the Company issued $250,000,000 of 6.00% Notes due September 1, 2015 (the "6% Notes"). The proceeds from the offering, net of discount and underwriting fees, were $246,483,000. Also during August 2005, the Company made a tender offer to repurchase up to $250,000,000 of the 8.00% Notes due November 15, 2006 (the "8% Notes"), at a price of $1,045 per $1,000 principal amount of Notes. The proceeds of the 6% Notes will be used to repurchase the 8% Notes which will be tendered on September 13, 2005.

In August 2005, the Company amended the Program to, among other things, increase the maximum amount available for borrowing from $350,000,000 to $450,000,000. In addition, the amended Program now provides that financing under the Program no longer qualifies as off-balance sheet financing. As a result, the receivables and related debt obligation will remain on the Company's consolidated balance sheet when amounts are drawn on the Program. The Program, as amended, has a one year term which expires in August 2006 (see Note 3).

In March 2004, the Company issued $300,000,000 of 2% Convertible Senior Debentures due March 15, 2034 (the "Debentures"). The Debentures are convertible into Avnet common stock at a rate of

29.5516 shares of common stock per $1,000 principal amount of Debentures. The Debentures are only convertible under certain circumstances, including if: (i) the closing price of the Company's common stock reaches $45.68 per share (subject to adjustment in certain circumstances) for a specified period of time; (ii) the average trading price of the Debentures falls below a certain percentage of the conversion value per Debenture for a specified period of time; (iii) the Company calls the Debentures for redemption; or (iv) certain corporate transactions, as defined, occur. Upon conversion, the Company will deliver cash in lieu of common stock as the Company made an irrevocable election in December 2004 to satisfy the principal portion of the Debentures, if converted, in cash. The Company may redeem some or all of the Debentures for cash any time on or after March 20, 2009 at the Debentures' full principal amount plus accrued and unpaid interest, if any. Holders of the Debentures may require the Company to purchase, in cash, all or a portion of the Debentures on March 15, 2009, 2014, 2019, 2024 and 2029, or upon a fundamental change, as defined, at the Debentures' full principal amount plus accrued and unpaid interest, if any.

The proceeds from the issuance of the Debentures, net of underwriting fees, were $292,500,000. The Company used these proceeds to fund the tender and purchase of $273,367,000 of its 7⅞% Notes due February 15, 2005. The Company incurred debt extinguishment costs of $16,370,000 pre-tax, $14,215,000 after-tax and $0.12 per share on a diluted basis during fiscal 2004 related primarily to premiums and other transaction costs associated with this tender.

The Company has an unsecured, three-year $350,000,000 credit facility with a syndicate of banks (the "Credit Facility"), which expires in June 2007. The Company may select from various interest rate options, currencies and maturities under the Credit Facility. The Credit Facility contains certain covenants, all of which the Company was in compliance with as of July 2, 2005. There were no borrowings under the Credit Facility at July 2, 2005 or July 3, 2004.

The Company has two interest rate swaps with a total notional amount of $400,000,000 in order to hedge the change in fair value of the 8% Notes related to fluctuations in interest rates. These contracts are classified as fair value hedges and mature in November 2006. The interest rate swaps modified the Company's interest rate exposure by effectively converting the fixed rate on the 8% Notes to a floating rate (6.4% at July 2, 2005) based on three-month U.S. LIBOR plus a spread through their maturities. During August 2005, the Company terminated the interest rate swaps which hedged the 8% Notes due to the anticipated tender offer to repurchase $250,000,000 of the $400,000,000 8% Notes.

The Company has three additional interest rate swaps with a total notional amount of $300,000,000 in order to hedge the change in fair value of the 9¾% Notes due February 15, 2008 (the "9¾% Notes") related to fluctuations in interest rates. These hedges are also classified as fair value hedges and mature in February 2008. These interest rate swaps modify the Company's interest rate exposure by effectively converting the fixed rate on the 9¾% Notes to a floating rate (9.7% at July 2, 2005) based on three-month U.S. LIBOR plus a spread through their maturities.

The hedged fixed rate debt and the interest rate swaps are adjusted to current market values through interest expense in the accompanying consolidated statements of operations. The Company accounts for the hedges using the shortcut method as defined under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Hedging Activities*. Due to the effectiveness of the hedges since inception, the market value adjustments for the hedged debt and the interest rate swaps directly offset one another. The fair value of the interest rate swaps at July 2, 2005 and July 3, 2004 was $910,000 and $13,563,000, respectively, and is included in other long-term assets in the accompanying consolidated balance sheets. Additionally, included in long-term debt is a comparable fair value adjustment increasing long-term debt by $910,000 and $13,563,000 at July 2, 2005 and July 3, 2004, respectively.

In February 2003, the Company used the proceeds of $465,313,000, net of underwriting fees, from the issuance in that month of the Company's $475,000,000 of 9¾% Notes to redeem $159,141,000 of its 6.45% Notes due August 15, 2003 (the "6.45% Notes") and $220,056,000 of its 8.20% Notes due October 17, 2003 (the "8.20% Notes). The excess proceeds after these early redemptions were held in an escrow account and used to repay the remaining principal on the 6.45% Notes and 8.20% Notes at their respective maturity dates plus interest due through their maturities. At June 27, 2003, the balance in this escrow account was $78,543,000. During the third quarter of fiscal 2003, the Company incurred debt extinguishment costs of $13,487,000 pre-tax, $8,152,000 after-tax and $0.07 per share on a diluted basis, related primarily to premiums and other transaction costs associated with the tender and early redemption of the 6.45% Notes and the 8.20% Notes.

In June 2003, the Company had a multi-year credit facility with a syndicate of banks led by Bank of America that provided up to $350,000,000 in financing that was to mature on October 25, 2004. At June 27, 2003 and during fiscal 2004, there were no outstanding borrowings under this multi-year credit facility. Because the Company did not expect to draw on the facility prior to its October 2004 expiration, the Company terminated the facility in September 2003. The Company wrote-off the remaining unamortized deferred loan costs associated with this facility, which amounted to $4,514,000 as of the date the facility was terminated (see Note 17).

The Company had total borrowing capacity of $700,000,000 at July 2, 2005 under the Credit Facility and the asset securitization program (see Note 3), against which $19,700,000 in letters of credit were issued under the Credit Facility as of July 2, 2005, resulting in $680,300,000 of net availability. Although these issued letters of credit are not actually drawn upon at July 2, 2005, they utilize borrowing capacity under the Credit Facility and are considered in the overall borrowing capacity noted above.

Aggregate debt maturities for 2006 through 2010 and thereafter are as follows (in thousands):

2006	$ 61,298
2007	400,546
2008	475,859
2009	903
2010	886
Thereafter	304,091
Total debt	$1,243,583

As a result of the Company's August 2005 issuance of the 6% Notes and tender offer to purchase up to $250,000,000 of the 8% Notes, approximately $250,000,000 of the fiscal 2007 maturities noted in the table above have, subsequent to fiscal 2005, been replaced by approximately $250,000,000 of new debt maturing in fiscal 2016.

At July 2, 2005, the fair value, generally based upon quoted market prices, of the 2% Convertible Senior Debentures due March 15, 2034 is $289,500,000. Additionally, the $175,000,000 of the 9¾% Notes that are not covered by the fair value hedge discussed above had a fair value of $196,000,000 at July 2, 2005.

8. Accrued expenses and other

Accrued expenses and other consist of the following:

	July 2, 2005	July 3, 2004
	(Thousands)	
Payroll, commissions and related accruals	$144,856	$130,140
Income taxes	77,292	88,936
Other	137,359	165,554
	$359,507	$384,630

At July 2, 2005 and July 3, 2004, accruals for income tax contingencies of $52,387,000 and $84,009,000, respectively, are included in accrued income taxes. These contingency reserves relate to various tax matters and result from dealing with uncertainties in the application of complex tax regulations in the large number of global tax jurisdictions in which the Company operates. In accordance with Statement of Financial Accounting Standard No. 5, *Accounting for Contingencies*, the Company recognizes these tax liabilities based upon best estimates of whether, and the extent to which, additional taxes and interest may be due. These reserves are adjusted as facts and circumstances change. During fiscal 2005, a portion of the contingency reserve was reclassified to the valuation allowance (see Note 9) as it related to certain previously recorded deferred tax assets for which a reserve was and continues to be warranted. During fiscal 2005, the Company also reversed certain of its contingency reserves through the tax provision principally based upon favorable settlement of open IRS audit issues and as a result of indications, based on current facts and circumstances, that the Company's potential liability is likely less than originally estimated.

9. Income taxes

The components of the provision for (benefit from) income taxes are indicated in the table below. The tax provision (benefit) for deferred income taxes results from temporary differences arising principally from inventory valuation, accounts receivable valuation, net operating losses, certain accruals and depreciation, net of any changes to the valuation allowance.

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
		(Thousands)	
Current:			
Federal	$(9,791)	$ 861	$(60,425)
State and local	(1,272)	572	(7,855)
Foreign	18,849	26,883	13,385
Total current taxes	7,786	28,316	(54,895)
Deferred:			
Federal	29,901	(8,835)	18,607
State and local	6,452	(1,720)	2,419
Foreign	27,381	7,740	580
Total deferred taxes	63,734	(2,815)	21,606
Provision for (benefit from) income taxes	$71,520	$25,501	$(33,289)

The provision for (benefit from) income taxes noted above is computed based upon the split of income (loss) before income taxes from U.S. and foreign operations. U.S. taxable income (loss) before income taxes was $85,439,000, $13,682,000 and ($78,485,000) and foreign taxable income (loss) before income taxes was $154,320,000, $84,716,000 and ($920,000) in fiscal 2005, 2004 and 2003, respectively.

A reconciliation between the federal statutory tax rate and the effective tax rate is as follows:

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
Federal statutory rate	35.0%	35.0%	(35.0)%
State and local income taxes, net of federal benefit	1.4	(1.1)	(4.5)
Impairment of investments in unconsolidated entities	—	—	0.7
Foreign tax rates, including impact of valuation allowances	(3.9)	(10.2)	(5.3)
Reversal of contingency reserves (Note 8)	(2.3)	—	—
Other non-deductible expenses	0.4	1.2	1.2
Other, net	(0.8)	1.0	1.0
Effective tax rate	29.8%	25.9%	(41.9)%

Foreign tax rates generally consist of the impact of the difference between foreign and federal statutory rates applied to foreign income (losses) and also include the impact of valuation allowances placed against the Company's otherwise realizable foreign loss carry-forwards. The Company reclassified certain contingency reserves to the valuation allowance in fiscal 2005 (see Note 8). The additional valuation allowances recorded during fiscal 2004 and 2003 are substantially offset by tax benefits related to certain foreign losses that are deductible in the United States. The Company determines its valuation allowance through an evaluation of relevant factors used to assess the likelihood of recoverability of the Company's deferred tax assets.

The significant components of deferred tax assets and liabilities, included primarily in other long-term assets on the consolidated balance sheets, are as follows:

	July 2, 2005	July 3, 2004
	(Thousands)	
Deferred tax assets:		
Inventory valuation	$ 5,421	$ 12,060
Accounts receivable valuation	19,497	16,845
Federal, state and foreign tax loss carry-forwards	335,395	328,678
Various accrued liabilities and other	21,646	57,102
	381,959	414,685
Less — valuation allowance	(191,983)	(174,090)
	189,976	240,595
Deferred tax liabilities:		
Depreciation and amortization of property, plant and equipment	9,081	7,544
Net deferred tax assets	$ 180,895	$ 233,051

As of July 2, 2005, the Company had foreign net operating loss carryforwards of approximately $759,183,000, approximately $78,431,000 of which have expiration dates ranging from fiscal 2006 to 2021 and the remaining $680,752,000 of which have no expiration date. The Company also had U.S. federal net

operating loss carryforwards of approximately $141,602,000 as of July 2, 2005, which have expiration dates ranging from fiscal 2023 to 2025.

10. Pension and profit sharing plans

Pension Plan

The Company's noncontributory defined benefit pension plan (the "Plan") covers substantially all domestic employees. Employees are eligible to participate in the Plan following the first year of service with at least 1,000 hours worked. The Plan provides defined benefits pursuant to a cash balance feature whereby a participant accumulates a benefit based upon a percentage of current salary, which varies with age, and interest credits. The Company uses June 30 as the measurement date for determining pension benefits for each fiscal year.

Not included in the tabulations and discussions that follow are pension plans of certain non-U.S. subsidiaries, which are not material.

The following tables outline changes in benefit obligations, plan assets and the funded status of the Plan as of the end of fiscal 2005 and 2004:

	July 2, 2005	July 3, 2004
	(Thousands)	
Changes in benefit obligations:		
Benefit obligations at beginning of year	$222,808	$215,344
Service cost	13,365	14,295
Interest cost	14,059	12,990
Actuarial gain (loss)	28,605	(5,542)
Benefits paid	(13,199)	(14,279)
Benefit obligations at end of year	$265,638	$222,808
Change in plan assets:		
Fair value of plan assets at beginning of year	$154,117	$132,764
Actual return on plan assets	15,174	14,984
Benefits paid	(13,199)	(14,279)
Contributions	13,331	20,648
Fair value of plan assets at end of year	$169,423	$154,117
Information on funded status of plan and the amount recognized:		
Funded status of the plan	$(96,215)	$(68,691)
Unrecognized net actuarial loss	95,895	67,281
Unamortized prior service credit	(366)	(687)
Accrued pension cost recognized in the consolidated balance sheets	$ (686)	$ (2,097)
Pre-tax additional minimum pension liability recognized in comprehensive income	$(95,529)	$(66,594)

Weighted average assumptions used to calculate actuarial present values of benefit obligations are as follows:

	2005	2004
Discount rate	5.50%	6.50%

Under the cash balance plan, service costs are based solely on current year salary levels; therefore, projected salary increases are not taken into account.

Weighted average assumptions used to determine net benefit costs are as follows:

	2005	2004
Discount rate	6.50%	6.25%
Expected return on plan assets	9.00	9.00

The Company bases its discount rate on a hypothetical portfolio of bonds rated Aa by Moody's Investor Services or AA by Standard & Poors. The bonds selected for this determination are based upon the estimated amount and timing of payouts of the pension plan.

Components of net periodic pension costs during the last three years are as follows:

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
		(Thousands)	
Service cost	$ 13,365	$ 14,295	$ 12,021
Interest cost	14,059	12,990	12,151
Expected return on plan assets	(16,527)	(16,389)	(16,524)
Recognized net actuarial loss	1,343	734	—
Amortization of prior service credit	(321)	(321)	(321)
Net periodic pension cost	$ 11,919	$ 11,309	$ 7,327

The Company made a contribution to the Plan of $55,605,000 at the end of July 2005. In addition, the Company expects to make additional contributions of $3,033,000 during fiscal 2006. The Company may make additional voluntary contributions to the Plan during fiscal 2006.

Benefit payments are expected to be paid to participants as follows for the next five fiscal years and the aggregate for the five years thereafter (in thousands):

2006	$ 15,994
2007	13,366
2008	13,885
2009	15,903
2010	19,058
2011 through 2015	115,218

The Plan's assets are held in trust and were allocated as follows as of the June 30 measurement date for fiscal 2005 and 2004:

	2005	2004
Equity securities	72%	59%
Debt securities	27	34
Other investments, primarily money market funds	1	7

The general investment objectives of the Plan are to maximize returns through a diversified investment portfolio in order to earn annualized returns that meet the long-term cost of funding the Plan's pension obligations while maintaining reasonable and prudent levels of risk. The target rate of return on Plan assets is currently 9.0%, which represents the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. This assumption has been determined by combining expectations regarding future rates of return for the investment portfolio along with the historical and expected distribution of investments by asset class and the historical rates of return for each of those asset classes. The mix of equity securities is typically diversified to obtain a blend of domestic and international investments covering multiple industries. The Plan assets do not include any material investments in Avnet common stock. The Plan's investments in debt securities are also diversified across both public and private fixed income portfolios. The Company's current target allocation for the investment portfolio is for equity securities to represent approximately 70% of the portfolio with a policy for minimum investment in equity securities of 56% of the portfolio and a maximum of 88%. The majority of the remaining portfolio of investments is to be invested in fixed income securities.

401(k) Plan

The Company has a 401(k) plan that covers substantially all domestic employees. Employees are eligible to participate in the 401(k) plan on the first month after completing 90 days of service. The expense, including matching contributions, relating to the 401(k) plan for fiscal 2005 and 2004 totaled $1,448,000 and $1,478,000, respectively. There was no expense associated with the 401(k) plan in fiscal 2003.

11. Long-term leases

The Company leases many of its operating facilities and is also committed under lease agreements for transportation and operating equipment. Rent expense charged to operations during the last three years is as follows:

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
		(Thousands)	
Buildings	$39,720	$41,043	$42,775
Equipment	5,240	5,462	5,589
	$44,960	$46,505	$48,364

The aggregate future minimum operating lease commitments, principally for buildings, in 2006 through 2010 and thereafter (through 2013), are as follows (in thousands):

2006	$ 47,168
2007	38,099
2008	28,088
2009	20,278
2010	15,882
Thereafter	22,707
Total	$172,222

12. Stock-based compensation plans

Stock option plans

In November 2003, the Company's shareholders approved the 2003 Stock Compensation Plan (the "2003 Plan") and in January 2004, the Company registered 6,000,000 shares for grant under the 2003 Plan. The entire 6,000,000 shares can be utilized to satisfy stock option exercises, including grants to non-employee directors, and no more than 2,000,000 of the shares can be utilized for restricted stock awards.

The Company has five stock option plans with shares available for grant at July 2, 2005:

	Plan				
	1995	1996	1997	1999	2003
Minimum exercise price as a percentage of fair market value at date of grant	85%	100%	85%	85%	85%
Plan termination date	August 31, 2005	December 31, 2006	November 19, 2007	November 21, 2009	September 18, 2013
Shares available for grant at July 2, 2005	387,540	133,393	29,500	124,951	4,936,000

As applicable, the excess of the fair market value at the date of grant over the exercise price is considered deferred compensation, which is amortized and charged against income as it is earned. The maximum term of options granted under any of the plans is 10 years from the date of grant.

The following is a summary of the changes in outstanding options for the three years ended July 2, 2005:

	2005		2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	10,013,243	$20.87	10,614,722	$21.37	9,555,698	$23.13
Granted	1,006,800	17.56	1,808,300	18.30	1,798,700	12.84
Exercised	(242,233)	14.89	(888,276)	17.18	(58,524)	9.76
Canceled or expired	(822,609)	25.67	(1,521,503)	23.49	(681,152)	24.81
Outstanding at end of year	9,955,201	20.28	10,013,243	20.87	10,614,722	21.37
Exercisable at end of year	6,635,973	21.96	6,031,657	23.12	6,810,029	23.35

The following information relates to options outstanding at July 2, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options	Weighted Average Exercise Price
$15.00 and below	1,453,331	$12.83	82 Months	713,792	$12.80
15.00 to 20.00	4,733,566	17.82	81 Months	2,275,176	17.81
20.00 to 25.00	1,871,597	22.74	39 Months	1,789,222	22.76
25.00 to 30.00	1,262,693	27.86	64 Months	1,223,943	27.94
30.00 to 35.00	564,466	31.64	28 Months	564,292	31.64
35.00 and above	69,548	47.62	31 Months	69,548	47.62
	9,955,201	20.28	68 Months	6,635,973	21.96

Employee stock purchase plan

In October 1995, the Company implemented the Avnet Employee Stock Purchase Plan ("ESPP"). Under the terms of the ESPP, eligible employees of the Company are offered options to purchase shares of Avnet common stock at a price equal to 85% of the fair market value on the first or last day, whichever is lower, of each monthly offering period. A total of 4,000,000 shares of Avnet common stock have been reserved for sale under the ESPP, including an additional 1,000,000 shares reserved for the ESPP in fiscal 2004. At July 2, 2005, employees had purchased 3,369,570 shares and 630,430 shares were still available for purchase under the ESPP.

Incentive stock

The Company has an Incentive Stock Program wherein a total of 1,873,680 shares were still available for award at July 2, 2005 based upon operating achievements, inclusive of 2,000,000 shares made available for restricted stock awards under the 2003 Plan as discussed above. Delivery of incentive shares is spread equally over a five-year period and is subject to the employee's continuance in the Company's employ. As of July 2, 2005, 243,136 shares previously awarded have not yet been delivered. Compensation expense associated with this program was not material in fiscal 2005, 2004 and 2003.

Outside Director Stock Bonus Plan

The Company has a program whereby non-employee directors are awarded shares equal to $20,000 of Avnet common stock upon their re-election each year, as part of their director compensation package. Directors may elect to receive this compensation in the form of common stock under the Outside Director Stock Bonus Plan or they may elect to defer their compensation to be paid in common stock at a later date. Shares under this plan are issued in January of each year and the number of shares is calculated by dividing $20,000 by the average of the high and low price of Avnet common stock on the first business day of January. As of July 2, 2005, 21,361 shares are reserved for issuance under this plan.

Other stock-based compensation information

At July 2, 2005, there were 16,461,512 common shares reserved for stock options (including the ESPP) and incentive stock programs (including the director plan).

13. Contingent liabilities

From time to time, the Company may become liable with respect to pending and threatened litigation, taxes and environmental and other matters. The Company has been designated a potentially responsible party or has become aware of other potential claims against it in connection with environmental clean-ups at several sites. Based upon the information known to date, the Company believes that it has appropriately reserved for its share of the costs of the clean-ups and it is not anticipated that any contingent matters will have a material adverse impact on the Company's financial condition, liquidity or results of operations.

14. Earnings (loss) per share

Basic earnings (loss) per share is computed based on the weighted average number of common shares outstanding and excludes any potential dilution. Diluted earnings (loss) per share reflect potential dilution from the exercise or conversion of securities into common stock.

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
	(Thousands, except per share data)		
Numerator:			
Net income (loss) for basic earnings (loss) per share	$168,239	$ 72,897	$(46,116)
Interest on 4.5% Convertible Notes due September 1, 2004	—	100	—
Net income (loss) for diluted earnings (loss) per share	$168,239	$ 72,997	$(46,116)
Denominator:			
Weighted average common shares for basic earnings (loss) per share	120,629	120,086	119,456
Net effect of dilutive stock options and restricted stock awards	840	1,113	—
Net effect of 4.5% Convertible Notes due September 1, 2004	—	53	—
Weighted average common shares for diluted earnings (loss) per share	121,469	121,252	119,456
Basic earnings (loss) per share	$ 1.39	$ 0.61	$ (0.39)
Diluted earnings (loss) per share	$ 1.39	$ 0.60	$ (0.39)

The 4.5% convertible notes are excluded from the computation of loss per share in fiscal 2003 as the effects were antidilutive. Shares issuable upon conversion of the 2% Convertible Debentures are also excluded from the computation of earnings per share for fiscal 2005 and 2004 because, upon conversion, the Company will deliver cash in lieu of common stock as the Company made an irrevocable election in December 2004 to satisfy the principal portion of the Debentures, if converted, in cash (see Note 7).

The effects of certain stock options and restricted stock awards are also excluded from the determination of the weighted average common shares for diluted earnings (loss) per share in each of the periods presented as the effects were antidilutive or the exercise price for the outstanding options exceeded the average market price for the Company's common stock. Accordingly, in fiscal 2005 and 2004, the effects of approximately 3,805,000 and 4,276,000 shares, respectively, related to stock options are excluded from the computation above, all of which relate to options for which exercise prices were greater than the average market price of the Company's common stock. In fiscal 2003, the effects of approximately 10,682,000 shares, related to stock options and restricted stock awards, are excluded from the computation above, of which approximately 10,467,000 related to options for which the exercise prices were greater than the average market price of the Company's common stock (see Note 12 for options outstanding and weighted average exercise prices).

15. Additional cash flow information

Other non-cash and reconciling items consist of the following:

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
		(Thousands)	
Provision for doubtful accounts	$33,248	$36,434	$46,664
Other, net — primarily net periodic pension cost (Note 10)	13,867	11,215	3,120
Total	$47,115	$47,649	$49,784

In fiscal 2005 and 2003, the Company recognized through other comprehensive income (loss) additional minimum pension liabilities of $30,542,000 and $42,939,000, respectively, net of the related deferred tax benefit of $11,877,000 and $19,988,000, respectively. In fiscal 2004, the Company reversed through other comprehensive income (loss) a portion of the additional minimum pension liability amounting to $4,169,000 net of the related deferred taxes of $1,651,000. These are non-cash reconciling items. See Note 10 for discussion of the Company's pension plan.

Interest and income taxes paid (refunded) during the last three years were as follows:

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
		(Thousands)	
Interest	$85,242	$105,773	$95,306
Income taxes	19,083	(59,073)	(195,994)

16. Segment information

During the first quarter of fiscal 2004, the Company combined its Computer Marketing ("CM") and Applied Computing ("AC") operating groups into one computer products and services business called Technology Solutions ("TS"). This combination was part of the Company's continued efforts to strengthen its market leadership position, streamline the business and further leverage cost synergies resulting from the combination. In light of the similarities of the logistics operations and related functions of CM and AC, the consolidation of certain of the units' operating facilities, equipment and processes has yielded cost savings while also stimulating new market opportunities for the combined group.

As a result of the formation of TS, Electronics Marketing ("EM") and TS are the overall segments upon which management primarily evaluates the operations of the Company and upon which it based its operating decisions during fiscal 2004. Therefore, the segment data that follows reflects the two segments subsequent to the formation of TS. Data for fiscal 2003 has been restated to present segment data on a consistent basis with fiscal 2005 and 2004.

EM markets and sells semiconductors, interconnect, passive and electromechanical devices, and radio frequency/microwave components. EM markets and sells its products to a diverse customer base spread across end-markets including communications, computer hardware and peripheral, industrial and manufacturing, medical equipment and military and aerospace. EM also offers an array of value-added services to its customers such as supply-chain management, engineering design, inventory replenishment systems, connector and cable assembly and semiconductor programming.

TS markets and sells mid- to high-end servers, data storage, software and networking solutions, and the services required to implement these solutions, to the value-added reseller channel and enterprise computing customers. TS also focuses on the worldwide original equipment manufacturers ("OEM") market for

computing technology, system integrators and non-PC OEMs that require embedded systems and solutions including engineering, product prototyping, integration and other value-added services.

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
		(Millions)	
Sales:			
Electronics Marketing	$ 6,259.0	$ 5,892.4	$4,988.4
Technology Solutions	4,807.8	4,352.3	4,060.0
	$11,066.8	$10,244.7	$9,048.4
Operating income (loss):			
Electronics Marketing	$ 233.1	$ 212.5	$ 101.9
Technology Solutions	147.7	98.9	56.2
Corporate	(59.5)	(53.6)	(38.6)
	321.3	257.8	119.5
Restructuring and Other Charges (Note 17)	—	(55.6)	(106.8)
	$ 321.3	$ 202.2	$ 12.7
Assets:			
Electronics Marketing	$ 3,367.6	$ 3,489.0	$2,928.8
Technology Solutions	1,358.3	1,243.8	1,174.3
Corporate	372.3	130.9	396.5
	$ 5,098.2	$ 4,863.7	$4,499.6
Capital expenditures:			
Electronics Marketing	$ 16.8	$ 12.6	$ 20.2
Technology Solutions	6.5	7.2	9.4
Corporate	8.0	8.8	4.6
	$ 31.3	$ 28.6	$ 34.2
Depreciation & amortization expense:			
Electronics Marketing	$ 27.8	$ 27.8	$ 44.3
Technology Solutions	10.2	11.9	16.9
Corporate	23.7	24.8	27.6
	$ 61.7	$ 64.5	$ 88.8
Sales, by geographic area, are as follows:			
Americas(1)	$ 5,804.9	$ 5,409.6	$5,028.7
EMEA(2)	3,669.8	3,380.2	2,997.1
Asia/Pacific	1,592.1	1,454.9	1,022.6
	$11,066.8	$10,244.7	$9,048.4

	Years Ended		
	July 2, 2005	July 3, 2004	June 27, 2003
		(Millions)	
Property, Plant and Equipment, net, by geographic area:			
Americas(3)	$ 95.7	$ 122.1	$ 167.2
EMEA(4)	52.7	56.1	71.8
Asia/Pacific	9.0	9.1	11.4
	$ 157.4	$ 187.3	$ 250.4

(1) Included in sales for fiscal years 2005, 2004 and 2003 for the Americas region are $5.2 billion, $4.9 billion and $4.6 billion, respectively, of sales related to the United States.

(2) Included in sales for fiscal years 2005, 2004 and 2003 for the EMEA region are $2.1 billion, $2.4 billion, and $2.2 billion, respectively, of sales related to Germany.

(3) Property, plant and equipment, net, for the Americas region as of the end of fiscal 2005, 2004 and 2003 includes $94.6 million, $121.1 million and $165.7 million, respectively, related to the United States.

(4) Property, plant and equipment, net, for the EMEA region as of fiscal 2005, 2004 and 2003 includes $28.5 million, $31.4 million, and $33.1 million, respectively, related to Germany and $14.2 million, $15.5 million and $26.0 million, respectively, related to Belgium.

The Company manages its business based upon the operating results of its two operating groups before *restructuring and other charges (see Note 17). In fiscal 2004 and 2003* presented above, approximate unallocated pre-tax restructuring and other charges related to EM and TS, respectively, were: $19,446,000 and $29,920,000 in fiscal 2004 and $84,238,000 and $21,315,000 in fiscal 2003. The remaining restructuring and other charges in each year relate to corporate activities.

17. Restructuring and other charges

During fiscal 2004 and 2003, the Company recorded a number of restructuring and integration charges which generally related either to the reorganization of operations in each of the three major regions of the world in which the Company operates, generally taken in response to business conditions at the time of the charge and as part of the efforts of the Company to return to the profitability levels enjoyed by the business prior to the industry and economic downturn that commenced in fiscal 2001. The following table summarizes these charges for the past three years, including activity in the related accrued liability and reserve accounts subsequent to initially recording the charge:

	Severance Costs	Facility Exit Costs	IT-Related Costs	Other	Total
Balance at June 28, 2002	$ 6,770	$ 21,027	$ —	$ 2,912	$ 30,709
2003 activity	27,476	38,132	47,762	—	113,370
Amounts utilized	(28,882)	(24,891)	(46,199)	(1,320)	(101,292)
Adjustments	(462)	(2,761)	(850)	(945)	(5,018)
Other, principally foreign currency translation	2,332	5,401	29	—	7,762
Balance at June 27, 2003	7,234	36,908	742	647	45,531
2004 activity	14,691	15,643	19,759	5,525	55,618
Amounts utilized	(18,235)	(32,411)	(19,351)	(5,624)	(75,621)
Adjustments	(1,043)	1,164	(210)	—	(89)
Other, principally foreign currency translation	381	1,041	(68)	—	1,354
Balance at July 3, 2004	3,028	22,345	872	548	26,793
Amounts utilized	(1,285)	(11,161)	(722)	(207)	(13,375)
Adjustments	(350)	(952)	(18)	—	(1,320)
Other, principally foreign currency translation	26	245	(21)	10	260
Balance at July 2, 2005	$ 1,419	$ 10,477	$ 111	$ 351	$ 12,358

Total amounts utilized in fiscal 2005, 2004 and 2003 consist of cash payments of $13,375,000, $44,212,000 and $45,948,000, respectively and non-cash write-downs of $31,409,000 and $55,344,000, in fiscal 2004 and 2003, respectively.

As part of management's ongoing analysis of its restructuring reserves, the Company recorded certain adjustments to reserves totaling $1,320,000 during fiscal 2005, which were recorded through selling, general and administrative expenses. The adjustments related primarily to the reversal of certain excess legal expense reserves associated with finalization of termination payments and reversal of excess severance reserves offset in part by additional severance costs recorded based upon revised estimates of required payouts. The Company also reduced certain lease reserves due to modification to sublease and termination assumptions based upon ongoing market conditions.

During the first and second quarters of fiscal 2004, the Company executed certain restructuring and cost cutting initiatives in order to improve profitability. These actions can generally be broken into three categories: (1) the combination of the CM and AC operating groups into one computer products and services business (see Note 16); (2) the reorganization of the Company's global IT resources, which had previously been administered generally on a separate basis within each of the Company's operating groups; and (3) various other reductions within EM and certain centralized support functions.

Restructuring and other charges incurred during the first quarter of fiscal 2004 totaled $32,153,000 pre-tax and $22,186,000 after-tax, or $0.18 per share on a diluted basis. The pre-tax charge consisted of severance costs ($9,393,000), charges related to consolidation of selected facilities ($10,848,000), write-downs of certain capitalized IT-related initiatives ($6,909,000) and other items, consisting primarily of the write-off of the remaining unamortized deferred loan costs associated with the Company's multi-year credit facility terminated in September 2003 as discussed in Note 7 ($5,003,000).

Severance charges related to workforce reductions of approximately 400 personnel completed during the first quarter of fiscal 2004, primarily in executive, support and other non-customer facing functions in the Americas and EMEA regions. Management also identified a number of facilities for consolidation primarily in the Americas and EMEA regions. These facilities generally related to certain logistics and warehousing operations as well as certain administrative facilities across both operating groups and at the corporate level. The charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in these facilities that have been vacated. Management also evaluated and elected to discontinue a number of IT-related initiatives similar to the decisions reached in the second quarter of fiscal 2004 as discussed below. These charges related to the write-off of capitalized hardware and software.

Restructuring charges incurred during the second quarter of fiscal 2004 totaled $23,465,000 pre-tax, $16,351,000 after-tax, or $0.14 per diluted share. The charges consisted of severance costs ($5,298,000), charges related to write-downs of owned assets and consolidation of selected facilities ($4,795,000), write-downs of certain capitalized IT-related initiatives ($12,850,000) and other items ($522,000).

Severance charges related to workforce reductions of approximately 120 personnel, the majority of whom staffed warehousing, administrative and support functions, primarily for facilities within the TS operations in EMEA that were identified for consolidation as part of the combination of CM and AC. A smaller portion of these charges also impacted operations in the Americas. The combination of CM and AC in EMEA also led to charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of assets located in the facilities that were vacated. The facilities primarily served in warehousing and administrative capacities that became redundant with the combination of the two former operating groups into TS. Management also evaluated and elected to discontinue a number of IT-related initiatives that, in light of recent business restructurings, no longer met the Company's return on investment standards for continued use or deployment. These charges related to the write-off of capitalized hardware and software. Lastly, the Company's efforts to combine CM and AC in EMEA resulted in the decision to merge the former CM EMEA operations onto the computer systems that had historically been used in the AC EMEA business. The change in the use of this significant asset in CM EMEA generated a need to analyze the group of long-lived assets within the former CM EMEA operations for impairment. As a result of this analysis, the Company recorded an impairment charge to write-down certain long-lived assets to their estimated fair market values. This charge, totaling $9,430,000, of which $4,228,000 relates to the CM EMEA computer systems, is included in the facilities and IT-related charges quantified above.

During the fourth quarter of fiscal 2004, as part of management's ongoing analysis of the reserves for various restructuring activities, the Company recorded adjustments to certain of its remaining reserves. The adjustments occurred primarily in the Company's EM and TS operations in EMEA and related to adjustments to reduce excess severance reserves based upon revised estimates of statutorily required payouts and recording of additional charges related to leased facilities due to modifications to sublease and termination assumptions based upon ongoing market conditions. The Company also negotiated a favorable buyout of a hardware and software maintenance contract, which resulted in the reversal of certain IT-related reserves. These adjustments are reflected on the "Adjustments" line item in the above table for fiscal 2004.

The combined charges recorded during fiscal 2004 totaled $55,618,000 pre-tax and $38,537,000 after-tax, or $0.32 per diluted share.

During the second quarter of fiscal 2003, the Company executed certain actions as part of its cost reduction initiatives and, accordingly, recorded charges totaling $106,765,000 pre-tax, $65,750,000 after tax, or $0.55 per diluted share. The charge consisted of severance costs ($21,700,000 pre-tax), charges related to the consolidation of selected facilities ($37,359,000 pre-tax) and charges related to certain IT-related initiatives ($47,706,000 pre-tax).

Charges related to severance costs and the consolidation of selected facilities were taken in response to the business environment. During the second quarter of fiscal 2003, management identified a number of facilities in each of the Company's operating groups and its corporate functions, which covered each of the Company's geographic regions, to be consolidated into other facilities. The facilities were identified in an effort to combine certain logistics and administrative operations wherever possible and eliminate what would otherwise be duplicative costs. The charges related to reserves for remaining non-cancelable lease obligations, write-downs of the carrying value of certain owned facilities to market value and write-downs to fair market value of owned assets located in these leased and owned facilities that were vacated. Additionally, workforce reductions at these and other facilities worldwide resulted in the termination of approximately 750 personnel. The impacted personnel were primarily in non-customer facing positions. The IT-related charges resulted from management's decision during the second quarter of fiscal 2003 to discontinue a number of IT-related initiatives that represented insufficient benefit to the Company if they were kept in service or continued to be developed. These charges included the write-off of capitalized hardware, software and software licenses.

During the fourth quarter of fiscal 2003, the Company executed certain additional actions that resulted in charges totaling $6,605,000 pre-tax. The incremental impact of these actions was substantially offset by certain adjustments that the Company recorded, also in the fourth quarter of fiscal 2003, primarily relating to certain of the reserves recorded from the restructuring activity in the second quarter of fiscal 2003. The new charge activity, mostly for severance and consolidation of selected facilities, related to each of the Company's three operating groups and its corporate functions in the Americas and EMEA regions. The additional census reductions totaled approximately 175 and resulted primarily from: (1) EM's decision to combine its Cilicon and RF and Microwave sales divisions; and (2) TS's decision to reduce its participation in certain market segments where profitability of the products in question have not yielded acceptable economic returns to the Company. The fourth quarter adjustments to prior restructuring and other charges reflect changes in estimates from the time the charges and applicable reserves were initially recorded, relating to: (1) reserves for severance and for leases and other contractual commitments that were determined to be excessive during the fourth quarter based upon payments made or still to be made and/or based upon more favorable than anticipated sublease or lease buyout arrangements; and (2) an adjustment, based upon estimated sales price net of costs to sell as derived from current market studies and comparable sales, of a portion of a write-down that was recorded in the second quarter of fiscal 2003 related to an owned facility that was vacated and classified as held for sale during that quarter.

In all periods, to the extent owned facilities, equipment or IT-related assets were written down as part of these charges, the write-downs were to estimated fair value based upon management's estimates of asset value from historical experience and/or analyses of comparable facilities or assets. Particularly in the case of IT-related initiatives, many of the assets were written off entirely as there is no potential to sell the related assets or otherwise realize value of the assets in the business. In such cases, the assets have generally been disposed of by the Company.

As of July 2, 2005, the Company's remaining reserves for restructuring and other related activities totaled $12,358,000. Of this balance, $1,419,000, relates to remaining severance reserves the majority of which the Company expects to utilize during fiscal 2006. Reserves for $10,477,000 relate to reserves for contractual lease commitments (shown as Facility Exit Costs in the table at the beginning of this Note), substantially all of which the Company expects to utilize by the end of fiscal 2007. The IT-related and other reserves, which total

$462,000, relate primarily to remaining contractual commitments, the majority of which the Company expects to utilize in the first half of fiscal 2006.

18. Summary of quarterly results (unaudited):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
		(Millions, except per share amounts)			
2005					
Sales	$2,600.0	$2,883.2	$2,758.2	$2,825.4	$11,066.8
Gross profit	349.6	373.9	364.6	370.9	1,459.0
Net income	36.3	43.5	41.1	47.3	168.2
Diluted earnings per share	0.30	0.36	0.34	0.39	1.39
2004					
Sales	$2,407.7	$2,554.4	$2,639.6	$2,643.0	$10,244.7
Gross profit	309.1	329.2	358.6	368.0	1,364.9
Net income (loss)	(11.4)(a)	8.9(b)	26.7(c)	48.7	72.9(a)(b)(c)
Diluted earnings (loss) per share	(0.09)(a)	0.07(b)	0.22(c)	0.40	0.60(a)(b)(c)

(a) Includes the impact of restructuring and other charges recorded in connection with cost cutting initiatives and the combination of the Computer Marketing ("CM") and Applied Computing ("AC") operating groups into one operating group now called Technology Solutions ("TS"). The charges amounted to $32.2 million pre-tax (all of which was included as part of operating expenses), $22.2 million after-tax and $0.18 per share on a diluted basis for the first quarter and fiscal year 2004. See Note 17.

(b) Includes the impact of additional restructuring and other charges recorded in connection with cost cutting initiatives and the combination of CM and AC. The charges amounted to $23.4 million pre-tax (all of which was included as part of operating expenses), $16.4 million after-tax and $0.14 per share on a diluted basis for the second quarter and fiscal year 2004. See Note 17.

(c) Includes the impact of debt extinguishment costs associated with the Company's cash tender offer completed during the third quarter for $273.4 million of the 7⅞% Notes due February 15, 2005. These charges amounted to $16.4 million pre-tax, $14.2 million after-tax and $0.12 per share on a diluted basis for the third quarter and fiscal year 2004. See Note 7.

SCHEDULE II

AVNET, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

Years Ended July 2, 2005, July 3, 2004 and June 27, 2003

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts-Describe	Deductions-Describe	Balance at End of Period
			(Thousands)		
Fiscal 2005					
Allowance for doubtful accounts . .	$ 78,410	$33,248	$ —	$ 26,579(a)	$ 85,079
Valuation allowance on foreign tax loss carryforwards (Note 9)	174,090	5,444	22,369(b)	(9,920)(c)	191,983
Fiscal 2004					
Allowance for doubtful accounts . .	84,042	36,434	—	42,066(a)	78,410
Valuation allowance on foreign tax loss carryforwards (Note 9)	148,382	25,708	—	—	174,090
Fiscal 2003					
Allowance for doubtful accounts . .	99,073	46,664	—	61,695(a)	84,042
Valuation allowance on foreign tax loss carryforwards (Note 9)	120,671	27,711	—	—	148,382

(a) Uncollectible accounts written off.

(b) Reclassification of contingency reserves to valuation allowance (see Note 8)

(c) Write-off of certain unrealizable tax loss carryforwards against the previously established valuation allowance.

INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Restated Certificate of Incorporation of the Company (incorporated herein by reference to the Company's Current Report on Form 8-K dated February 12, 2001, Exhibit 3(i).
3.2	By-laws of the Company, effective November 6, 2003 (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated November 14, 2003 Exhibit 3).
4.1	Indenture dated as of October 1, 2000, between the Company and Bank One Trust Company, N.A., as Trustee, providing for the issuance of Debt Securities in one or more series. (incorporated herein by reference to the Company's Current Report on Form 8-K dated October 12, 2000, Exhibit 4.1).
4.2	Officers' Certificate dated February 4, 2003, providing for the Notes, including(a) the form of the Notes, and(b) the Pricing Agreement. (incorporated herein by reference to the Company's Current Report on Form 8-K dated January 31, 2003, Exhibit 4.2).
4.3	Indenture dated as of March 5, 2004, by and between the Company and JP Morgan Trust Company, National Association. (incorporated herein by reference to the Company's Current Report on Form 8-K dated March 8, 2004, Exhibit 4.1).
4.4	Officers' Certificate dated March 5, 2004, establishing the terms of the 2% Convertible Senior Debentures due 2034. (incorporated herein by reference to the Company's Current Report on Form 8-K dated March 8, 2004, Exhibit 4.2).
4.5	Officers' Certificate dated August 19, 2005, establishing the terms of the 6.00% Notes due 2015. (incorporated herein by reference to the Company's Current Report on Form 8-K dated August 19, 2005, Exhibit 4.2).
	Note: The total amount of securities authorized under any other instrument that defines the rights of holders of Company's long-term debt does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. Therefore, these instruments are not required to be filed as exhibits to this Report. The Company agrees to furnish copies of such instruments to the Commission upon request.
	Executive Compensation Plans and Arrangements
10.1	Employment Agreement dated June 29, 1998 between the Company and David R. Birk (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 18, 1998, Exhibit 99.3).
10.2	Employment Agreement dated June 29, 1998 between the Company and Raymond Sadowski (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 18, 1998, Exhibit 99.4).
10.3	Employment Agreement dated April 1, 2000 between the Company and Andrew S. Bryant (incorporated herein by reference to the Company's Current Report on Form 8-K dated May 14, 2001, Exhibit 99C).
10.4	Employment Agreement dated May 1, 2000 between the Company and Richard Hamada (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10B).
10.5	Employment Agreement dated July 1, 2002 between the Company and Edward B. Kamins (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10C).
10.6	Employment Agreement dated June 29, 2002 between the Company and Roy Vallee (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10D).
10.7	Change of Control Agreement dated as of March 1, 2001 between the Company and David R. Birk (incorporated herein by reference to the Company's Current Report on Form 8-K dated May 14, 2001, Exhibit 99D).
10.8	Change of Control Agreement dated as of March 1, 2001 between the Company and Ray Sadowski (incorporated herein by reference to the Company's Current Report on Form 8-K dated May 14, 2001, Exhibit 99H).

Exhibit Number	Exhibit
10.9	Change of Control Agreement dated September 22, 2003 between the Company and Richard Hamada (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated November 14, 2003, Exhibit 10).
10.10	Avnet 1988 Stock Option Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, Registration No. 33-29475, Exhibit 4-B).
10.11	Avnet 1990 Stock Option Plan (incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1992, Exhibit 10E).
10.12	Avnet 1995 Stock Option Plan (incorporated herein by reference to the Company's Current Report on Form 8-K dated February 12, 1996, Exhibit 10).
10.13	Avnet 1996 Incentive Stock Option Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, Registration No. 333-17271, Exhibit 99).
10.14	Amended and Restated Avnet 1997 Stock Option Plan (incorporated herein by reference to the Company's Current Report on Form 8-K dated May 6, 1999, Exhibit 10).
10.15	1994 Avnet Incentive Stock Program (incorporated herein by reference to the Company's Registration Statement on Form S-8, Registration No. 333-00129, Exhibit 99).
10.16	Stock Bonus Plan for Outside Directors (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 23, 1997, Exhibit 99.2).
10.17	Amendment to Stock Bonus Plan for Outside Directors dated November 8, 2002. Directors (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003 Exhibit 10G).
10.18	Retirement Plan for Outside Directors of Avnet, Inc., effective July 1, 1993 (incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1992, Exhibit 10i).
10.19	Amended and Restated Avnet, Inc. Deferred Compensation Plan for Outside Directors (incorporated herein by reference to the Company's Registration Statement on Form S-8, Registration No. 333-112062, Exhibit 10.1).
10.20	Avnet 1999 Stock Option Plan (incorporated by reference to the Company's Registration Statement on Form S-8, Registration No. 333-55806, Exhibit 99).
10.21	Avnet, Inc. Executive Incentive Plan (incorporated herein by reference to the Company's Proxy Statement dated October 7, 2002).
10.22	Amended and Restated Employee Stock Purchase Plan (incorporated herein by reference to the Company's Proxy Statement dated October 1, 2003).
10.23	Avnet, Inc. 2003 Stock Compensation Plan (incorporated by reference to the Company's Registration Statement on Form S-8, Registration No. 333-112057, Exhibit 10.1).
10.24	Avnet Deferred Compensation Plan (incorporated by reference to the Company's Current Report on Form 8-K dated May 18, 2005, Exhibit 99.1).
10.25	Change of Control Agreement dated as of March 1, 2001 between the Company and Harley Feldberg (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 8, 2004, Exhibit 10.1).
10.26	Form of Indemnity Agreement. The Company enters into this form of agreement with each of its directors and officers. (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 8, 2004, Exhibit 10.2).
10.27	Avnet, Inc. 2003 Stock Compensation Plan — form stock option agreements (incorporated by reference to the Company's Current Report on Form 8-K dated September 8, 2004, Exhibit 10.3). (a) Nonqualified stock option agreement (b) Incentive stock option agreement
10.28	Form option agreements for stock option plans (incorporated by reference to the Company's Current Report on Form 8-K dated September 8, 2004, Exhibit 10.4). (a) Non-Qualified stock option agreement for 1999 Stock Option Plan (b) Incentive stock option agreement for 1999 Stock Option Plan (c) Incentive stock option agreement for 1996 Stock Option Plan (d) Non-Qualified stock option agreement for 1995 Stock Option Plan.

Exhibit Number	Exhibit
	Bank Agreements
10.29	Securitization Program
	(a) Receivables Sale Agreement, dated as of June 28, 2001 between Avnet, Inc., as Originator and Avnet Receivables Corporation as Buyer (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10J).
	(b) Amendment No. 1, dated as of February 6, 2002, to Receivables Sale Agreement in 10.29(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10K).
	(c) Amendment No. 2, dated as of June 26, 2002, to Receivables Sale Agreement in 10.29(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10L).
	(d) Amendment No. 3, dated as of November 25, 2002, to Receivables Sale Agreement in 10.29(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10B).
	(e) Amendment No. 4, dated as of December 12, 2002, to Receivables Sale Agreement in 10.29(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10E).
	(f) Amendment No. 5, dated as of August 15, 2003, to Receivables Sale Agreement in 10.29(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003, Exhibit 10C).
	(g) Amendment No. 6, dated as of August 3, 2005, to Receivables Sale Agreement in 10.29(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 13, 2005, Exhibit 10.1).
	(h) Amended and Restated Receivables Purchase Agreement dated as of February 6, 2002 among Avnet Receivables Corporation, as Seller, Avnet, Inc., as Servicer, the Companies, as defined therein, the Financial Institutions, as defined therein, and Bank One, NA (Main Office Chicago) as Agent (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10M).*
	(i) Amendment No. 1, dated as of June 26, 2002, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10N).
	(j) Amendment No. 2, dated as of November 25, 2002, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10A).
	(k) Amendment No. 3, dated as of December 9, 2002, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10C).
	(l) Amendment No. 4, dated as of December 12, 2002, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10D).
	(m) Amendment No. 5, dated as of June 23, 2003, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003, Exhibit 10D).
	(n) Amendment No. 6, dated as of August 15, 2003, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003, Exhibit 10E).
	(o) Amendment No. 7, dated as of August 3, 2005, to the Amended and Restated Receivables Purchase Agreement in 10.29(h) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 13, 2005, Exhibit 10.2).

Exhibit Number	Exhibit
10.30	Credit Agreement, dated June 7, 2004, by and among Avnet, Inc. and Avnet Logistics U.S., L.P., as Borrowers, the Lenders party thereto, and Bank of America, N.A. as Administrative Agent, Swing Line Lender and L/C Issuer. (incorporated herein by reference to the Company's Current Report on Form 8-K dated June 8, 2004, Exhibit 99).
	Other Agreements
10.31	Securities Acquisition Agreement, dated April 26, 2005, by and among Avnet, Inc. and the sellers named therein and Memec Group Holdings Limited. (incorporated herein by reference to the Company's Current Report on Form 8-K dated April 26, 2005, Exhibit 2.1).
21.	List of subsidiaries of the Company as of July 2, 2005 (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 13, 2005, Exhibit 21).
23.1**	Consent of KPMG LLP.
31.1**	Certification by Roy Vallee, Chief Executive Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification by Raymond Sadowski, Chief Financial Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1***	Certification by Roy Vallee, Chief Executive Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2***	Certification by Raymond Sadowski, Chief Financial Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.

* This Exhibit does not include the Exhibits and Schedules thereto as listed in its table of contents. The Company undertakes to furnish any such Exhibits and Schedules to the Securities and Exchange Commission upon its request.

** Filed herewith.

*** Furnished herewith.

Shareholders' Information

Corporate Headquarters

2211 South 47th Street
Phoenix, AZ 85034
(480) 643-2000
(888) 822-8638
www.avnet.com

Independent Auditors

KPMG, LLP
Phoenix, AZ

Transfer Agent and Registrar

Wachovia Bank, N.A.
Shareholder Services Group
1525 West WT Harris Boulevard, 3C3
Charlotte, NC 28288-1153

Annual Meeting of Shareholders

November 10, 2005
2:00 p.m. MST
Avnet Corporate Broadcast Center
2617 South 46th Street, Suite 300
Phoenix, AZ 85034

A formal notice of the meeting and a proxy statement will be mailed to each shareholder of record.

Investor Relations

Vince Keenan
Vice President and Director
(480) 643-7053
(480) 643-7370 (fax)
investorrelations@avnet.com

Avnet Web Site

Comprehensive investment information regarding Avnet, Inc., including current and previous annual reports, management presentations, a calendar of events, corporate governance and other information, is available at www.ir.avnet.com.

Board of Directors

Dr. Eleanor Baum
Dean, School of Engineering,
The Cooper Union, New York

J. Veronica Biggins
Senior Partner, Heidrick and Struggles International, Inc.

Lawrence W. Clarkson
Retired Senior Vice President,
The Boeing Company &
President, Boeing Enterprises

Ehud Houminer
Executive in Residence,
Columbia Business School,
Columbia University, New York

James A. Lawrence
Executive Vice President,
Chief Financial Officer,
General Mills, Inc.

Frank R. Noonan
Retired Chairman and CEO,
R.H. Donnelley Co.

Ray M. Robinson
Chairman, Citizens Trust Bank
Former President,
AT&T Southern Region
Business Services Division

Peter Smitham
Partner, Permira
Chairman, Actis

Gary L. Tooker
Independent Consultant
Retired Chairman, Motorola, Inc.

Roy Vallee
Chairman, Avnet, Inc.

Senior Management

David Birk
General Counsel & Chief of Staff

Bob Brown
Director, Corporate Audit

Andy Bryant
President, Avnet Logistics

Steve Church
Chief Human Resources
Development Officer

John Clark
Vice President,
North American Credit

John Connolly
Chief Tax Officer

Ger Coppus
President,
Avnet Technology Solutions EMEA

Fred Cuen
President,
Avnet Technology Solutions Americas

Harley Feldberg
President, Avnet Electronics Marketing

Greg Frazier
Exec. Vice President,
Supply Chain Services Worldwide,
Avnet Electronics Marketing

Phil Gallagher
President,
Avnet Electronics Marketing Americas

Rick Hamada
President, Avnet Technology Solutions

Axel Hartstang
President,
Avnet Electronics Marketing EMEA

Jeff Ittel
Sr. Vice President,
Semiconductor Marketing,
Avnet Electronics Marketing Americas

Pat Jewett
Sr. Vice President, Director,
Administrative Services for
Shared Business Services

Ed Kamins
Chief Operational Excellence Officer

Tom McCartney
Sr. Vice President,
Avnet IP&E Worldwide,
Avnet Electronics Marketing

Al Maag
Chief Communications Officer

Dave Rapier
Sr. Vice President, Business Operations,
Global Information Solutions

Ray Sadowski
Chief Financial Officer

George Smith
Exec. Vice President & General Manager,
Industry Standard Components
Center of Excellence,
Avnet Technology Solutions

R. Neil Taylor
Deputy General Counsel

Steve Tepedino
President,
Avnet Technology Solutions Americas

Roy Vallee
Chief Executive Officer

Patrick Zammit
President, EBV Elektronik

Fiscal 2005, 2004 and 2003 Earnings (Loss) Per Share Reconciliation of GAAP to Non-GAAP

DILUTED EARNINGS (LOSS) PER SHARE	FY05	FY04	FY03
As reported	$1.39	$0.60	($0.39)
Impact of restructuring and other charges	–	$0.44	$0.62
Adjusted to exclude restructuring and other charges	$1.39	$1.04	$0.23

AVNET®

Enabling success from the center of technology™

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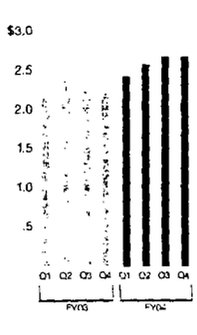
Avnet 2004

Annual Report

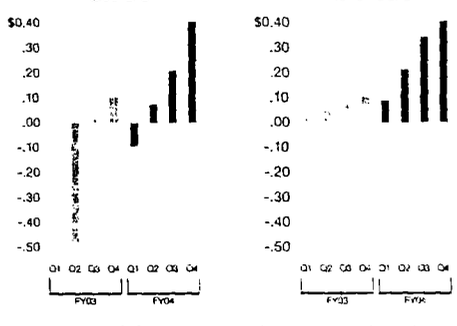
AVNET

Enabling Success from the Center of Technology™

Avnet, Inc.



Avnet, Inc.



* Pro forma EPS reflects diluted earnings per share excluding the impact of restructuring and certain other charges. See the inside back cover for a reconciliation of these charges and their impact on GAAP and pro forma EPS.

The FY04 Avnet Annual Report is proud to feature photos of Avnet team members representing our Company's capabilities, from sales and engineering to finance, marketing, logistics, materials management, information technology and more. Avnet employs approximately 9,900 people in more than 275 locations around the world.

Avnet Drives Value...

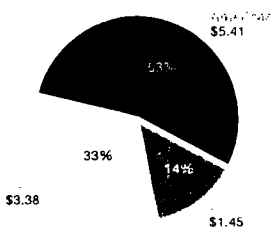
- to our **Customers** by delivering distinctive services and technology products that enhance their business growth and profitability
- to our **Suppliers** by building efficient channels to thousands of customers worldwide and offering innovative services that accelerate their growth
- to our **Employees** by providing opportunities for career development and sharing the rewards of mutual success
- to our **Shareholders** by increasing the value of their investment in Avnet through our focus on profitable growth and return on capital

Our Company began the fiscal year in an enviable position: lean, geographically balanced and financially strong with resurgent spending in the markets we serve. During the 2001-2003 technology industry downturn, we dramatically reduced costs and debt to create a high degree of operating leverage and a healthy balance sheet. In FY04, revenue growth met operating efficiency. Sales increased 13 percent, or $1.2 billion, and operating income grew almost nine times faster, at 116 percent. Asset productivity reached record highs during the year as cash conversion cycle metrics improved nearly 10 percent. Pro forma earnings per share more than quadrupled. As we enter FY05, our operating leverage positions us to continue growing earnings substantially faster than sales.

Globalization continued apace in FY04, with technology companies seeking lower manufacturing costs and new markets for their products. The shift toward Asia, in particular, has been dramatic, and Avnet's proactive expansion into the region that began in 1995 is paying off. Our Company is one of the largest distributors of electronic components in Asia, where sales for Avnet Electronics Marketing were up 50 percent year over year. The news from Europe, the Middle East and Africa (EMEA) is exciting as well. Avnet Electronics Marketing's operating profit in this region rose almost fivefold, and sales increased approximately 23 percent. In the Americas, operating income nearly doubled for our computer products group. Avnet Technology Solutions, and its sales rose 11 percent. Overall, Avnet Electronics Marketing grew revenue 18 percent and Avnet Technology Solutions gained 7 percent. Avnet, with its 275-plus location, 68 country global footprint, is positioned to rapidly adjust to regional shifts, providing global capabilities with local support.

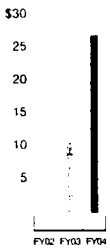
From a business mix perspective, in FY04 our higher margin components operating group gained ground, bringing us to 58 percent components and 42 percent computer products. We enjoy a substantial market share lead over most competitors in both areas of expertise. The combining of our Avnet Computer Marketing and Avnet Applied Computing operating groups into Avnet Technology Solutions at the beginning of the fiscal year is proving successful; we consolidated operations, increased profit and grew our computer products business in aggregate. Despite our strong market position, Avnet still represents only 10 percent of the global distribution market for the products we currently sell.

Avnet, Inc. FY04
Sales by Region
($ in Billions)



As demand for technology products resumes, we are selectively hiring in critical front-line areas while furthering our robust internal training and performance management programs. Avnet has a global employee base and a culture that drives value through profitable growth and operational excellence. We are committed to continually strengthening our performance- and values-based culture and, through our Driving Value campaign, educating our people on the steps they can take to help increase shareholder value. In FY04, gross profit per employee improved 21 percent and operating income per employee, excluding certain charges, shot up 132 percent. Net operating profit after tax return on working capital more than doubled over FY03 and reached 12.9 percent in the fourth quarter. Return on total capital climbed steadily every quarter, and we continue to make progress toward our goal of more than 10 percent return on capital employed.

Avnet, Inc.
($ in Thousands)



* Excluding restructuring and other charges.

Our achievements are laudable and our strategy and position sound, but we will not rest. We aspire to set new quarterly records in financial and productivity metrics as we strive to reestablish pre-downturn peak performance levels. It is our intent to grow the Company's revenue faster than the technology markets we serve and leverage the increase in sales to grow earnings per share and return on capital faster than revenue. We will take full advantage of the opportunities our scale and scope afford us to enable our customers and suppliers to succeed. We will continue to stress quality revenue growth while improving expense and asset productivity, insisting that all business decisions take into account the impact on profit and the consumption of capital. We will focus on organic growth, new business opportunities, operational excellence and developing our people.

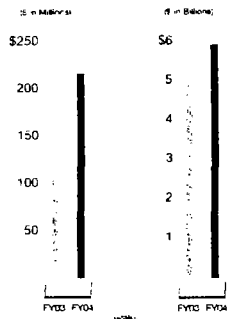
Though demand in many sectors of our industry is cyclical, technology is intrinsic to the global economy and will remain an important driver well into the future. Avnet and its stakeholders benefit from the relative stability our balanced revenue portfolio provides. We remain committed to capitalizing on our position at the center of the technology supply chain to provide the utmost value to our customers, suppliers, employees and shareholders. Thank you for your confidence in our Company.

Roy Vallee
Chairman & CEO

Avnet Electronics Marketing

The technology market is a global one, a complex web of electronic component and subassembly manufacturers, contract manufacturers, original design and equipment manufacturers, and logistics providers. Electronic product and design processes, once vertically integrated within a corporation, *have been outsourced as companies* focus on their core competencies. Avnet Electronics Marketing brings critical value to its customers through design chain and supply chain expertise and established relationships in every segment of the market and in every region of the world. We invite customers to leverage our capabilities, knowledge and global scale and scope to their advantage.

Avnet Electronics Marketing



As companies maneuver their supply chains through regions with differing languages, laws, logistics, time zones and partner relationships, maintaining a steady flow of components to manufacturing operations while avoiding unnecessary risk can be daunting. Avnet Electronics Marketing aggregates forecasts from customers and their trading partners and filters them through our business, improving accuracy and vastly simplifying their supply chains. Our just-in-time point-of-use programs provide pinpoint accuracy for companies of all sizes. We assist customers as they implement lean manufacturing initiatives to reduce inventory. From in-plant stores to bonded and vendor-managed inventory, we tailor materials management programs to meet every customer's requirements. We also provide state-of-the-art, ISO-certified programming centers, connector and cable assembly, motor and power modification services, and other physical value-added services to help customers make their operations more efficient.

When it comes to designing products, our total-systems approach helps customers integrate suppliers' technology. Customers rely on Avnet Electronics Marketing field application engineers (FAEs) to help them objectively analyze and choose the best component solutions from among the vast array offered by our suppliers. Seminars and training programs bring customers and suppliers together for hands-on experience with new technologies. FAEs integrate components from multiple suppliers into reference and evaluation kits that solve real-world problems. Online search tools allow customers to research thousands of components to fill an entire bill of materials.

Avnet Electronics Marketing also offers demand creation programs that extend our suppliers' products into untapped *markets early in the design cycle. Our design services and* new product introduction teams identify and assist engineers engaged in next-generation development. We establish relationships with third-party design providers in all regions to deliver advanced support in hardware design, embedded software development, ASIC and FPGA design, and the latest digital consumer and wireless technologies, including LCD-TV, DVD-RW, MP3, Bluetooth, WLAN, PMP and VoIP.

In FY04, Avnet Electronics Marketing increased sales 18 percent over FY03, to $5.89 billion. The year was one of accelerating growth in the markets we serve and adherence to strict financial discipline in managing our return on capital. In FY05, we will maintain our commitment to regionally-run businesses, leverage best practices and processes globally, and focus on process improvement, business discipline and operational excellence. It's all part of our philosophy of providing the best customer experience in the business. From design to production, from engineering services to end-to-end global supply chain management solutions, Avnet Electronics Marketing provides Support Across the Board™ and Support Across the Globe™ for our customers and suppliers.

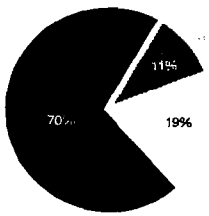
Avnet Electronics Marketing

Avnet Technology Solutions

At Avnet Technology Solutions, we deliver the technology solutions and information technology (IT) infrastructures that successful companies rely on to drive efficient, cost-effective businesses. We've built our organization around embedded components, enterprise servers, storage, networking, software and services and are dedicated to designing, developing and deploying solutions tailored to our customers' distinct and often very complex needs.

Our technology sales and marketing organization provides solutions worldwide through divisions focused on original equipment manufacturers, independent software vendors, system builders, system integrators, value-added resellers and end-user customers. We are a cost-effective business partner, providing ISO-certified integration, high-flex assembly, technical, marketing and finance capabilities better and faster than customers can do for themselves.

Avnet Technology Solutions



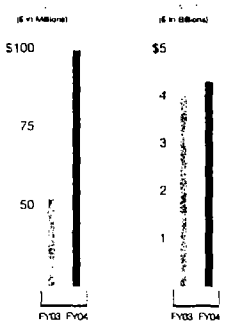
Forged at the beginning of FY04, Avnet Technology Solutions brought together the best of former Company operating groups Avnet Applied Computing and Avnet Computer Marketing. Throughout the year, we streamlined our IT infrastructure and consolidated our warehouses and integration centers in North America and Europe, improving operations, realizing cost savings and enhancing our ability to leverage our global scope and scale. And, we did it without negatively impacting service or sales – revenue for our aggregate computer business was up 7 percent, to $4.35 billion.

Customers appreciate tools like Avnet FasTrac™, QuickSource™ and Channel Connection™ that help them configure pre-certified solutions, automate order management and access a wealth of business information to increase productivity and reduce costs. They also welcome the opportunity to test-drive our suppliers' latest technology solutions in a hands-on environment. Value-added resellers use IT Demo Central™ to demonstrate software applications to their end-user customers, and customers can take advantage of two new Storage Enterprise Centers opened in FY04.

Our roster of franchised suppliers remains selective, and we work hand-in-hand with the top one or two manufacturers in each product category to develop innovative programs that build efficient channels to market. In FY04, we provided resellers with comprehensive education, training and certification programs around the introduction of IBM's i5 server products and helped customers align their offerings with HP's strategy and IT buying trends through our Market Connection™ process. At their 2004 Global Distribution Meeting, EIZO, one of the world's leading manufacturers of LCD displays, recognized our efforts in Europe with awards for sales growth, market development and overall excellence in four countries. And Intermec, a global provider of supply chain products, services and systems, named Avnet Technology Solutions its highest growth distributor.

In FY05, industry standard servers and standardized components will become even more important to our business. We are investing in people, processes and systems to enhance Avnet's leadership role in enterprise computing and are expanding our base of independent software vendors to broaden the solutions we offer customers. We plan to increase our presence in Asia, where strong economic growth is driving the need for IT solutions. We will further develop our technical capabilities to connect our business partners to new opportunities and help them lower costs, increase revenue and expand market share. At Avnet Technology Solutions, we are accelerating our customers' and suppliers' success.

Avnet Technology Solutions



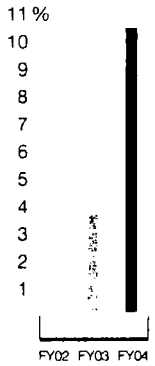
Value-Based Management

Avnet has evolved. For years, our Company focused on sales, growing revenue, capturing market share and creating a global footprint. We are now a multibillion-dollar organization with an international presence. In January 2001, we launched a strategic initiative, the Driving Value campaign, to realign our organization to focus on more profitable growth through value-based management. We have accomplished a paradigm shift, moving from a company that measured profit as a percent of sales to one that measures profit as a return on the capital we employ.

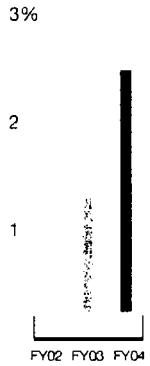
As revenue growth reemerged in FY04, the impact of the operating leverage we created as a result of the Driving Value campaign became clear. A lower cost structure and recovery in the end markets our customers serve drove a dramatic increase in operating income. Net operating profit after tax return on working capital (NOPAT/WC), excluding restructuring and other charges, grew 672 basis points, to 10.6 percent, in FY04 as operating margin and working capital productivity climbed. In fact, operating margin almost doubled, up 91 percent, and working capital turns improved 16 percent.

Generating profitable growth is the primary measure of our success, regardless of market conditions, global economic conditions or Company size and structure. We are committed to maintaining a balanced revenue portfolio. In FY05, we will continue to drive value for our customers, suppliers, employees and shareholders by aligning metrics, goals and compensation using value-based management principles, capturing good revenue, creating high-value services, streamlining our balance sheet and capital structure, and managing risk effectively. Productivity gains and working capital management are a priority. We remain steadfast in pursuit of our vision, to be the premier technology marketing, distribution and services company, globally.

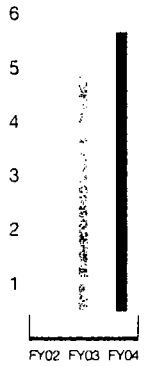
Avnet, Inc.



Avnet, Inc.



Avnet, Inc.



* Excluding restructuring and other charges.
** Working capital turns are computed using annualized sales divided by average working capital. Average working capital equals inventory plus trade accounts receivable (including receivables sold under the A/R securitization program) less accounts payable.

Shareholders' Information

Corporate Headquarters
2211 S. 47th St.
Phoenix, AZ 85034
(480) 643-2000
(888) 822-8638
www.avnet.com

Independent Auditors
KPMG LLP
Phoenix, Arizona

Transfer Agent and Registrar
Wachovia Bank, N.A.
Shareholder Services Group
1525 W. WT Harris Blvd., 3C3
Charlotte, NC 28288-1153

Annual Meeting of Shareholders
Nov. 11, 2004
2:00 p.m. MST
Avnet Corporate Broadcast Center
2617 S. 46th Street, Suite 300
Phoenix, AZ 85034
A formal notice of the meeting and a proxy statement will be mailed to each shareholder of record.

Investor Relations
Vince Keenan
Vice President & Director
(480) 643-7053
(480) 643-7370 (fax)
investorrelations@avnet.com

Avnet Web Site
Comprehensive investment information regarding Avnet, Inc., including current and previous Annual Reports, management presentations, a calendar of events, corporate governance and other information, is available at www.ir.avnet.com.

Board of Directors
Roy Vallee - Chairman
Eleanor Baum
J. Veronica Biggins
Lawrence W. Clarkson
Ehud Houminer
James A. Lawrence
Frank R. Noonan
Ray M. Robinson
Gary L. Tooker
Special Note: Avnet welcomes Frank R. Noonan to the board and thanks former member Frederic Salerno for 10 years of dedicated service to our Company.

Senior Management
David Birk
General Counsel & Chief of Staff
Andy Bryant
President, Avnet Logistics
Steve Church
Senior Vice President,
Organizational & Business Development
Harley Feldberg
President, Avnet Electronics Marketing
Rick Hamada
President, Avnet Technology Solutions
Ed Kamins
Chief Information Officer
Al Maag
Chief Communications Officer
Janice Miller
Vice President, Organizational
Development & Human Resources
Ray Sadowski
Chief Financial Officer
Roy Vallee
Chief Executive Officer

Fiscal 2004, 2003 and 2002 GAAP to Non-GAAP Reconciliation

($ in Thousands)

	FY04	FY03	FY02
OPERATING INCOME (LOSS):			
As reported	$ 202,247	$ 12,729	$ (2,985)
Restructuring and other charges (pre-tax)	55,618	106,765	79,623
Adjusted to exclude restructuring and other charges	$ 257,865	$ 119,494	$ 76,638
NET INCOME (LOSS)			
As reported	$ 72,897	$ (46,116)	$ (84,436)
Restructuring and other charges (after-tax)	52,752	73,902	62,084
Adjusted to exclude restructuring and other charges	$ 125,649	$ 27,786	$ (22,352)

See Notes 7 and 17 to the accompanying consolidated financial statements appearing in Item 15 of the Form 10-K for discussion of the debt extinguishment costs and restructuring and other charges noted above. Net income (loss) information is before the cumulative effect of change in accounting principal in FY02.

Q3 FY04, Q2 FY04, Q1 FY04, Q3 FY03 and Q2 FY03 Earnings (Loss) Per Share

Reconciliation of GAAP to Non-GAAP

	Q3 FY04	Q2 FY04	Q1 FY04	Q3 FY03	Q2 FY03
DILUTED EARNINGS (LOSS) PER SHARE:					
As reported	$ 0.22	$ 0.07	$ (0.09)	$ 0.01	$ (0.49)
Impact of restructuring and other charges	0.12	0.14	0.18	0.07	0.55
Adjusted to exclude restructuring and other charges	$ 0.34	$ 0.21	$ 0.09	$ 0.08	$ 0.06

See Notes 7 and 17 to the accompanying consolidated financial statements appearing in Item 15 of the Form 10-K for discussion of the debt extinguishment costs and restructuring and other charges noted above.

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

Form 10-K

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

For the fiscal year ended July 3, 2004

or

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

For the transition period from to

Commission file number 1-4224

Avnet, Inc.

(Exact name of registrant as specified in its charter)

New York	**11-1890605**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
2211 South 47th Street, Phoenix, Arizona	**85034**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code (480) 643-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	New York Stock Exchange and Pacific Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

The aggregate market value (approximate) of the registrant's common equity held by non-affiliates based on the closing price of a share of the registrant's common stock for New York Stock Exchange composite transactions on August 28, 2004 ..... $1,927,680,848

The number of shares of the registrant's Common Stock (net of treasury shares) outstanding at August 28, 2004 120,480,053

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive proxy statement (to be filed pursuant to Reg. 14A) relating to the Annual Meeting of Shareholders anticipated to be held on November 11, 2004 are incorporated herein by reference in Part III of this Report.

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FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements with respect to the financial condition, results of operations and business of Avnet, Inc. and subsidiaries ("Avnet" or the "Company"). You can find many of these statements by looking for words like "believes," "expects," "anticipates," "estimates" or similar expressions in this Report or in documents incorporated by reference in this Report.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include the following:

- A technology industry down-cycle, particularly in the semiconductor sector, would adversely affect Avnet's expected operating results.
- Competitive pressures among distributors of electronic components and computer products may increase significantly through entry of new competitors or otherwise.
- General economic or business conditions, domestic and foreign, may be less favorable than management expected, resulting in lower sales and declining profitability which can, in turn, impact the Company's credit ratings, debt covenant compliance and liquidity, as well as the Company's ability to maintain existing unsecured financing or to obtain new financing.
- Legislative or regulatory changes may adversely affect the businesses in which Avnet is engaged.
- Adverse changes may occur in the securities markets.
- Changes in interest rates and currency fluctuations may reduce Avnet's profit margins.
- Avnet may be adversely affected by the allocation of products by suppliers.

Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by them. Management cautions you not to place undue reliance on these statements, which speak only as of the date of this Report.

Avnet does not undertake any obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. *Business*

Avnet, Inc., incorporated in New York in 1955, together with its subsidiaries, (the "Company" or "Avnet") is one of the world's largest industrial distributors, based on sales, of electronic components, enterprise network and computer equipment and embedded subsystems with sales in fiscal 2004 of $10.24 billion. Avnet creates a vital link in the technology supply chain that connects over 250 of the world's leading electronic component and computer product manufacturers and software developers as a single source for multiple products for a global customer base of over 100,000 original equipment manufacturers ("OEMs"), contract manufacturers, original design manufacturers, value-added resellers ("VARs") and end-users. Avnet distributes electronic components, computer products and software as received from its suppliers or with assembly or other value added by Avnet. Additionally, Avnet provides engineering design, materials management and logistics services, system integration and configuration, and supply chain advisory services.

Organizational Structure

During the first quarter of fiscal 2004, the Company combined its Avnet Computer Marketing ("CM") and Avnet Applied Computing ("AC") operating groups into one computer products and services business called Avnet Technology Solutions ("TS"). This combination was part of the Company's continued efforts to strengthen its market leadership position, streamline its business and further leverage cost synergies resulting from the combination. In light of the similarities of the logistics operations and related functions of CM and AC, the consolidation of certain of the units' operating facilities, equipment and processes has yielded cost savings while also stimulating new market opportunities for the combined group.

As a result of the formation of TS, Avnet Electronics Marketing ("EM") and TS represented the Company's two operating groups beginning in fiscal 2004, both having operations in each of the three major economic regions of the world: the Americas; Europe, the Middle East and Africa ("EMEA"); and Asia. Each operating group has its own management team that is led by a group president and includes senior executives within the operating group that manage the accounting and finance, facilities, warehousing and other administrative tasks for each operating group as a whole. Each operating group also has distinct financial reporting that is evaluated at the corporate level and on which operating decisions and strategic planning for the Company as a whole are made. Divisions exist within each operating group that serve primarily as sales and marketing units to further streamline the sales and marketing efforts within each operating group and to enhance each operating group's ability to work with its customers and suppliers, generally along more specific product lines or based upon geography. However, each division relies heavily on the support services that are provided centrally within each operating group and centralized support at the corporate level.

A summary of each operating group, and the divisions included in each group, is discussed below. Further financial information by operating group and geography are also contained in Note 16 to the consolidated financial statements appearing in Item 15 of this Report.

Avnet Electronics Marketing ("EM")

EM markets and sells semiconductors and interconnect, passive and electromechanical devices ("IP&E"), and also offers an array of value-added services to its customers, such as supply-chain management, engineering design, inventory replenishment systems, connector and cable assembly and semiconductor programming. EM markets and sells its products and services to a diverse customer base spread across end-markets including communications, computer hardware and peripheral, industrial and manufacturing, medical equipment, military and aerospace.

EM markets and sells products on behalf of over 250 of the world's leading electronic component manufacturers. Suppliers of components to EM include Analog Devices, Freescale Semiconductor, Infineon Technologies, Intel, Maxim/Dallas, National Semiconductor, ON Semiconductor, Philips Components, Texas Instruments and Xilinx. EM sells to multinational, regional and local OEMs and contract manufacturers including Alcatel, Benchmark, Celestica, General Electric, Hon Hai Precision, Jabil, Plexus, Sanmina-SCI, Siemens and Solectron.

EM is Avnet's largest operating group, with sales in fiscal 2004 of $5.89 billion, representing 57.5% of Avnet's consolidated sales. EM is comprised of three regional operations: EM Americas, which had sales of $2.46 billion in fiscal 2004, or 24.0% of Avnet's consolidated sales; EM EMEA, which had sales of $2.13 billion in fiscal 2004, or 20.8% of Avnet's consolidated sales; and EM Asia, which had sales of $1.30 billion in fiscal 2004, or 12.7% of Avnet's consolidated sales.

Each of EM's sales and marketing divisions is generally focused on a specific customer segment, particular product lines provided by a limited group of suppliers or on a specific geography. The various divisions collectively focus on the transactional needs of the traditional global electronic components distribution market, and thereby offer one of the industry's broadest line cards and convenient one-stop shopping with an emphasis on responsiveness, engineering support, on-time delivery and quality. Certain specialty services are made available to the individual divisions through common support service units.

EM's division structure is as follows:

Americas

- EM Americas distributes semiconductors, electronic connectors, electronic wire and cable, other passive and electromechanical products and interconnect assemblies used in assembling and manufacturing of electronic products. EM Americas addresses the needs of its customers and suppliers through focused channels to service small to medium customers, global customers, defense and aerospace customers, emerging customers and contract manufacturers. EM Americas also provides an array of value-added services including engineering design, supply chain services, hi-reliability processing, parametric assembly, cable assembly, fan assembly, taping, reeling and component modification.

EMEA

- In EMEA, EM goes to market with seven sales and marketing divisions: EBV and WBC, based in Germany, which specialize in demand creation and logistics services for select semiconductor suppliers; Silica, based in the United Kingdom, a semiconductor marketer; Avnet Time, based in the United Kingdom, a marketer of IP&E components; Avnet Integrated Material Services, based in the United Kingdom, a provider of supply chain solutions, material management and warehousing services; BFI-Optilas, based in France, a marketer of specialty components and devices; Avnet Israel, based in Tel Aviv, a value-added electronic components distributor in Israel; and Avnet Kopp, a distributor of electronic components. EM EMEA does business in over 35 western and eastern European countries, South Africa, Turkey, Egypt and Israel.

Asia

- EM Asia is a value-added distributor of electronic components and services in 15 Asian countries, Australia and New Zealand. All of EM Asia's operations have access to the products and services provided by EM globally. Avnet goes to market in China with three focused sales and marketing divisions — Sunrise, ChinaTronic and Avnet Technology.

Avnet Technology Solutions ("TS")

TS markets and sells mid- to high-end servers, data storage, software and networking solutions, and the services required to implement these solutions, to the VAR channel and enterprise computing customers. TS also focuses on the worldwide OEM market for computing technology, system integrators and non-PC OEMs that require embedded systems and solutions including engineering, product prototyping, integration and other value-added services.

TS is a leading partner for system vendors such as IBM and HP. Other key suppliers TS serves include Advanced Micro Devices, Cisco Systems, EIZO, EMC, Intel, Micron, Oracle and Storage Technologies. TS markets and sells its products and services to the VAR channel and enterprise computing customers, which include ASAP Software, Blue River Systems, GE Medical Systems, Intel, Key Information Systems, MA

Laboratories, McKesson Information Solutions, Sirius Computer Systems, Software Spectrum and Venture Systemsource.

Sales for TS were $4.35 billion in fiscal 2004, representing 42.5% of Avnet's consolidated sales. TS's fiscal 2004 global sales consisted of the following regional results: TS America sales of $2.95 billion, or 28.8% of Avnet's consolidated sales; TS EMEA sales of $1.25 billion, or 12.2% of Avnet's consolidated sales; and TS Asia sales of $156.2 million, or 1.5% of Avnet's consolidated sales.

As a global technology sales and marketing organization, TS has dedicated sales and marketing divisions focused on specific customer segments including OEMs, independent software vendors, system builders, system integrators, VARs and end-user customers. TS's select line card strategy enables an exceptional level of attention to the needs of its suppliers.

TS consists of the following primary divisions:

- Avnet Partner Solutions (formerly named Avnet Hall-Mark) is a value-added distributor of enterprise computer systems, software, storage, networking solutions and services. Avnet Partner Solutions is one of the industry's leading value-added distributors in the enterprise computing space in support of a limited line card of the foremost systems, storage and software manufacturers. Avnet Partner Solutions provides those manufacturers' products to VARs, along with complementary value-added services. Avnet Partner Solutions also provides logistics, financial, marketing, sales and technical services, including in-house engineering support, complex systems integration and configuration services. Avnet Partner Solutions has locations in North America in addition to European offices in Austria, Belgium, the Czech Republic, Germany, Hungary, Italy, Poland, Switzerland and the United Kingdom. Avnet Partner Solutions also operates a division in Australia, serving resellers and end-users.

- Avnet Enterprise Solutions provides end-user customers with information technology solutions including hardware, software, maintenance, financial and professional services. Avnet Enterprise Solutions is a solutions integrator specializing in network solutions. Avnet Enterprise Solutions leverages its unique suite of technical and financial strategies and services to minimize risk, maximize flexibility and optimize the use of capital on IT infrastructures, and thus bring value to businesses intent on managing their total cost of technology infrastructure — from the data center, through the network, to the desktop. Avnet Enterprise Solutions provides services to customers primarily in North America.

- Applied Computing Components serves the needs of manufacturers of general-purpose computers by providing them with the latest technologies such as microprocessors, DRAM modules and motherboards. Applied Computing Components does business in all three of the global geographic regions: Americas, EMEA and Asia.

- Applied Computing Solutions focuses on the unique needs of non-PC OEMs and system builders/integrators. Applied Computing Solutions provides technical design, integration, marketing and financing to developers of application specific computer solutions in the non-PC market place. Examples of these types of customers are OEMs in the medical, telecommunications, industrial control and digital creation market segments. Applied Computing Solutions does business in all three of the global geographic regions: Americas, EMEA and Asia.

- Applied Visual and Data Solutions concentrates on specialized displays, network products and storage solutions, while targeting primarily VARs and system integrators with its wireless switch and wireless standalone solutions. Applied Visual and Data Solutions does business in eight European countries.

Foreign Operations

As noted in the operating group discussions, Avnet's operations are deployed globally with significant operations in the three major regions of the world: the Americas, EMEA, and Asia. Historically, Avnet's operations in the Americas region (primarily the United States) have contributed the largest percentage of consolidated sales. During fiscal 2004, 2003 and 2002, the percentage of the Company's sales in the Americas has been 53%, 56% and 60%, respectively. The EMEA region's contribution to Avnet's consolidated sales has remained relatively stable in the 32% to 33% range over the same three-year period. The Asia region has been continuously growing as a percentage of consolidated sales with 14%, 11% and 8%, respectively, of

consolidated sales being generated in that region during fiscal 2004, 2003 and 2002. This growth in Asia is indicative of a worldwide industrial trend and is a result of Avnet's continued investment into this rapidly growing region, particularly in the Peoples' Republic of China. While management expects the Asia region to continue to grow, both in volume of business and as a percentage of the Company's global business in the future, the rate of growth is not expected to remain at the same robust percentages exhibited in the past three to four years.

Avnet's foreign operations are subject to a variety of risks including potential restrictions on transfers of funds due to statutory or tax regulations, foreign currency fluctuations, import and export duties and regulations, changing foreign tax laws and regulations, potential military conflicts, less flexible employee contracts in the event of business downturns, and the burden and cost of compliance with foreign laws. The most common of these risks is the Company's exposure to foreign currency fluctuations, which are hedged regularly as part of Avnet's treasury and cash management operations. These risks are discussed further at *Quantitative and Qualitative Disclosures About Market Risk* appearing in Item 7A of this Report. Additionally, the specific impacts of foreign currency fluctuations, most notably the Euro, on the Company's consolidated financial statements are further discussed in *Management's Discussion and Analysis of Financial Condition and Results of Operations* appearing in Item 7 of this Report.

Acquisitions

Avnet has made no significant acquisitions in the past three fiscal years. Avnet historically pursued a strategic acquisition program to grow its presence in world markets for electronic components and computer products. This program was a significant factor in Avnet becoming one of the largest industrial distributors of electronic components and computer equipment worldwide. While Avnet will continue to pursue strategic acquisitions as part of its overall growth strategy, the limited number of potential acquisition targets has changed the focus of the Company's acquisition strategy to a relatively smaller scale, likely directed at geographies where the Company is seeking to increase its scale and scope in certain markets where an acquisition may be beneficial. Furthermore, the achievement of the Company's current scale of operations has allowed management, in recent years, to focus on its existing lines of business and the strategies necessary to grow those businesses organically. This focus also allowed Avnet to expand its business globally coming out of the recent economic and industry downturn and to capitalize on the current industry up-cycle by even further expanding revenue growth globally. With these strategies in place, management currently does not anticipate making any material acquisitions in the near term.

Major Products

One of Avnet's competitive strengths is the breadth and quality of the suppliers whose products it distributes. IBM represents the only supplier from which sales of its products exceed 10% of the Company's consolidated sales. During fiscal 2004, IBM products accounted for approximately 18.7% of the Company's sales. Listed in the table below are the major product categories and the Company's approximate sales of each during the past three fiscal years:

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
		(Millions)	
Semiconductors	$ 5,077.6	$4,819.1	$4,430.3
Computer products	4,242.5	3,457.8	3,475.3
Connectors	442.8	376.3	385.0
Passives, electromechanical and other	481.8	395.2	629.6
	$10,244.7	$9,048.4	$8,920.2

As of July 3, 2004, the Company had over 275 locations worldwide, as well as a limited number of instances where Avnet-owned product is stored in customer facilities. Many of these locations contain sales, warehousing and administrative functions for multiple sales and marketing units. Avnet sells to customers in 68 countries.

Competition & Markets

Avnet is one of the world's largest industrial distributors (based on sales) of electronic components and computer products.

The electronic component and computer product industry continues to be extremely competitive and is subject to rapid technological advances. The Company's major competitors are Arrow Electronics, Inc., Future Electronics, Memec, Inc. and Agilysys, Inc. There are also certain smaller, specialized competitors who focus upon one market or product or a particular sector. As a result of these factors, Avnet must remain competitive in its pricing of goods and services.

Another key competitive factor in the electronic component and computer product distribution industry as a whole is the need to carry a sufficient amount of inventory to meet rapid delivery requirements of customers. However, to minimize its exposure related to valuation of inventory on hand, the majority of the Company's products are purchased pursuant to non-exclusive distributor agreements. These agreements typically provide certain protections to the Company for product obsolescence and price erosion in the form of rights of return and price protection. Furthermore, these agreements are generally cancelable upon 30 to 180 days notice and, in most cases, provide for inventory return privileges upon cancellation. In addition, the Company enhances its competitive position by offering a variety of value-added services which entail the performance of services and/or processes tailored to individual customer specifications and business needs such as point of use replenishment, testing, assembly, supply chain management and materials management.

A key strength of the Company is the breadth and quality of the suppliers whose products it distributes. Because of the number of Avnet's suppliers, many customers can make all of their required purchases with Avnet, rather than purchasing from several different vendors.

Seasonality

With the exception of a relatively minor impact on consolidated results from the growth in revenues in the computer-related business (TS) during Avnet's fiscal quarter ending in December, Avnet's business is not materially impacted by seasonality.

Number of Employees

At July 3, 2004, Avnet had approximately 9,900 employees.

Avnet Website

In addition to the information about Avnet and its subsidiaries contained in this Report, extensive information about the Company can be found through our website located at www.avnet.com, including information about our management team, products and services and our corporate governance practices.

The corporate governance information on our website includes the Company's Corporate Governance Guidelines, the Code of Conduct and the charters for each of the committees of our Board of Directors. In addition, amendments to the Code of Conduct, and waivers granted to our directors and executive officers under the Code of Conduct, if any, will be posted in this area of our website. These documents can be accessed at www.avnet.com under the "Investor Relations — Governance" caption. Printed versions of our Corporate Governance Guidelines, our Code of Conduct and the charters for our Board committees can be obtained, free of charge, by writing to the Company at: Avnet, Inc., 2211 South 47th Street, Phoenix, AZ 85034; Attn: Corporate Secretary.

In addition, the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those Reports, if any, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as Section 16 filings made by any of the Company's executive officers or directors with respect to Avnet Common Stock, are available on the Company's website (www.avnet.com under the "Investor Relations — SEC Filings" caption) as soon as reasonably practicable after the report is electronically filed with, or furnished to, the Securities and Exchange Commission.

This information about Avnet's website and its content is for information only and the content of the Company's website is not deemed to be incorporated by reference in this report or filed with the SEC.

Item 2. ***Properties***

At July 3, 2004, the Company owned and leased approximately 627,000 and 3,302,000 square feet of space, respectively, of which approximately 52% is located in the United States. The following table summarizes certain of the Company's key facilities as of July 3, 2004:

Location	Sq. Footage	Leased or Owned	Primary Use
Phoenix, Arizona . . .	176,000	Leased	Corporate and EM headquarters
Tempe, Arizona	132,000	Leased	TS headquarters
Chandler, Arizona . .	395,000	Owned	EM warehousing and value-added operations
Phoenix, Arizona . . .	122,000	Leased	TS warehousing, integration and value-added operations
Grapevine, Texas . . .	181,000	Leased	EM warehousing and value-added operations
Poing, Germany	190,000	Leased	EM warehousing and value-added operations
Tongeren, Belgium . .	167,000	Owned	EM and TS warehousing and value-added operations

Item 3. ***Legal Proceedings***

As a result primarily of certain former manufacturing operations, Avnet may have liability under various federal, state and local environmental laws and regulations, including those governing pollution and exposure to and the handling, storage and disposal of hazardous substances. For example, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA") and similar state laws, Avnet may be liable for the costs of cleaning up environmental contamination on or from its current or former properties, and at off-site locations where the Company disposed of wastes in the past. Such laws may impose joint and several liability. Typically, however, the costs for cleanup at such sites are allocated among potentially responsible parties ("PRPs") based upon each party's relative contribution to the contamination, and other factors.

In May 1993, the Company and the former owners of a Company-owned site in Oxford, North Carolina entered into a Settlement Agreement in which the former owners agreed to bear 100% of all costs associated with investigation and cleanup of soils and sludges remaining on the site and 70% of all costs associated with investigation and cleanup of groundwater. The Company agreed to be responsible for 30% of the groundwater investigation and cleanup costs. In October 1993, the Company and the former owners entered into a Consent Decree and Court Order with the Environmental Protection Agency (the "EPA") for the environmental clean-up of the site, the cost of which, according to the EPA's remedial investigation and feasibility study, was estimated to be approximately $6.3 million, exclusive of the approximately $1.5 million in EPA past costs paid by the PRPs. Based on current information, the Company does not anticipate its liability in the matter will be material to its financial position, cash flow or results of operations.

In September 2002, the Company's subsidiary, Sterling Electronics, Inc. ("Sterling"), was added as a defendant in an existing lawsuit filed in the Superior Court of California, County of Los Angeles, by property owners and residents in or near the San Gabriel Valley Superfund Site. This master case is a consolidation of six different matters filed during the period from July 1997 through November 2001. Sterling once owned 92.46% of the capital stock of Phaostron, Inc., which has been named as a PRP for contamination at the site. In March 2003, the court dismissed all six cases on technical grounds, but allowed the plaintiffs the opportunity to properly serve newly-added industrial defendants, including Sterling, in any case not yet outside the mandatory service period. In five of the six cases, the applicable service period has expired. Sterling, therefore, cannot be re-added to those cases as a defendant. In the remaining case, the plaintiffs have until November 30, 2004 to re-add Sterling as a defendant in the master case and properly perfect service of process on Sterling. Those plaintiffs have not indicated a monetary amount sought in this matter. The Company believes that Sterling has meritorious defenses to liability, and, although the ultimate outcome is uncertain, based on current information, the Company does not believe that its liability for this matter, if any, will be material to its financial position, cash flow or results of operations.

The Company is a PRP at a manufacturing site in Huguenot, New York currently under investigation by the New York State Department of Environmental Conservation ("NYSDEC"), which site the Company owned from the mid-1960s until the early-1970s. The estimated cost of the first phase of the environmental

clean-up (to remediate contaminated soils), is approximately $2.4 million based on a NYSDEC cost estimate. The Company is currently engaged in litigation to apportion these costs among it and the current and former owners and operators of the site. Based on current information, the Company does not anticipate its liability in the matter will be material to its financial position, cash flow or results of operations.

Based on the information known to date, management believes that the Company has appropriately accrued in its consolidated financial statements for its share of the costs associated with these environmental clean-up sites.

The Company and/or its subsidiaries are also parties to various other legal proceedings arising from time to time in the normal course of business. While litigation is subject to inherent uncertainties, management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the Company's financial position, cash flow or results of operations.

Item 4. ***Submission of Matters to a Vote of Security Holders***

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

Market Price Per Share

The Company's common stock is listed on the New York Stock Exchange and the Pacific Exchange. Quarterly market prices (as reported for the New York Stock Exchange composite transactions) for the last two fiscal years were:

Fiscal Quarters	2004		2003	
	High	Low	High	Low
1st	$18.82	$12.02	$21.95	$11.25
2nd	22.60	16.85	14.75	5.55
3rd	27.52	21.05	13.00	9.31
4th	26.92	20.78	14.53	10.24

The Company paid no dividends during fiscal 2004 or 2003 nor are any dividend payments currently contemplated in the future.

Record Holders

As of August 28, 2004 there were approximately 5,154 holders of record of Avnet's common stock.

Issuer Purchases of Equity Securities

The following table includes the Company's monthly purchases of common stock during the fourth quarter ended July 3, 2004:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
April	15,000	$25.16	—	—
May	25,000	22.33	—	—
June	20,000	22.75	—	—

The purchases of Avnet common stock noted above were made on the open market to obtain shares for purchase under the Company's Employee Stock Purchase Plan. None of these purchases were made pursuant to a publicly announced repurchase plan and the Company does not currently have a stock repurchase plan in place.

Item 6. ***Selected Financial Data****

	Years Ended				
	July 3, 2004	June 27, 2003	June 28, 2002	June 29, 2001	June 30, 2000
	(Millions, except for per share and ratio data)				
Income:					
Sales	$10,244.7	$9,048.4	$8,920.2	$12,814.0	$9,915.0
Gross profit	1,364.9	1,215.0	1,222.8 (c)	1,865.5 (e)	1,444.8
Operating income (loss)	202.2 (a)	12.7 (b)	(3.0) (c)	253.7 (e)	368.0 (f)
Income tax provision (benefit)	25.5 (a)	(33.3) (b)	(36.4) (c)	87.2 (e)	121.1 (f)
Earnings (loss)	72.9 (a)	(46.1) (b)	(84.4) (c)(d)	0.1 (e)	162.6 (f)
Financial Position:					
Working capital	1,839.0	1,820.0	1,928.7	1,177.4	2,368.7
Total assets	4,863.7	4,500.0	4,682.0	5,864.1	5,934.4
Long-term debt	1,196.2	1,278.4	1,565.8	919.5	1,650.6
Shareholders' equity	1,953.4	1,832.5	1,804.5	2,374.6	2,246.7
Per Share:					
Basic earnings (loss)	0.61 (a)	(0.39) (b)	(0.71) (c)(d)	— (e)	1.52 (f)
Diluted earnings (loss)	0.60 (a)	(0.39) (b)	(0.71) (c)(d)	— (e)	1.50 (f)
Dividends	—	—	0.15	0.30	0.30
Book value	16.21	15.33	15.11	20.15	19.88
Ratios:					
Operating income (loss) margin on sales	2.0%(a)	0.1 %(b)	— %(c)	2.0%(e)	3.7%(f)
Profit (loss) margin on sales	0.7%(a)	(0.5)%(b)	(0.9)%(c)(d)	—%(e)	1.6%(f)
Return on equity	4.3%(a)	(2.6)%(b)	(4.1)%(c)(d)	—%(e)	8.1%(f)
Return on capital	3.9%(a)	0.5 %(b)	(0.2)%(c)(d)	2.2%(e)	6.1%(f)
Quick	1.3:1	1.4:1	1.2:1	0.7:1	1.1:1
Working capital	2.1:1	2.4:1	2.5:1	1.5:1	2.2:1
Total debt to capital	41.0%	44.4 %	47.4 %	48.3%	48.9%

* Income amounts are from continuing operations and net assets from discontinued operations have been classified as current assets. All amounts prior to fiscal 2002 have been restated for the acquisition of Kent Electronics Corporation, which has been accounted for using the "pooling-of-interests" method.

(a) Includes the impact of restructuring and other charges recorded in both the first and second quarters of fiscal 2004 in connection with cost cutting initiatives and the previously announced combination of the Avnet Computer Marketing ("CM") and Avnet Applied Computing ("AC") operating groups into one operating group now called Avnet Technology Solutions. These charges amounted to $55.6 million (all of which was included in operating expenses), $38.6 million after-tax and $0.32 per share on a diluted basis. Fiscal 2004 results also include the impact of debt extinguishment costs associated with the Company's cash tender offers completed during the third quarter of fiscal 2004 for $273.4 million of the 7⅞% Notes due February 15, 2005. These debt extinguishment costs amounted to $16.4 million pre-tax, $14.2 million after-tax and $0.12 per share on a diluted basis. The total impact of these charges recorded in fiscal 2004 amounted to $72.0 million pre-tax, $52.8 million after-tax and $0.44 per share on a diluted basis.

(b) Includes the impact of restructuring and other charges related to certain cost cutting initiatives instituted during fiscal 2003, including severance costs, charges for consolidation of facilities and write-offs of certain capitalized IT-related initiatives. These charges totaled $106.8 million pre-tax (all of which was included in operating expenses), $65.7 million after-tax and $0.55 per share on a diluted basis. Fiscal 2003 results also include the impact of debt extinguishment costs associated with the Company's cash tender offers and repurchases completed during the third quarter of 2003 for $159.0 million of its 6.45% Notes due August 15, 2003 and $220.1 million of its 8.20% Notes due October 17, 2003. These debt extinguishment costs amounted to $13.5 million pre-tax, $8.2 million after tax and $0.07 per share on a diluted basis. The total impact of the charges recorded in fiscal 2003 amounted to $120.3 million pre-tax, $73.9 million after-tax and $0.62 per share on a diluted basis.

(c) Includes the impact of integration charges related to the write-down of certain assets acquired in the fiscal 2001 acquisition of Kent, net of certain recoveries of previous write-downs and reserves, and other restructuring charges taken in response to business conditions, including an impairment charge to write-down certain investments in unconsolidated Internet-related businesses to their fair value and severance charges for workforce reductions announced during the fourth quarter of fiscal 2002. The net restructuring and integration charges amounted to $79.6 million pre-tax ($21.6 million included in cost of sales and $58.0 million included in operating expenses), $62.1 million after- tax and $0.52 per share on a diluted basis.

(d) The fiscal 2002 selected financial data excludes the impact of the Company's adoption of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets.* on June 30, 2001, the first day of the Company's fiscal 2002. SFAS 142, which requires that ratable amortization of goodwill be replaced with periodic tests for goodwill impairment, resulted in a transition impairment charge recorded by the Company of $580.5 million, or $4.90 per share on a diluted basis for the year. This charge is reflected as a cumulative change in accounting principle in the consolidated statements of operations.

(e) Includes the impact of charges related to the acquisition and integration of Kent, which was accounted for as a "pooling-of-interests," and other integration, reorganization and cost cutting initiatives taken in response to business conditions. The charges amounted to $327.5 million pre-tax ($80.6 million included in cost of sales and $246.9 million included in operating expenses), $236.7 million after-tax and $1.99 per share on a diluted basis.

(f) Includes the impact of incremental charges associated with: (i) the integration of Marshall Industries, Eurotronics B.V. and the SEI Macro Group into Avnet Electronics Marketing ("EM"), (ii) the integration of JBA Computer Solutions into CM North America, (iii) the reorganization of EM Asia, (iv) the reorganization of EM's European operations including costs related to the consolidation of EM's European warehousing operations and (v) costs incurred in connection with certain litigation brought by the Company. The total charges for fiscal 2000 amounted to $49.0 million pre-tax, $30.4 million after-tax and $0.28 per share on a diluted basis.

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

For an understanding of Avnet and the significant factors that influenced the Company's performance during the past three fiscal years, the following discussion should be read in conjunction with the description of the business appearing in Item 1 of this Report and the consolidated financial statements, including the related notes, and other information appearing in Item 15 of this Report.

There are numerous references to the impact of foreign currency translation in this *Management's Discussion and Analysis of Financial Condition and Results of Operations* ("MD&A"). Over the past two years, the U.S. Dollar has weakened significantly in comparison to most foreign currencies, especially the Euro (which strengthened against the U.S. Dollar by approximately 14% from fiscal 2003 to fiscal 2004 and by approximately 16% from fiscal 2002 to fiscal 2003). When the weaker U.S. Dollar exchange rates of fiscal 2004 and 2003 are used to translate the results of operations of Avnet's subsidiaries denominated in foreign currencies, the resulting impact is an increase, in U.S. Dollars, of reported results.

In addition to disclosing financial results that are determined in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company also discloses pro forma or non-GAAP measures that may exclude certain items. Management believes that providing this additional information is useful to the reader to better assess and understand operating performance, especially when comparing results with previous periods or forecasting performance for future periods. Management believes the pro forma measures also help indicate underlying trends in the business. Management also uses pro forma information to establish operational goals and, in some cases, for measuring performance for compensation purposes. However, analysis of results and outlook on a pro forma or non-GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with GAAP.

Results from Operations

Executive Summary

Fiscal 2004 was the year operating efficiencies, which Avnet has derived from its value-based management initiatives and focus on operating costs over the past several years, combined with sales growth to drive a dramatic increase in the Company's profitability. The Company's sales growth of 13.2% from fiscal 2003 to fiscal 2004 resulted from increased sales in each of the Company's operating groups (Avnet Electronics Marketing, or "EM," and Avnet Technology Solutions, or "TS") as well as across all three regions in which Avnet does business (Americas; Europe, the Middle East and Africa, hereafter referred to as "EMEA"; and Asia). Approximately one-third of this year-over-year sales growth is a result of the impact of changes in foreign currency exchange rates.

During fiscal 2004, the electronic component and computer product industry emerged from the economic and industry downturn that commenced after the Company's second quarter of fiscal 2001. While the downturn caused rapid sales declines in the second half of fiscal 2001 and in fiscal 2002, the Company's top line performance largely stabilized from that point forward until the beginning of fiscal 2004 in what remained a relatively weak technology industry and economy as a whole. During the down-cycle, Avnet's focus on managing its operating costs resulted in the Company eliminating significant expense from its ongoing operations. As a result, selling, general and administrative expenses as a percentage of sales were 10.8% in fiscal 2004 as compared with 13.1% as recently as fiscal 2002. Selling, general and administrative expenses as a percentage of gross profit showed a more significant positive trend by dropping to 81.1% in fiscal 2004 as compared with 95.5% in fiscal 2002. The operating expense reductions resulted primarily from the Company's ongoing cost reduction initiatives and recent restructuring efforts further discussed in this MD&A. The Company similarly managed its working capital during this period with steady improvement in inventory turns, days' sales outstanding and payable days. This focus on managing working capital allowed the Company to maximize its operating cash flow despite the downturn and to reduce its outstanding debt and related interest expense substantially since fiscal 2001.

Within Avnet's operating groups, EM generated increases in sales in fiscal 2004 of 18.1% over fiscal 2003. EM, which markets and sells semiconductors as well as interconnect, passive and electromechanical devices and radio frequency/microwave components, is the more cyclical of the Company's two operating groups. Therefore, the previous down-cycle, as well as the industry upturn that commenced in fiscal 2004, had a more

significant impact on EM's results of operations than on those of Avnet's computer products operating group, TS, where revenues increased by 7.2% from fiscal 2003 to fiscal 2004. EM's revenues grew in fiscal 2004 in all three regions, with the Asia/Pacific region leading the way with a $430.5 million increase in annual sales, representing nearly 50% growth year-over-year. This growth in the Asia/Pacific region, especially in the electronic component industry, is indicative of the ongoing trend for the past several years where this region has continued to represent one of the Company's most significant growth opportunities. Management believes Avnet is well-positioned to capitalize on this growth based on its already established position in the Asia region, and specifically in the Peoples' Republic of China. As a result of this trend, the Asia/Pacific region now accounts for 22.0% of EM's global sales as compared with 17.4% in fiscal 2003. The fiscal 2004 growth in TS's sales was driven primarily by growth in the Americas region on strength of sales primarily in storage, software and networking products and services. As a result of the more rapid growth in EM as compared with TS, EM's sales constituted 57.5% of Avnet's consolidated sales, up from 55.1% in fiscal 2003 and 54.3% in fiscal 2002.

Independent of future growth rates, operating efficiency and working capital management will remain a key focus of Avnet's overall value-based management initiatives and its efforts to continue growing profitability and return on capital at a faster rate than growth in revenues.

As a distributor, it is difficult to forecast the material trends of the electronic component and computer product industry, aside from some of the normal seasonality discussed herein, because Avnet does not typically have material forward-looking information available from its customers and suppliers beyond approximately three to four months of forecast information. As such, management relies on the publicly available information published by certain industry groups and other related analyses in evaluating its business prospects in the longer term.

Sales

The tables below provide a year-over-year summary of sales for the Company and its operating groups:

Three-Year Analysis of Sales: By Operating Group and Geography

	Years Ended						Percent Change	
	July 3, 2004	% of Total	June 27, 2003	% of Total	June 28, 2002	% of Total	2004 to 2003	2003 to 2002
	(Dollars in millions)							
Sales by Operating Group:								
EM	$ 5,892.4	*57.5%*	$4,988.4	*55.1%*	$4,841.9	*54.3%*	18.1%	3.0%
TS	4,352.3	*42.5*	4,060.0	*44.9*	4,078.3	*45.7*	7.2	(0.4)
	$10,244.7		$9,048.4		$8,920.2		13.2	1.4
Sales by Geographic Area:								
Americas	$ 5,409.6	*52.8%*	$5,028.7	*55.6%*	$5,346.3	*59.9%*	7.6%	(5.9)%
EMEA	3,380.2	*33.0*	2,997.1	*33.1*	2,874.4	*32.2*	12.8	4.3
Asia/Pacific	1,454.9	*14.2*	1,022.6	*11.3*	699.5	*7.9*	42.3	46.2
	$10,244.7		$9,048.4		$8,920.2		13.2	1.4

Consolidated sales for fiscal 2004 of $10.24 billion increased by $1.19 billion, or 13.2%, over fiscal 2003 sales of $9.05 billion. Avnet finished fiscal 2004 with its strongest annual sales results since fiscal 2001. As discussed above, this significant sales growth is largely a result of an electronic component and computer product industry that has emerged from the roughly three-year industry and economic downturn that commenced midway through the Company's fiscal 2001. Changes in foreign currency exchange rates from fiscal 2003 to 2004 also contributed to this growth in sales year-over-year by roughly $410 million. As the table above shows, the consolidated sales growth was composed of year-over-year increases in sales in both of the Company's operating groups as well as across all three global regions in which Avnet does business.

EM's sales of $5.89 billion in fiscal 2004 were up $904 million, or 18.1%, over EM's fiscal 2003 sales of $4.99 billion. The Asia/Pacific region was the largest driver of EM's growth with fiscal 2004 sales of $1.30 billion, up $430 million, or 49.6%, from sales of $868 million in fiscal 2003, and representing the sixth

consecutive year of record sales for this region of EM's operations. This growth in the Asia/Pacific region is indicative of an ongoing trend whereby technology manufacturing continues to shift to this region, especially in the component industry in which EM competes, as well as the growth of the indigenous markets. Avnet continues to invest in this region, in the form of IT initiatives and logistics and service centers, to take advantage of the ongoing growth opportunities of this rapidly expanding technology marketplace. EM also generated sales growth in the other two regions of the world with EM EMEA's fiscal 2004 sales of $2.13 billion growing 22.7% over fiscal 2003 sales of $1.74 billion and EM Americas' fiscal 2004 sales of $2.46 billion growing 3.3% over fiscal 2003 sales of $2.38 billion. In addition to the impact of changes in foreign currency exchange rates, the increased sales in fiscal 2004 in all regions is a result of increasing customer demand coupled with steady improvements in technology-related capital spending. These higher demand and spending levels were prevalent throughout the majority of fiscal 2004 with an expected minor summer flattening of demand levels in the Americas and EMEA regions in the final month of fiscal 2004 as well as a leveling off in Asia primarily as a result of the abnormally high incoming business levels in this region throughout the fiscal year up until the end of the fourth quarter. EM's foreign results were positively impacted by changes in foreign currency exchange rates, which yielded roughly $270 million of EM's year-over-year consolidated sales growth.

TS's sales of $4.35 billion in fiscal 2004 were up $292 million, or 7.2%, over TS's fiscal 2003 sales of $4.06 billion. The Americas region has traditionally accounted for greater than 65% of TS's global sales as was the case again in fiscal 2004. As a result, growth in the Americas region drove much of TS's growth overall with sales of $2.95 billion, up 11.4% over TS Americas' fiscal 2003 sales of $2.65 billion. The growth in TS's Americas business was driven primarily by strength of sales in storage, software and networking products and services. TS EMEA's fiscal 2004 sales of $1.25 billion were down 0.8% from fiscal 2003 sales of $1.26 billion. However, TS EMEA's sales results in fiscal 2004 were positively impacted by changes in foreign currency exchange rates by an estimated $148 million. The decline in sales on a constant dollar basis in TS EMEA is primarily a function of TS's strategic decision in the second half of fiscal 2003 to exit certain low-profit, low return-on-capital employed business. The customer engagements exited accounted for estimated annualized sales in excess of $300 million in fiscal 2003. TS Asia's fiscal 2004 sales of $156 million were up $2 million, or 1.2%, from fiscal 2003 sales of $154 million.

A combination of the regional and operating group factors discussed above resulted in EM constituting a larger percentage of Avnet's consolidated sales in fiscal 2004, 58%, as compared with fiscal 2003 and 2002 at 55% and 54%, respectively. This larger contribution from the EM operating group is also typical for an up-cycle in the electronic component and computer product industry. On a consolidated basis, the dispersion of the Company's sales on a regional basis also continued to shift toward the Asia/Pacific region with this region now constituting a record 14% of Avnet's consolidated sales, as compared with less than 8% as recently as fiscal 2002. The EMEA region's contribution to consolidated sales has remained relatively stable over the past three fiscal years, in the 32-33% range, while the Americas region has declined from nearly 60% in fiscal 2002 to less than 53% in fiscal 2004.

The Company closed fiscal 2003 with sales of $9.05 billion, up $128 million, or 1.4%, as compared with fiscal 2002 consolidated sales of $8.92 billion. The strengthening of the Euro as compared with the US Dollar drove much of this slight increase in consolidated sales between fiscal 2003 and 2002. The relatively flat sales performance on a constant dollar basis between these two years was indicative of an electronic component and computer product industry that had stabilized but remained relatively weak following the precipitous decline of the industry and the economic downturn that began midway through fiscal 2001. EM's sales of $4.99 billion in fiscal 2003 were up $147 million, or 3.0%, over fiscal 2002 sales of $4.84 billion, driven by the strength in the Euro and growth in the Asia/Pacific region. TS's sales of $4.06 billion in fiscal 2003 were down slightly by $18 million, or 0.4%, from fiscal 2002 sales of $4.08 billion driven primarily by growth in fiscal 2003 in the enterprise computing and storage markets, offset by reduced activity in telecommunications and networking sectors and the early impacts of the strategic decision to exit low-profit, low return-on-capital employed business in fiscal 2003 as discussed above.

Gross Profit and Gross Profit Margins

Consolidated gross profit for fiscal 2004 was $1.36 billion, representing a gross profit margin of 13.3%, as compared with $1.21 billion, and a comparable gross profit margin of 13.4% in fiscal 2003. The mix of business between the Company's two operating groups as well as the mix of product sales within the operating groups impacts the gross profit margins of the Company. Specifically, computer product sales from TS typically yield lower gross profit margins than the component sales of EM. In addition, the continuing growth of business in EM Asia impacts consolidated gross profit margins as the business model in this region typically yields a lower gross profit margin although the operating cost structure of EM Asia is also lower than the other regions in which the Company operates. Therefore, when EM constitutes a larger percentage of consolidated sales, gross profit margins will also typically increase. The impact on gross profit margins of EM's increased share of Avnet's consolidated sales for the whole of fiscal 2004 was not significant primarily due to the mix between the operating groups over the course of fiscal 2004. The dramatic growth in EM's business did not fully emerge until the second half of fiscal 2004. As a result, the Company's consolidated gross profit margin improved by 89 basis points in the second half of fiscal 2004 when compared with the first half of fiscal 2004. Consolidated gross profit margins of 13.9% in the fourth quarter of fiscal 2004 reached their highest level in two years.

The Company also measures productivity by monitoring its gross profit per average employee and, due in large part to the restructuring efforts in recent years as further discussed in *Restructuring and Other Charges*, the Company's gross profit per average employee in fiscal 2004 was approximately $139,000 as compared with approximately $114,000 in fiscal 2003, an increase of 21.9%.

Consolidated gross profit margins were 13.4% in fiscal 2003, down from 13.7% in fiscal 2002. Additionally, gross profit in fiscal 2002 included $21.6 million of restructuring charges discussed below which reduced the reported gross profit margin in fiscal 2002 by 24 basis points (0.24%). This year-over-year decline was attributable to a larger portion of the Company's consolidated sales originating from the lower margin computer products operating group, in addition to mix of product sales within the groups, specifically in TS where there was a higher volume of software sales in fiscal 2003, which yield a lower gross profit margin and have a lower capital requirement than most other computer products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $1.11 billion, or 10.8% of sales, in fiscal 2004 as compared with $1.10 billion, or 12.1% of sales in fiscal 2003. In addition to percentage of sales, another important metric that management utilizes to monitor its operating expenses is selling, general and administrative expenses as a percentage of gross profit. This ratio improved to 81.1% in fiscal 2004 as compared with 90.2% in fiscal 2003. This substantial improvement in these key measures of operating leverage resulted from the significant cost reduction efforts that the Company put in place in recent years to manage its overall profitability during the industry downturn and through the up-cycle that has now begun (these efforts are further discussed in *Restructuring and Other Charges* below). The fiscal 2004 selling, general and administrative expenses were also negatively impacted by foreign exchange rate differences year-over-year which yielded an estimated increase in fiscal 2004 costs of roughly $56 million (0.5% of sales and 4.1% of gross profit). Furthermore, the Company did not realize the majority of the benefit from the restructuring activities of the first and second quarters of fiscal 2004 until the second half of fiscal 2004. As a result of this timing, selling, general and administrative expenses as a percentage of sales and as a percentage of gross profit fell to 10.7% and 76.7%, respectively, in the fourth quarter of fiscal 2004, representing the Company's best performance in these metrics since fiscal 2001 when the downturn began. The operating leverage ratios discussed above, in addition to return on working capital and return on capital employed, continue to be key metrics that management monitors in its efforts to achieve appropriate levels of profitability.

Selling, general and administrative expenses of $1.10 billion in fiscal 2003 were 12.1% of sales as compared with $1.17 billion, or 13.1% of sales, in fiscal 2002. The improvement in fiscal 2003 was a function of the Company's cost reduction efforts in that year and in the previous year to remove expenses from the business in the face of the revenue declines that occurred during the industry and economic downturn. The impacts of these efforts were partially offset by the strengthening of the Euro against the US Dollar in fiscal 2003 as compared with fiscal 2002.

Restructuring and Other Charges

The Company recorded a number of restructuring and other charges during the last three fiscal years. These charges relate primarily to three items: (1) the reorganization of the Company's operations in each of the three major regions of the world in which the Company operates, generally taken in response to business conditions at the time of the charge; (2) charges in fiscal 2002 stemming from acquisition and integration of Kent Electronics Corporation ("Kent"), which was accounted for using the "pooling-of-interests" method of accounting; and (3) charges to record impairment in the Company's Internet-related investments. See Note 17 to the consolidated financial statements appearing in Item 15 of this Report for a detail of activity within the restructuring and other charge accounts during the past three years.

Fiscal 2004

During the first and second quarters of fiscal 2004, the Company executed certain restructuring and cost reduction initiatives designed to continue improving the profitability of the Company. These actions can generally be broken into three categories: (1) the combination of CM and AC as discussed in Item 1 of this Report and in Note 16 to the consolidated financial statements appearing in Item 15 of this Report; (2) the reorganization of the Company's global IT resources, which had previously been administered generally on a separate basis within each of the Company's operating groups; and (3) various other reductions within EM and certain centralized support functions.

Restructuring and other charges incurred during the first quarter of fiscal 2004 totaled $32.1 million pre-tax and $22.1 million after-tax, or $0.18 per diluted share. The pre-tax charge consisted of severance costs ($9.4 million), charges related to consolidation of selected facilities ($10.8 million), write-downs of certain capitalized IT-related initiatives ($6.9 million) and other items, consisting primarily of the write-off of the remaining unamortized deferred loan costs associated with the Company's multi-year credit facility terminated in September 2003 as discussed in *Liquidity and Capital Resources — Financing Transactions* ($5.0 million).

Severance costs resulted from workforce reductions of approximately 400 personnel completed during the first quarter, primarily in executive, support and other non-customer facing functions in the Americas and EMEA regions. Management also identified a number of facilities for consolidation primarily in the Americas and EMEA regions. These facilities generally related to certain logistics and warehousing operations as well as certain administrative facilities across both operating groups and at the corporate level. The charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in these facilities that have been vacated. Management also evaluated and elected to discontinue a number of IT-related initiatives that, in light of recent business restructurings, no longer met the Company's return on investment standards for continued use or deployment. These charges related to write-offs of capitalized hardware and software.

Restructuring charges incurred during the second quarter of fiscal 2004 totaled $23.5 million pre-tax, $16.4 million after-tax, or $0.14 per diluted share. The charges consisted of severance costs ($5.3 million), charges related to write-downs of owned assets and consolidation of selected facilities ($4.8 million), write-downs of certain capitalized IT-related initiatives ($12.9 million) and other items ($0.5 million).

Severance charges related to workforce reductions of approximately 120 personnel, the majority of whom staffed warehousing, administrative and support functions primarily for facilities within TS EMEA operations that were identified for consolidation as part of the combination of CM and AC. A smaller portion of these charges also impacted operations in the Americas. The combination of CM and AC in EMEA also led to charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in the facilities that were vacated. The facilities primarily served in warehousing and administrative capacities. Management also evaluated and elected to discontinue a number of IT-related initiatives similar to the decisions also reached in the first quarter of fiscal 2004 as discussed above. These charges related to the write-off of capitalized hardware and software. Lastly, the Company's efforts to combine CM and AC in EMEA resulted in the decision to merge the former CM EMEA operations onto the computer systems that have historically been used in the AC EMEA business. The change in the use of this significant asset of CM EMEA generated a need to analyze the group of long-lived assets within the former CM EMEA operations for impairment. As a result of this analysis, the Company recorded an impairment charge to write-down certain long-lived assets to their estimated fair market values. This charge, totaling $9.4 million, of which $4.2 million relates to the CM EMEA computer systems, is included in the facilities and IT-related charges discussed above.

During the fourth quarter of fiscal 2004, as part of management's ongoing analysis of the reserves for various restructuring activities, the Company recorded adjustments to certain of its remaining reserves. The adjustments occurred primarily in the Company's EM and TS operations in EMEA and related to adjustments to reduce excess severance reserves based upon revised estimates of statutorily required payouts and recording of additional charges related to leased facilities due to modifications to sublease and termination assumptions based upon ongoing market conditions. The Company also negotiated a favorable buyout of a hardware and software maintenance contract, which resulted in the reversal of certain IT-related reserves. The net amount of these adjustments was less than $0.1 million.

The combined charges recorded during fiscal 2004 totaled $55.6 million pre-tax and $38.5 million after-tax, or $0.32 per diluted share.

Fiscal 2003

During the second quarter of fiscal 2003, the Company executed certain actions as part of its cost reduction initiatives and, accordingly, recorded charges totaling $106.8 million pre-tax, $65.7 million after tax, or $0.55 per diluted share. The charge consisted of severance costs ($21.7 million pre-tax), charges related to the consolidation of selected facilities ($37.4 million pre-tax) and charges related to certain IT-related initiatives ($47.7 million pre-tax).

These charges included severance costs and charges related to the consolidation of selected facilities, taken in response to the business environment. During the second quarter of fiscal 2003, management identified a number of facilities in each of the Company's operating groups and its corporate functions, which covered each of the Company's geographic regions, to be consolidated into other facilities. The facilities were identified in an effort to combine certain logistics and administrative operations wherever possible and eliminate what would otherwise be duplicative costs. The charges related to reserves for remaining non-cancelable lease obligations, write-downs of the carrying value of certain owned facilities to market value and write-downs to fair market value of owned assets located in these leased and owned facilities that were vacated. Additionally, workforce reductions at these and other facilities worldwide resulted in the termination of approximately 750 personnel. The impacted personnel were primarily in non-customer facing positions. The IT-related charges resulted from management's decision during the second quarter of fiscal 2003 to discontinue a number of IT-related initiatives that represented insufficient benefit to the Company if they were kept in service or continued to be developed. These charges included the write-off of capitalized hardware, software and software licenses.

During the fourth quarter of fiscal 2003, the Company executed certain additional actions that resulted in charges totaling $6.6 million pre-tax. The incremental impact of these actions was substantially offset by certain adjustments that the Company recorded, also in the fourth quarter of fiscal 2003, primarily relating to certain of the reserves recorded from the restructuring activity in the second quarter of fiscal 2003. The new charge activity, mostly for severance and consolidation of selected facilities, related to each of the Company's three operating groups and its corporate functions in the Americas and EMEA regions. The additional census reductions totaled approximately 175 and resulted primarily from: (1) EM's decision to combine its Cilicon and RF and Microwave sales divisions; and (2) TS's decision to reduce its participation in certain market segments where profitability of the products in question have not yielded acceptable economic returns to the Company. The fourth quarter adjustments to prior restructuring and other charges reflect changes in estimates from the time the charges and applicable reserves were initially recorded, relating to: (1) reserves for severance and for leases and other contractual commitments that were determined to be excessive during the fourth quarter based upon payments made or still to be made and/or based upon more favorable than anticipated sublease or lease buyout arrangements; and (2) an adjustment, based upon estimated sales price net of costs to sell as derived from current market studies and comparable sales, of a portion of a write-down that was recorded in the second quarter of fiscal 2003 related to an owned facility that was vacated and classified as held for sale during that quarter.

Fiscal 2002

In the fourth quarter of fiscal 2002, the Company recorded charges representing a write-down in value of certain assets acquired in the fiscal 2001 acquisition of Kent and certain other charges taken in response to

business conditions. The charge totaled $79.6 million pre-tax ($21.6 million included in cost of sales and the remaining $58.0 million included as a component of operating expenses) and $62.1 million after tax, or $0.52 per share on a diluted basis.

The Kent-related items resulted from the acquisition of Kent being accounted for using the "pooling-of-interests" method of accounting for the acquisition. These items related specifically to assets or obligations that were on the books of Kent at the acquisition and, therefore, under the "pooling-of-interests" method, these items that normally would have been reflected as adjustments to goodwill if the purchase method of accounting had been used were instead recorded to the Company's consolidated statement of operations. These items amounted to $29.7 million pre-tax and relate primarily to: (1) write-downs to the value of receivables considered uncollectible after the Company had exhausted efforts of collecting these amounts from Kent's pre-acquisition customers ($8.2 million pre-tax); (2) excess and obsolete inventory, primarily for customer-specific inventory held by Kent at the acquisition date that was subsequently determined, through ongoing negotiations with the customer, to require a write-down to net realizable value ($21.6 million pre-tax); and (3) charges to record additional write-downs to approximate fair market value on held-for-sale properties acquired in the Kent acquisition or to record lease reserves for non-cancelable lease obligations on properties the Company committed to exit ($15.9 million pre-tax); (4) net of approximately $16.0 million pre-tax in cash recoveries of certain charges recorded as part of the restructuring and integration charges taken in the fourth quarter of 2001.

The remaining pre-tax charge recorded in the fourth quarter of fiscal 2002, which amounted to $49.9 million, included an impairment charge of $36.2 million pre-tax to write-down certain of the Company's investments in unconsolidated Internet-related businesses to their fair market value and $13.7 million pre-tax for severance charges taken for workforce reductions, primarily in the Americas region, with more limited reductions in EMEA and Asia, totaling approximately 850 individuals. The impairments recorded to the Company's Internet-related investments are considered capital losses for tax purposes and were therefore only deductible to the extent the Company had available capital gains. At that time, there were no capital gains, available or forecasted in the foreseeable future, to offset these losses. Therefore, the Company generally did not record a tax benefit for these losses.

Status of Restructuring Reserves

As of July 3, 2004, the Company's total remaining reserves for restructuring and other related activities totaled $26.8 million. Of this balance, $3.0 million relates to remaining severance reserves, the majority of which the Company expects to utilize by the end of the first quarter of fiscal 2006. Reserves for $22.4 million relate to reserves for contractual lease commitments, substantially all of which the Company expects to utilize by the end of fiscal 2007. The IT-related and other reserves, which total $1.4 million, relate primarily to remaining contractual commitments, the majority of which the Company expects to utilize by the end of fiscal 2005.

Operating Income (Loss)

Operating income for fiscal 2004 was $202.2 million, or 2.0% of consolidated sales as compared with operating income of $12.7 million, or 0.1% of consolidated sales in fiscal 2003. Results for both of these periods include the negative impacts of restructuring and other charges, further discussed above, which totaled $55.6 million, or 0.5% of sales, in fiscal 2004 and $106.8 million, or 1.2% of sales in fiscal 2003. This significant improvement in operating income in absolute dollars and as a percentage of sales is driven by the growth in sales and the reduction in selling, general and administrative expenses, all of which are discussed previously in this MD&A.

EM reported operating income of $212.5 million, or 3.6% of EM's sales, in fiscal 2004, which is more than double EM's operating income in fiscal 2003 of $101.9 million, or 2.0% of EM's sales. TS's fiscal 2004 operating income of $98.9 million, or 2.3% of TS's sales, also improved from $56.2 million, or 1.4% of TS's sales, in fiscal 2003. These operating income results within Avnet's operating groups are, similar to the consolidated results, primarily a function of the Company's ongoing cost reduction efforts across both operating groups and all regions, in addition to the growth in sales year-over-year.

The Company's fiscal 2003 consolidated operating income of $12.7 million was up from a loss of $3.0 million in fiscal 2002, both periods including the negative impacts of restructuring and other charges discussed above ($106.8 million in fiscal 2003 and $79.6 million in fiscal 2002). The improvement in operating income in fiscal 2003 is the result of the early impacts of the Company's efforts to remove ongoing costs from the business through its restructuring efforts since the end of fiscal 2001.

Interest Expense and Other Income (Expense)

Interest expense was $94.6 million in fiscal 2004, down 9.8% as compared with $104.9 million in fiscal 2003. The decrease in interest expense between periods is a function of two factors. First, the Company has reduced its total debt outstanding. The Company's average balance of debt and drawings under its accounts receivable securitization program during fiscal 2004 was $1.41 billion as compared with $1.62 billion in fiscal 2003. The second factor in this decrease in expense relates to the change in the Company's effective interest rates due to the composition of the Company's debt balances. The Company fully repaid its original principal balances of $200.0 million of 6.45% Notes due August 15, 2003 and $250.0 million of 8.20% Notes due October 17, 2003 through tender and early redemption of these notes during fiscal 2003 and the repayment of the remaining principal and interest upon maturity in the first half of fiscal 2004 (see *Liquidity and Capital Resources — Financing Transactions* for further discussion of this transaction and other debt activity discussed below). Although the Company added $475.0 million of 9¼% Notes due February 15, 2008 in the third quarter of fiscal 2003, the Company also entered into hedge contracts for $300.0 million of these notes which effectively converts these notes from a fixed rate of 9¼% to a variable rate (7.8% at July 3, 2004) based upon US LIBOR plus a spread. The Company also benefited significantly in the fourth quarter of fiscal 2004 from the offering of the $300.0 million 2% Convertible Debentures due March 15, 2034 and the tender for a portion of the outstanding 7⅞% Notes due February 15, 2005, both of which closed before the end of the third quarter of fiscal 2004.

Interest expense was $104.9 million in fiscal 2003 as compared with $124.6 million in fiscal 2002, representing a 15.8% decline year-over-year. This decrease is due primarily to the ongoing debt reductions and reduced drawings under the accounts receivable securitization program (see *Liquidity and Capital Resources — Off-Balance Sheet Arrangements for further discussion*) during fiscal 2003. Consolidated debt balances at June 27, 2003 were $1.47 billion as compared with $1.63 billion at June 28, 2002. Additionally, the Company had $200.0 million of outstanding drawings under the accounts receivable securitization program at June 28, 2002.

Other income, net, which includes interest income, was $7.1 million in fiscal 2004 as compared with $26.2 million in fiscal 2003 and $6.8 million in fiscal 2002. The primary variable impacting other income, net, is the effect of foreign currency gains or losses, which resulted in a gain in fiscal 2003 as compared with the results for fiscal 2004 and 2002.

Debt Extinguishment Costs

As discussed further under *Liquidity and Capital Resources — Financing Transactions*, the Company incurred debt extinguishment costs in both fiscal 2004 and fiscal 2003 associated with the tender and early redemption of a portion of its outstanding publicly traded debt. In completing these transactions the Company incurred debt extinguishment costs, related primarily to premiums and other transaction costs associated with these tenders and early redemptions, which totaled $16.4 million pre-tax, $14.2 million after-tax, or $0.12 per share on a diluted basis in fiscal 2004 and $13.5 million pre-tax, $8.2 million after-tax, or $0.07 per share on a diluted basis in fiscal 2003.

Income Tax Provision (Benefit)

The Company's effective tax rate in fiscal 2004 was 25.9% as compared with 41.9% in fiscal 2003. The mix of Avnet's profits amongst its various international subsidiaries with varying statutory tax rates impacts the Company's effective tax rates. The continuing improvement in profitability, particularly in the EMEA and Asia/Pacific regions, has led to an effective tax rate substantially lower than the 35% U.S. federal tax rate. Similarly, the mix of profits amongst international subsidiaries in fiscal 2003 yielded an effective tax rate on the Company's pre-tax loss that was more favorable than the 35% U.S. federal tax rate.

The otherwise favorable rate impacts from the mix of international profits in fiscal 2002 were offset by the impact of the Company's charges to impair its investment in certain unconsolidated Internet-related businesses, which charges were not deductible for tax purposes (see *Restructuring and Other Charges* for further discussion). As a result, the effective tax rate in fiscal 2002 was 30.1% as compared with 41.9% in fiscal 2003.

Net Income (Loss)

As a result of the factors described in the preceding sections of this MD&A, the Company's net income was $72.9 million, or $0.60 per share on a diluted basis, in fiscal 2004 as compared with a net loss of $46.1 million, or $0.39 per share on a diluted basis, in fiscal 2003 and a net loss before cumulative effect of change in accounting principle of $84.4 million, or $0.71 per share on a diluted basis, in fiscal 2002. These results include the negative after-tax impact of restructuring and other charges and debt extinguishment costs of $52.8 million, or $0.44 per share on a diluted basis, in fiscal 2004, $73.9 million, or $0.62 per share on a diluted basis, in fiscal 2003 and $62.1 million, or $0.52 per share on a diluted basis, in fiscal 2002.

Change in Accounting Principle — Goodwill

The Company adopted the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets*, which establishes financial accounting and reporting for acquired goodwill and other intangible assets. The Company's mechanism for adoption of SFAS No. 142 is further discussed in Note 6 to the consolidated financial statements appearing in Item 15 of this Report. As a result of transition impairment provisions of SFAS 142, the Company recorded an impairment charge of $580.5 million, or $4.90 per share on a diluted basis, in fiscal 2002, which was recorded as a cumulative effect of a change in accounting principle in the first quarter of fiscal 2002.

The magnitude of the transition impairment charge was significantly impacted by the timing of the effective date of when the fair value analysis was performed and the designation of the reporting unit structure. Since the Company adopted SFAS 142 on June 30, 2001, the fair value analysis was required to be completed as of that date. Due to the difficult business and economic conditions at that date, which severely impacted the market sectors in which the Company operates, and the uncertainty as to when such conditions would materially improve, the fair value of the Company's businesses was significantly less than it might have been at other times. In other words, in a cyclical business, the timing of a valuation such as this may be an important factor in the outcome of the valuation exercise. The reporting units with the most significant impairment of goodwill are in Europe where the Company had not yet generated an acceptable level of profits and cash flows. In addition, the defined reporting unit structure resulted in an impairment of goodwill which includes goodwill related to certain recent acquisitions that otherwise might not have been impaired.

The Company conducts its periodic test for goodwill impairment annually, on the first day of the fiscal fourth quarter. The Company's annual impairment tests in fiscal 2004, 2003 and 2002 have yielded no additional impairments to the carrying value of the Company's goodwill.

Critical Accounting Policies

The Company's consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. These estimates and assumptions are based upon the Company's continuous evaluation of historical results and anticipated future events. Actual results may differ from these estimates under different assumptions or conditions.

The Securities and Exchange Commission defines critical accounting polices as those that are, in management's view, most important to the portrayal of the Company's financial condition and results of

operations and that require significant judgments and estimates. Management believes the Company's most critical accounting policies relate to:

Valuation of Receivables: The Company maintains an allowance for doubtful accounts for estimated losses resulting from customer defaults. Bad debt reserves are recorded based upon historic default averages as well as the Company's regular assessment of the financial condition of its customers. Therefore, if collection experience or the financial condition of specific customers were to deteriorate, management would evaluate whether additional allowances and corresponding charge to the consolidated statement of operations are required.

Valuation of Inventories: Inventories are recorded at the lower of cost (first in — first out) or estimated market value. The Company's inventories include high-technology components, embedded systems and computing technologies sold into rapidly changing, cyclical and competitive markets whereby such inventories may be subject to early technological obsolescence.

The Company regularly evaluates inventories for excess, obsolescence or other factors that may render inventories less marketable. Write-downs are recorded so that inventories reflect the approximate net realizable value and take into account the Company's contractual provisions with its suppliers, which provide certain protections to the Company for product obsolescence and price erosion in the form of rights of return and price protection. Because of the large number of transactions and the complexity of managing the process around price protections and stock rotations, estimates are made regarding adjustments to the carrying amount of inventories. Additionally, assumptions about future demand, market conditions and decisions to discontinue certain product lines can impact the decision to write down inventories. If assumptions about future demand change or actual market conditions are less favorable than those projected by management, management would evaluate whether additional write-downs of inventories are required. In any case, actual values could be different from those estimated.

Accounting for Income Taxes: Management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against net deferred tax assets. The carrying value of the Company's net foreign operating loss carry-forwards is dependent upon its ability to generate sufficient future taxable income in certain tax jurisdictions. In addition, the Company considers historic levels of income, expectations and risk associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing a tax valuation allowance. Should the Company determine that it is not able to realize all or part of its deferred tax assets in the future, an additional valuation allowance may be recorded against the deferred tax assets with a corresponding charge to income in the period such determination is made.

Restructuring and Integration Charges: The Company has been subject to the financial impact of integrating acquired businesses and charges related to business reorganizations. In connection with such events, management is required to make estimates about the financial impact of such matters that are inherently uncertain. Accrued liabilities and reserves are established to cover the cost of severance, facility consolidation and closure, lease termination fees, inventory adjustments based upon acquisition-related termination of supplier agreements and/or the re-evaluation of the acquired working capital assets (inventory and accounts receivable), and write-down of other acquired assets including goodwill. Actual amounts incurred could be different from those estimated.

Additionally, in assessing the Company's goodwill for impairment in accordance with SFAS 142, the Company is required to make significant assumptions about the future cash flows and overall performance of its reporting units. Should these assumptions or the structure of the reporting units change in the future based upon market conditions or changes in business strategy, the Company may be required to record additional impairment charges to its remaining goodwill. See *Change in Accounting Principle — Goodwill* in this MD&A for further discussion of SFAS 142 and the Company's evaluation of its goodwill for any potential impairment.

Contingencies and Litigation: The Company is involved in various legal proceedings and other claims related to environmental, labor, product and other matters, all of which arise in the normal course of business. The Company is required to assess the likelihood of any adverse judgment or outcome to these matters, as well as the range of potential losses. A determination of the reserves required, if any, is made after careful analysis by management and internal and, when necessary, external counsel. The required reserves may change in the

future due to developments or a change in circumstances. Changes to reserves could increase or decrease earnings in the period the changes are effective.

The Company does not consider revenue recognition to be a critical accounting policy due to the nature of its business in which revenues are generally recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collectibility is reasonably assured. Generally these criteria are met upon the actual shipment of product to the customer. Accordingly, other than for estimates related to possible returns of products from customers, discounts or rebates, the recording of revenue does not require significant judgments or estimates. Furthermore, revenues from maintenance contracts, which are deferred and recognized to income over the life of the agreement, are not material to the consolidated results of operations of the Company.

Recently Issued Accounting Pronouncements

In December 2003, the FASB issued FASB Interpretation No. 46R ("FIN 46R"), *Consolidation of Variable Interest Entities,* which is a revised Interpretation clarifying some of the provisions of the original Interpretation No. 46 issued in January 2003. FIN 46R requires the consolidation of variable interest entities ("VIEs"), as defined, based upon an assessment of a company's investment interests in the VIE as it relates to the interests of other investors in the VIE. FIN 46R also includes certain disclosure requirements related to any VIEs. The application of FIN 46R is required for any VIEs or potential VIEs commonly referred to as special-purpose entities for periods ending after December 15, 2003. Application for all other types of VIEs is required in financial statements for periods ending after March 15, 2004. The adoption of FIN 46R did not have a material impact on the Company's consolidated financial statements.

In December 2003, the FASB revised Statement of Financial Accounting Standards No. 132 ("SFAS 132"), *Employers' Disclosures about Pensions and Other Postretirement Benefits.* The revised SFAS 132 requires additional disclosures about plan assets, benefit obligations, cash flows, benefit costs and other relevant information related to pensions and other postretirement benefits. The disclosure requirements of the revised SFAS 132 are effective for the Company for the fiscal year ended July 3, 2004 and such disclosures are included in Note 10 to the consolidated financial statements included in Item 15 of this Report.

Liquidity and Capital Resources

Cash Flows

The following table summarizes the Company's cash flow activities for fiscal 2004, 2003 and 2002, including the Company's computation of free cash flow. Management believes that the non-GAAP metric of free cash flow is a useful measure to help management and investors better assess and understand the Company's operating performance and sources and uses of cash. Management also believes analysis of free cash flow assists in identifying underlying trends in the business.

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
		(Millions)	
Net income excluding non-cash and other reconciling items and cumulative effect of change in accounting principle	$ 213,680	$ 169,457	$ 151,511
Cash flow generated from (used for) working capital (excluding cash and cash equivalents)	(149,031)	482,421	824,794
Net cash flow from operations	64,649	651,878	976,305
Cash flow generated from (used for):			
Purchases of property, plant and equipment	(28,623)	(34,169)	(87,173)
Cash proceeds from sales of property, plant and equipment	5,229	16,379	3,423
Acquisition of operations and investments	(50,528)	(9,210)	(34,091)
Effect of exchange rates on cash and cash equivalents	8,834	13,194	12,859
Cash dividends	—	—	(26,546)
Other, net financing activities	13,914	(474)	24,225
Net free cash flow	13,475	637,598	869,002
Reduced drawings under accounts receivable securitization program	—	(200,000)	(150,000)
Repayment of debt, net	(96,275)	(201,365)	(657,047)
Net increase (decrease) in cash and cash equivalents	$ (82,800)	$ 236,233	$ 61,955

During fiscal 2004, the Company generated $64.7 million of cash and cash equivalents from its operating activities. This is made up of the cash flow generated from net income excluding non-cash and other reconciling items, which includes the add-back of depreciation and amortization, deferred taxes, non-cash restructuring and other charges (see *Results of Operations — Restructuring and Other Charges* for further discussion) and other non-cash items (primarily the provision for doubtful accounts — see Note 15 to the consolidated financial statements appearing in Item 15 of this Report). The sum of these items yielded cash inflow for the year of $213.7 million. Partially offsetting this amount are cash flows of $149.0 million used for the Company's working capital needs (excluding cash and cash equivalents) during fiscal 2004. The primary driver of this outflow relate to the growth of receivables ($271.3 million) and inventory ($240.5 million), net of cash flow generation from accounts payable ($285.4 million) and other working capital items ($77.4 million). These trends in working capital are typical of an up-cycle in the electronic components industry as growth in receivables and payables is driven by higher sales and purchasing volumes. Additionally, inventory growth was also expected as the industry moves into an up-cycle, especially in the electronic components sector where longer lead times from suppliers and increased demand from customers typically result in the distributor carrying higher levels of inventory. As a result, EM elected to build inventory in certain products to accommodate the growing levels in demand and in support of customer contractual agreements to purchase certain inventory. Despite this growth in inventory during fiscal 2004, the Company's inventory turns for the year remained at their highest point since before the last up-cycle ended in fiscal 2001 and actually improved by 18% over inventory turns in fiscal 2003. Within EM on a standalone basis, where the majority of the inventory increases took place, fiscal 2004 inventory turns improved by 16% over fiscal 2003. This improvement in turns is driven by a combination of the increased sales and the selective buildup of inventory primarily in higher volume product lines. Even with some moderate seasonal leveling off of sales in the final

month of fiscal 2004, management believes its inventory levels are adequate but not excessive in addressing forecast demand in the upcoming months.

Since the industry and economic downturn commenced in fiscal 2001, the Company has significantly reduced its capital expenditures as well as its acquisition and investment activity. However, during fiscal 2004, the Company completed a contingent purchase price payment associated with its January 2000 acquisition of 84% of the stock of Eurotronics B.V., which went to market as SEI. The share purchase agreement for this acquisition called for an additional payment of cash or common stock of the Company if the Company's share price did not reach $45.25 per share by January 2004. As a result, during the fourth quarter of fiscal 2004, the Company paid, in cash, the sum of $48.9 million as settlement of the Company's final obligation under this acquisition. This coupled with other, less significant contingent purchase price payments and the acquisition of a minority interest in one of the Company's foreign subsidiaries resulted in total cash outflow for acquisitions and investments of $50.5 million during fiscal 2004. These outflows for investing activities, offset in part by the favorable impact of foreign currency on cash and cash equivalents and other financing activities, yielded a net free cash flow of $13.5 million. This net free cash flow, coupled with the cash usage for the Company's retirement, both early and at maturity, of certain of the Company's debt net of proceeds from new debt issued during fiscal 2004 (see *Financing Transactions*), resulted in a net decrease in cash during fiscal 2004 of $82.8 million.

In fiscal 2003, cash flow of $169.5 million was generated from net income (loss) excluding non-cash and other reconciling items and $482.4 million was generated by reductions in working capital (excluding cash and cash equivalents), thus generating net cash flow from operations of $651.9 million. The positive cash flow generated from working capital reductions resulted from the Company's continued efforts to improve its asset utilization and efficiency, primarily through reductions of receivables (cash inflow of $140.7 million) and inventories (cash inflow of $387.1 million), in what continued to be a stable but weak electronic components and computer products distribution industry during fiscal 2003. In addition to cash flow from operating activities in fiscal 2003, $5.1 million was needed for other business operations including purchases of property, plant and equipment, net of cash proceeds from sales of property, plant and equipment, and cash generated from other items, including the impact of foreign currency exchange rates on the Company's cash and cash equivalents. The Company also used $9.2 million for acquisitions of operations and investments (primarily contingent purchase price payments) during fiscal 2003, to yield net free cash flow in fiscal 2003 of $637.6 million. A total of $401.4 million of this free cash flow was used to reduce the Company's borrowings under its accounts receivable securitization program in addition to the retirement of certain of the Company's long-term debt, net of proceeds from new debt issued during fiscal 2003, with the remaining $236.2 million generating additional cash and cash equivalents during fiscal 2003.

In fiscal 2002, cash flow from operating activities totaled $976.3 million. During this period, $151.5 million was generated from net income (loss) excluding non-cash and other reconciling items and the cumulative effect of change in accounting principle. An additional $824.8 million was generated by reductions in working capital (excluding cash and cash equivalents). The cash flow impact of working capital was more significant in fiscal 2002 than in the years thereafter as this year represented the first full fiscal year of the economic downturn and, thus, a period when more significant balance sheet management initiatives were put in place. In addition, the Company used $73.2 million for other business operations including dividend payments, purchases of property plant and equipment, offset in part by cash proceeds on sale of property plant and equipment and net cash generated from other items. The Company also used $34.1 million for acquisitions of operations and investments during 2002. The resulting net free cash flow of $869.0 million along with $394.3 million of cash proceeds from long-term debt financing were used to reduce drawings under the accounts receivable securitization program by $150.0 million and to, net, repay debt balances of $1.051 billion. Finally, cash and cash equivalents increased by $62.0 million for the year.

Capital Structure

The Company uses a variety of financing arrangements, both short-term and long-term, to fund its operations. The Company uses diversified sources of funding so that it does not become overly dependent on one source and to achieve lower cost of funding through these different alternatives. These financing arrangements include public bonds, short-term and long-term bank loans, commercial paper and an accounts

receivable securitization program. For a detailed description of the Company's external financing arrangements outstanding at July 3, 2004, please refer to Note 7 in the notes to the consolidated financial statements appearing in Item 15 of this Report.

The table below highlights the Company's capital structure:

CAPITAL STRUCTURE
(Dollars in thousands)

	July 3, 2004	June 27, 2003	% Change
Short-term debt	$ 160,660	$ 187,656	(14.4)%
Long-term debt	1,196,160	1,278,399	(6.4)
	1,356,820	1,466,055	(7.5)
Shareholders' equity	1,953,426	1,832,522	6.6
Total capital	$3,310,246	$3,298,577	0.4

Long-term debt in the above table includes the fair value adjustment of $13.6 million and $36.2 million at July 3, 2004 and June 27, 2003, respectively, for the hedged 8.00% Notes and 9¾% Notes discussed in *Financing Transactions* below.

Financing Transactions

In June 2004, the Company entered into an unsecured, three-year $350.0 million credit facility with a syndicate of banks led by Banc of America LLC and ABN AMRO Incorporated (the "Credit Facility"). The Company may select from various interest rate options, currencies and maturities under the Credit Facility. There were no borrowings under the Credit Facility as of July 3, 2004.

In March 2004, the Company issued $300.0 million of 2% Convertible Senior Debentures due March 15, 2034 (the "Debentures"). The Debentures are convertible into Avnet common stock at a rate of 29.5516 shares of common stock per $1,000 principal amount of Debentures. The Debentures are only convertible under certain circumstances, including if: (i) the closing price of the Company's common stock reaches $45.68 per share (subject to adjustment in certain circumstances) for a specified period of time; (ii) the average trading price of the Debentures falls below a certain percentage of the conversion value per Debenture for a specified period of time; (iii) the Company calls the Debentures for redemption; or (iv) certain corporate transactions, as defined, occur. Upon conversion, the Company has the right to deliver to the holder cash or a combination of cash and common stock, in lieu of solely common stock. The Company may redeem some or all of the Debentures for cash any time on or after March 20, 2009 at the Debentures' full principal amount plus accrued and unpaid interest, if any. Holders of the Debentures may require the Company to purchase, in cash, all or a portion of the Debentures on March 15, 2009, 2014, 2019, 2024 and 2029, or upon a fundamental change, as defined, at the Debentures' full principal amount plus accrued and unpaid interest, if any.

The proceeds from the issuance of the Debentures, net of underwriting fees, were $292.5 million. The Company used these proceeds to fund the tender and purchase of $273.4 million of its 7⅞% Notes due February 15, 2005. The Company incurred debt extinguishment costs of $16.4 million pre-tax, $14.2 million after-tax and $0.12 per share on a diluted basis during fiscal 2004 related primarily to premiums and other transaction costs associated with this tender.

In March 2004, the Company also repaid in cash its $100.0 million of 6⅞% Notes that matured on March 15, 2004.

In September 2003, the Company terminated its former $350.0 million multi-year credit facility which was scheduled to mature on October 25, 2004. There were no outstanding borrowings under this multi-year credit facility at the end of fiscal 2003 or at the time of the termination and, because the Company did not expect to draw on the facility prior to its expiration date, management elected to terminate the facility.

In February 2003, the Company used the proceeds of $465.3 million, net of underwriting fees, from the issuance in that month of the Company's $475.0 million of 9¾% Notes due February 14, 2008 (the "9¾% Notes) to redeem $159.1 million of its 6.45% Notes due August 15, 2003 (the "6.45% Notes") and $220.1 million of its 8.20% Notes due October 17, 2003 (the "8.20% Notes"). The excess proceeds after these early redemptions were held in an escrow account and used to repay the remaining principal on the 6.45% and 8.20% Notes at their respective maturity dates plus interest due through their maturities. The Company incurred debt extinguishment costs of $13.5 million pre-tax, $8.2 million after tax and $0.07 per share on a diluted basis during fiscal 2003 related primarily to premiums and other transaction costs associated with the tender and early redemption of the 6.45% and 8.20% Notes.

The Company has two interest rate swaps with a total notional amount of $400.0 million in order to hedge the change in fair value of the 8.00% Notes due November 15, 2006 (the "8% Notes") related to fluctuations in interest rates. These contracts are classified as fair value hedges and mature in November 2006. The interest rate swaps modify the Company's interest rate exposure by effectively converting the fixed rate on the 8% Notes to a floating rate (4.5% at July 3, 2004) based on three-month U.S. LIBOR plus a spread through their maturities. In July 2003, the Company entered into three additional interest rate swaps with a total notional amount of $300.0 million in order to hedge the change in fair value of the 9¾% Notes related to fluctuations in interest rates. These hedges are also classified as fair value hedges and mature in February 2008. These interest rate swaps modify the Company's interest exposure by effectively converting the fixed rate on the 9¾% Notes to a floating rate (7.8% at July 3, 2004) based on three-month U.S. LIBOR plus a spread through their maturities. The hedged fixed rate debt and the interest rate swaps are adjusted to current market values through interest expense in the consolidated statements of operations. The fair value of the interest rate swaps at July 3, 2004 and June 27, 2003 was $13.6 million and $36.2 million, respectively, and is included in other long-term assets in the consolidated balance sheet. Additionally, included in long-term debt is a comparable fair value adjustment increasing the total liability by these same amounts.

In addition to its primary financing arrangements, the Company has several small lines of credit in various locations to fund the short-term working capital, foreign exchange, overdraft and letter of credit needs of its wholly owned subsidiaries in Europe and Asia. Avnet generally guarantees its subsidiaries' debt under these facilities.

Off-Balance Sheet Arrangements

The Company has a $350.0 million accounts receivable securitization program (the "Program") with two financial institutions whereby it may sell, on a revolving basis, an undivided interest in a pool of its trade accounts receivable. Under the Program, the Company may sell receivables in securitization transactions and retain a subordinated interest and servicing rights to those receivables. Receivables sold under the Program are sold without legal recourse to third party conduits through a wholly owned bankruptcy-remote special purpose entity that is consolidated for financial reporting purposes. The Program qualifies for sale treatment under Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*. The availability for financing under the Program is dependent on the level of the Company's trade receivables from month to month. There were no receivables sold under the Program at July 3, 2004 or at June 27, 2003. The purpose of the Program is to provide the Company with an additional source of liquidity at interest rates more favorable than it could receive through other forms of financing. The term of the current Program agreement extends to August 2005.

Covenants and Conditions

The Program agreement discussed above requires the Company to maintain minimum senior unsecured credit ratings in order to continue utilizing the Program in its current form. These minimum ratings triggers are Ba3 by Moody's Investor Services ("Moody's") or BB− by Standard & Poors ("S&P"). The Program also contains certain covenants relating to the quality of the receivables sold under the Program. If these conditions are not met, the Company may not be able to borrow any additional funds under the Program and the financial institutions may consider this an amortization event, as defined in the Program agreement, which would permit the financial institutions to liquidate the accounts receivable sold under the Program to cover any outstanding

borrowings. Circumstances that could affect the Company's ability to meet the required covenants and conditions of the Program include the Company's ongoing profitability and perceived financial strength or weakness by credit rating agencies and various other economic, market and industry factors. The Company was in compliance with all covenants of the Program at July 3, 2004.

The Credit Facility discussed in *Financing Transactions* contains certain covenants with various limitations on debt incurrence, dividends, investments and capital expenditures and also includes financial covenants requiring the Company to maintain minimum interest coverage and leverage ratios, as defined. Management does not believe that the covenants in the Credit Facility limit the Company's ability to pursue its intended business strategy or future financing needs. The Company was in compliance with all covenants of the Credit Facility as of July 3, 2004.

See *Liquidity* for further discussion of the Company's availability under these various facilities.

Liquidity

The Company had total borrowing capacity of $700.0 million at July 3, 2004 under the Credit Facility and the Program, against which $18.9 million in letters of credit were issued under the Credit Facility as of July 3, 2004, resulting in $681.1 million of net availability. The Company also had an additional $312.7 million of cash and cash equivalents at July 3, 2004. There are no significant financial commitments of the Company outside of normal debt and lease maturities as disclosed in *Long-Term Contractual Obligations* below. Management believes that Avnet's borrowing capacity, its current cash availability and the Company's expected ability to generate operating cash flows are sufficient to meet its projected financing needs. If the current up-cycle in the electronic components and computer products industry continues, the Company is less likely to generate positive cash flows from working capital reductions. However, any additional cash requirements are expected to be offset by the operating cash flows generated by the Company's enhanced profitability model resulting from the significant cost reductions achieved by the Company in recent years. Furthermore, the next significant public debt maturity is not until the $400.0 million 8% Notes mature in November 2006, which provides over two years for the Company to review repayment or refinancing alternatives.

The following table highlights the Company's liquidity and related ratios for the past two years:

COMPARATIVE ANALYSIS — LIQUIDITY
(Dollars in millions)

	Years Ended		Percentage Change
	July 3, 2004	June 27, 2003(1)	
Current Assets	$3,484.0	$3,126.1	11.4%
Quick Assets	2,056.6	1,867.3	10.1
Current Liabilities	1,645.0	1,306.1	26.0
Working Capital	1,839.0	1,820.0	1.0
Total Debt	1,356.8	1,466.1	(7.5)
Total Capital (total debt plus total shareholders' equity)	3,310.2	3,298.6	0.4
Quick Ratio	1.3:1	1.4:1	
Working Capital Ratio	2.1:1	2.4:1	
Debt to Total Capital	41.0%	44.4%	

(1) Ratios that include cash and cash equivalents include $78.5 million of restricted cash held in escrow at June 27, 2003 to fund remaining principal and interest payments on the 6.45% and 8.20% Notes (see Financing Transactions for further discussion).

The Company's quick assets (consisting of cash and cash equivalents and receivables) at July 3, 2004 have increased primarily due to the increase in receivables as a function of the growth in sales volumes during fiscal 2004 net of a lesser decrease in cash and cash equivalents used to fund the growth of the business and for the pay-down of certain of the Company's debt balances (see *Cash Flow* and *Financing Transactions* for

further discussion). The increase in inventories during fiscal 2004, as discussed in *Cash Flow,* has resulted in additional growth in current assets. Additionally, the increased volume of purchases to accommodate the growth in volume of business has resulted in similar growth in accounts payable and, thus, in total current liabilities. As a result of these trends, quick assets were greater than the Company's current liabilities by $411.6 million at July 3, 2004 as compared with $561.2 million at June 27, 2003. Working capital grew, however, to $1.84 billion at July 3, 2004 as compared with $1.82 billion at the end of the previous year. At July 3, 2004, to support each dollar of current liabilities, the Company had $1.25 of quick assets and $0.87 of other current assets for a total of $2.12 as compared with $2.39 at June 27, 2003.

Long-Term Contractual Obligations

The Company has the following contractual obligations outstanding as of July 3, 2004 (in millions):

	Total	Due in Less than 1 Year	Due in 1-3 Years	Due in 4-5 Years	Due After 5 Years
Long-term debt, including amounts due within one year	$1,343.3	$160.7	$400.8	$476.8	$305.0
Operating leases	177.6	46.7	63.5	35.1	32.3
	$1,520.9	$207.4	$464.3	$511.9	$337.3

At July 3, 2004, the Company has five interest rate swaps outstanding on two of its fixed rate debt instruments which have yielded a fair value adjustment of $13.6 million to the Company's long-term debt included in the consolidated balance sheet at July 3, 2004.

The Company does not currently have any material commitments for capital expenditures.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

The Company seeks to reduce earnings and cash flow volatility associated with changes in interest rates and foreign currency exchange rates by entering into financial arrangements intended to provide a hedge against a portion of the risks associated with such volatility. The Company continues to have exposure to such risks to the extent they are not hedged.

The Company has used interest rate swaps that convert certain fixed rate debt to variable rate debt, effectively hedging the change in fair value of the fixed rate debt resulting from fluctuations in interest rates. At July 3, 2004, the Company had five interest rate swaps outstanding under which the Company pays a variable interest rate and receives a fixed interest rate. The following table sets forth the scheduled maturities and the total fair value (generally based on quoted market prices) of the Company's debt outstanding at July 3, 2004 (dollars in millions):

	2005	2006	2007	2008	2009	There-after	Total at July 3, 2004	Fair Value at July 3, 2004
Liabilities:								
Fixed rate debt	$90	$ 1	$400	$476	$ 1	$305	$ 1,273	$1,365
Average interest rate							7.2%	
Floating rate debt	$70	$—	$ —	$ —	$—	$ —	$ 70	$ 70
Average interest rate							2.5%	
Interest Rate Swaps:								
Fixed to variable	$—	$—	$400	$300	$—	$ —	$ 700	
Average pay rate							LIBOR+4.3%	
Average receive rate							8.8%	

Many of the Company's subsidiaries, on occasion, purchase and sell products in currencies other than their functional currencies. This subjects the Company to the risks associated with the fluctuations of foreign currency exchange rates. The Company reduces this risk by utilizing natural hedging (offsetting receivables

and payables) as well as by creating offsetting positions through the use of derivative financial instruments, primarily forward foreign exchange contracts with maturities of less than sixty days. The Company adjusts all foreign denominated balances and any outstanding foreign exchange contracts to fair market value through the consolidated statements of operations. Therefore, the market risk related to foreign exchange contracts is offset by changes in valuation of the underlying items being hedged. The asset or liability representing the fair value of foreign exchange contracts is classified in the captions "other current assets" or "accrued expenses and other," as applicable, in the accompanying consolidated balance sheets. A hypothetical 10% change in currency exchange rates under the contracts outstanding at July 3, 2004 would result in an increase or decrease of approximately $20.0 million to the fair value of the forward foreign exchange contracts, which would generally be offset by an opposite effect on the related hedged positions.

Item 8. ***Financial Statements and Supplementary Data***

The financial statements and supplementary data are listed under Item 15 of this Report.

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

None.

Item 9A. ***Controls and Procedures***

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the reporting period covered by this Annual Report on Form 10-K. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Annual Report on Form 10-K, the Company's disclosure controls and procedures are effective such that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and forms relating to the Company.

During the last quarter of fiscal 2004, there have been no changes to the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. ***Other Information***

Not applicable.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

The information called for by Item 10 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 11, 2004.

Item 11. *Executive Compensation*

The information called for by Item 11 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 11, 2004.

Item 12. *Security Ownership of Certain Beneficial Owners and Management*

Equity Compensation Plan Information as of July 3, 2004

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders(3)	9,742,477(1)	$20.33	7,393,877(2)
Equity compensation plans not approved by security holders	—	—	30,193
Total	9,742,477	$20.33	7,424,070

(1) Includes 9,719,173 outstanding options and 23,304 stock incentive shares awarded but not yet delivered.

(2) Includes 6,292,551 options available for grant, 181,655 incentive shares not yet awarded and 919,671 shares authorized for the Employee Stock Purchase Plan but not yet allocated.

(3) Options assumed through acquisitions accounted for as purchases are excluded from (1) above. The outstanding balance of acquired options was 294,070 (column (a)) with a related weighted average exercise price of $38.48 (column (b)).

The Company has one equity compensation plan that has not been approved by shareholders — the Outside Director Stock Bonus Plan. Under this program, non-employee directors are awarded shares equal to $20,000 of Avnet Common Stock upon their re-election each year, as part of their director compensation package. Directors may elect to receive this compensation in the form of common stock under the Outside Director Stock Bonus Plan or they may elect to defer their compensation to be paid in common stock at a later date. Shares are issued in January of each year and the number of shares is calculated by dividing $20,000 by the average of the high and low price of the Common Stock on the first business day of January. The Board of Directors established a reserve of 50,000 shares for this plan in November 2002. Aggregate shares issued under the Plan totaled 3,724, 16,083 and 7,092 for fiscal 2004, 2003 and 2002, respectively.

The additional information called for by Item 12 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 11, 2004.

Item 13. *Certain Relationships and Related Transactions*

The information called for by Item 13 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 11, 2004.

Item 14. ***Principal Accounting Fees and Services***

The information called for by Item 14 is incorporated in this Report by reference to the Company's definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 11, 2004.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K***

a. The following documents are filed as part of this Report:

	Page
1. Consolidated Financial Statements:	
Report of Independent Registered Public Accounting Firm	35
Avnet, Inc. and Subsidiaries Consolidated Financial Statements:	
Consolidated Balance Sheets at July 3, 2004 and June 27, 2003	36
Consolidated Statements of Operations for the years ended July 3, 2004, June 27, 2003 and June 28, 2002	37
Consolidated Statements of Shareholders' Equity for the years ended July 3, 2004, June 27, 2003 and June 28, 2002	38
Consolidated Statements of Cash Flows for the years ended July 3, 2004, June 27, 2003 and June 28, 2002	39
Notes to Consolidated Financial Statements	40
2. Financial Statement Schedules:	
Schedule II (Valuation and Qualifying Accounts) for the years ended July 3, 2004, June 27, 2003 and June 28, 2002	66
Schedules other than that above have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto	
3. Exhibits — The exhibit index for this Report can be found on pages 67 to 71.	

b. Reports on Form 8-K

During the fourth quarter of fiscal 2004, the Company filed, or furnished, the following Current Reports on Form 8-K: (1) Current Report on Form 8-K bearing cover date of April 8, 2004 in which the Company furnished, pursuant to Item 12, its press release providing preliminary guidance on its results for the Company's fiscal third quarter; (2) Current Report on Form 8-K bearing cover date of April 20, 2004 in which the Company furnished, pursuant to Item 9, its press releases announcing its participation in the upcoming JPMorgan Technology and Telecom Conference and announcing the date of the Company's fiscal third quarter earnings announcement and webcast; (3) Current Report on Form 8-K bearing cover date of April 29, 2004 in which the Company furnished, pursuant to Item 12, its press release announcing the fiscal third quarter financial results; (4) Current Report on Form 8-K bearing cover date of June 7, 2004 in which the Company (i) filed, pursuant to Item 7, its Credit Agreement dated June 7, 2004 for the Company's new syndicated bank facility and (ii) furnished, pursuant to Item 9, its press release announcing the new syndicated bank facility.

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.

AVNET, INC.
(Registrant)

By: /s/ ROY VALLEE
Roy Vallee,
Chairman of the Board, Chief Executive Officer and Director

Date: September 7, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on September 7, 2004.

Signature	Title
/s/ ROY VALLEE Roy Vallee	Chairman of the Board, Chief Executive Officer and Director
* Eleanor Baum	Director
* J. Veronica Biggins	Director
* Lawrence W. Clarkson	Director
* Ehud Houminer	Director
* James A. Lawrence	Director
* Frank R. Noonan	Director
* Ray M. Robinson	Director
* Gary L. Tooker	Director
/s/ RAYMOND SADOWSKI Raymond Sadowski	Senior Vice President, Chief Financial Officer and Principal Accounting Officer

*By: /s/ RAYMOND SADOWSKI
Attorney-in-Fact

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Avnet, Inc.:

We have audited the accompanying consolidated balance sheets of Avnet, Inc. and subsidiaries (the Company) as of July 3, 2004 and June 27, 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended July 3, 2004. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule for each of the years in the three-year period ended July 3, 2004, as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Avnet, Inc. and subsidiaries as of July 3, 2004 and June 27, 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended July 3, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule for each of the years in the three-year period ended July 3, 2004, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Phoenix, Arizona
August 6, 2004

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	July 3, 2004	June 27, 2003
	(Thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	$ 312,667	$ 395,467
Receivables, less allowances of $78,410 and $84,042, respectively (Note 3)	1,743,962	1,471,806
Inventories	1,364,037	1,097,580
Other	63,320	161,237
Total current assets	3,483,986	3,126,090
Property, plant and equipment, net (Note 5)	187,339	250,412
Goodwill (Note 6)	894,882	857,110
Other assets	297,444	265,939
Total assets	$4,863,651	$4,499,551
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Borrowings due within one year (Note 7)	$ 160,660	$ 187,656
Accounts payable	1,099,703	802,039
Accrued expenses and other (Note 8)	384,630	316,355
Total current liabilities	1,644,993	1,306,050
Long-term debt, less due within one year (Note 7)	1,196,160	1,278,399
Other long-term liabilities (Note 10)	69,072	82,580
Total liabilities	2,910,225	2,667,029
Commitments and contingencies (Notes 11 and 13)		
Shareholders' equity (Notes 1 and 12):		
Common stock $1.00 par; authorized 300,000,000 shares; issued 120,483,000 shares and 119,555,000 shares, respectively	120,483	119,555
Additional paid-in capital	567,060	568,010
Retained earnings	1,114,789	1,041,892
Cumulative other comprehensive income (Note 4)	151,195	103,207
Treasury stock at cost, 5,695 shares and 11,532 shares, respectively	(101)	(142)
Total shareholders' equity	1,953,426	1,832,522
Total liabilities and shareholders' equity	$4,863,651	$4,499,551

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
	(Thousands, except per share amounts)		
Sales	$10,244,741	$9,048,442	$8,920,248
Cost of sales (Note 17)	8,879,888	7,833,487	7,697,434
Gross profit	1,364,853	1,214,955	1,222,814
Selling, general and administrative expenses	1,106,988	1,095,461	1,167,776
Restructuring and other charges (Note 17)	55,618	106,765	58,023
Operating income (loss)	202,247	12,729	(2,985)
Other income, net	7,094	26,204	6,755
Interest expense	(94,573)	(104,851)	(124,583)
Debt extinguishment costs (Note 7)	(16,370)	(13,487)	—
Income (loss) before income taxes	98,398	(79,405)	(120,813)
Income tax provision (benefit) (Note 9)	25,501	(33,289)	(36,377)
Income (loss) before cumulative effect of change in accounting principle	72,897	(46,116)	(84,436)
Cumulative effect of change in accounting principle (Note 6)	—	—	(580,495)
Net income (loss)	$ 72,897	$ (46,116)	$ (664,931)
Earnings (loss) per share before cumulative effect of change in accounting principle (Note 14):			
Basic	$ 0.61	$ (0.39)	$ (0.71)
Diluted	$ 0.60	$ (0.39)	$ (0.71)
Net earnings (loss) per share (Note 14):			
Basic	$ 0.61	$ (0.39)	$ (5.61)
Diluted	$ 0.60	$ (0.39)	$ (5.61)
Shares used to compute earnings (loss) per share (Note 14):			
Basic	120,086	119,456	118,561
Diluted	121,252	119,456	118,561

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended July 3, 2004, June 27, 2003 and June 28, 2002

	Common Stock	Additional Paid-In Capital	Retained Earnings	Cumulative Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
	(Thousands, except per share amounts)					
Balance, June 29, 2001	$117,840	$542,733	$1,770,645	$(56,297)	$(331)	$2,374,590
Net loss	—	—	(664,931)	—	—	(664,931)
Translation adjustments (Note 4)	—	—	—	101,159	—	101,159
Minimum pension liability adjustment, net of tax of $11,155 (Notes 4 and 15)	—	—	—	(17,050)	—	(17,050)
Comprehensive loss (Note 4)						(580,822)
Dividends, $0.15 per share	—	—	(17,706)	—	—	(17,706)
Stock option and incentive programs, including related tax benefits of $4,217	1,591	26,704	—	—	153	28,448
Balance, June 28, 2002	119,431	569,437	1,088,008	27,812	(178)	1,804,510
Net loss	—	—	(46,116)	—	—	(46,116)
Translation adjustments (Note 4)	—	—	—	98,346	—	98,346
Minimum pension liability adjustment, net of tax of $19,988 (Notes 4 and 15)	—	—	—	(22,951)	—	(22,951)
Comprehensive income (Note 4)						29,279
Stock option and incentive programs, including related tax benefits of $278	124	(1,427)	—	—	36	(1,267)
Balance, June 27, 2003	119,555	568,010	1,041,892	103,207	(142)	1,832,522
Net income	—	—	72,897	—	—	72,897
Translation adjustments (Note 4)	—	—	—	45,470	—	45,470
Minimum pension liability adjustment, net of tax of $1,651 (Notes 4 and 15)	—	—	—	2,518	—	2,518
Comprehensive income (Note 4)						120,885
Eurotronics contingent purchase price (Note 2)	—	(15,000)	—	—	—	(15,000)
Stock option and incentive programs, including related tax benefits of $756	928	14,050	—	—	41	15,019
Balance, July 3, 2004	$120,483	$567,060	$1,114,789	$151,195	$(101)	$1,953,426

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
		(Thousands)	
Cash flows from operating activities:			
Net income (loss)	$ 72,897	$ (46,116)	$(664,931)
Cumulative effect of change in accounting principle (Note 6)	—	—	580,495
Net income (loss) before cumulative effect of change in accounting principle	72,897	(46,116)	(84,436)
Non-cash and other reconciling items:			
Depreciation and amortization	64,540	88,839	103,879
Deferred taxes (Note 9)	(2,815)	21,606	10,828
Non-cash restructuring and other charges (Note 17)	31,409	55,344	77,961
Other, net (Note 15)	47,649	49,784	43,279
	213,680	169,457	151,511
Changes in (net of effects from business acquisitions and dispositions):			
Receivables	(271,311)	140,656	433,863
Inventories	(240,520)	387,081	552,621
Accounts payable	285,386	(120,849)	45,168
Accrued expenses and other, net	77,414	75,533	(206,858)
Net cash flows provided from operating activities	64,649	651,878	976,305
Cash flows from financing activities:			
Reduced drawings under accounts receivable securitization program (Note 3)	—	(200,000)	(150,000)
Issuance of notes in public offerings, net of issuance costs (Note 7)	292,500	465,313	394,328
Repayment of notes (Note 7)	(444,245)	(379,197)	(528,969)
Proceeds from (repayment of) commercial paper and bank debt, net	55,974	(285,795)	(517,924)
Payment of other debt, net	(504)	(1,686)	(4,482)
Cash dividends	—	—	(26,546)
Other, net	13,914	(474)	24,225
Net cash flows used for financing activities	(82,361)	(401,839)	(809,368)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(28,623)	(34,169)	(87,173)
Cash proceeds from sales of property, plant and equipment	5,229	16,379	3,423
Acquisitions of operations and investments, net (Note 2)	(50,528)	(9,210)	(34,091)
Net cash flows used for investing activities	(73,922)	(27,000)	(117,841)
Effect of exchange rate changes on cash and cash equivalents	8,834	13,194	12,859
Cash and cash equivalents:			
— (decrease) increase	(82,800)	236,233	61,955
— at beginning of year	395,467	159,234	97,279
— at end of year	$ 312,667	$ 395,467	$ 159,234
Additional cash flow information (Note 15)			

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies:

Principles of consolidation — The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries. All intercompany accounts and transactions have been eliminated.

Cash and cash equivalents — The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At June 27, 2003, cash and cash equivalents include $78,543,000 of cash restricted and held in an escrow account. This escrow balance consisted of a portion of the proceeds from the Company's issuance in February 2003 of $475,000,000 of 9¾% Notes due February 15, 2008, which was subsequently used to repay the remaining principal on the 6.45% Notes due August 15, 2003 and the 8.20% Notes due October 17, 2003 at their respective maturity dates plus interest due through their maturities (see Note 7). There were no remaining balances held in escrow as of July 3, 2004.

Inventories — Inventories, comprised principally of finished goods, are stated at cost (first-in, first-out) or market, whichever is lower.

Investments — Investments in joint ventures and entities in which the Company has an ownership interest greater than 50% and exercises control over the venture are consolidated in the accompanying consolidated financial statements. Minority interests in the years presented, which amounts are not material, are included in the caption "accrued expenses and other" in the accompanying consolidated balance sheets. The Company invests from time to time in ventures in which the Company's ownership interest is less than 20% and over which the Company does not exercise significant influence. Such investments are accounted for under the cost method. The fair values for investments not traded on a quoted exchange are estimated based upon the performance of the ventures historically, the ventures' forecasted financial performance and management's evaluation of the ventures' viability and business models. To the extent the book value of an investment exceeds its assessed fair value, the Company will record an appropriate impairment charge (see Note 17). Thus, the carrying value of the Company's investments approximates fair value.

Depreciation and amortization — Depreciation and amortization is generally provided for by the straight-line method over the estimated useful lives of the assets. The estimated useful lives for depreciation and amortization are typically as follows: buildings — 30 years; machinery, fixtures and equipment — 2-10 years; and leasehold improvements — over the applicable remaining lease term or useful life if shorter.

Long-lived assets — Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company continually evaluates the carrying value and the remaining economic useful life of all long-lived assets and will adjust the carrying value and the related depreciation and amortization period if and when appropriate.

Goodwill — Goodwill represents the excess of the purchase price over the fair value of net assets acquired. The Company has no other material identifiable intangible assets besides goodwill. The Company adopted the provisions of the FASB's Statement of Financial Accounting Standards No. 142 ("SFAS 142"), *Goodwill and Other Intangible Assets*, effective June 30, 2001, the first day of the Company's fiscal year 2002. SFAS 142 requires that ratable amortization of goodwill be replaced with periodic tests for goodwill impairment (see Note 6). The Company conducts its periodic test for goodwill impairment annually, on the first day of the fiscal fourth quarter.

Foreign currency translation — The assets and liabilities of foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date, with the related translation gains and losses reported as a separate component of shareholders' equity and comprehensive income. Results of operations are translated using the average exchange rates prevailing throughout the period. Transactions denominated in currencies other than the functional currency of the Avnet business unit that is party to the transaction (primarily trade receivables and payables) are translated at exchange rates in effect at the balance

sheet date or upon settlement of the transaction. Gains and losses from such translation are recorded to the consolidated statements of operations as a component of "other income, net."

Income taxes — The Company follows the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the estimated future tax impact of differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the new rate is enacted.

No provision for U.S. income taxes has been made for approximately $480,610,000 of cumulative unremitted earnings of foreign subsidiaries at July 3, 2004 because those earnings are expected to be permanently reinvested outside the U.S.

Self-insurance — The Company is primarily self-insured for workers' compensation, and general, product and automobile liability costs; however, the Company also has a stop-loss insurance policy in place to limit the Company's exposure to individual and aggregate claims made. Liabilities for these programs are estimated based upon outstanding claims and claims estimated to have been incurred but not yet reported based upon historical loss experience. These estimates are subject to variability due to changes in trends of losses for outstanding claims and incurred but not recorded claims, including external factors such as future inflation rates, benefit level changes and claim settlement patterns.

Revenue recognition — Revenue from product sales is recognized in accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 104 ("SAB 104"), *Revenue Recognition*. Under SAB 104, revenue from product sales is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collectibility is reasonably assured. Generally, these criteria are met upon shipment to customers. Most of the Company's product sales come from product Avnet purchases from a supplier and holds in inventory. A portion of the Company's sales are shipments of product directly from its suppliers to its customers. In such circumstances, Avnet negotiates the price with the customer, pays the supplier directly for the product shipped and bears credit risk of collecting payment from its customers. Furthermore, in such drop-shipment arrangements, Avnet bears responsibility for accepting returns of product from the customer even if Avnet, in turn, has a right to return the product to the original supplier if the product is defective. Under these terms, the Company serves as the principal with the customer, as defined under SEC Staff Accounting Bulletin No. 101 and Emerging Issues Task Force Issue No. 99-19 ("EITF 99-19"), *Reporting Revenue Gross as a Principal versus Net as an Agent*, and therefore recognizes the sale and cost of sale of the product upon receiving notification from the supplier that the product has shipped.

In addition, the Company has more limited contractual relationships with certain of its customers and suppliers whereby Avnet assumes an agency relationship in the transaction as defined by EITF 99-19. In such arrangements, the Company recognizes the fee associated with serving as an agent in sales with no associated cost of sales.

Revenues from maintenance contracts are recognized ratably over the life of the contracts, ranging from one to three years. Revenues are recorded net of discounts, rebates and estimated returns.

Comprehensive income (loss) — Comprehensive income (loss) represents net income (loss) for the year adjusted for changes in shareholders' equity from non-shareholder sources. Cumulative comprehensive income (loss) items typically include currency translation, valuation adjustments for marketable securities and the impact of the Company's additional minimum pension liability, net of tax (see Note 4).

Stock-based compensation — The Company accounts for its stock based compensation plans using the intrinsic value method initially prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"),

Accounting for Stock Issued to Employees. In applying APB 25, no expense is recognized upon grant of stock under the Company's various stock option plans, except in the rare circumstances where the exercise price is less than the fair market value on the grant date, nor is expense recognized in connection with shares purchased by employees under the Employee Stock Purchase Plan (see Note 12).

No expense was recognized for options granted under the Company's various stock option plans as the options granted during the periods presented had exercise prices equal to the market value of the underlying stock on the date of the grants. FASB Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure — An Amendment of FASB Statement No. 123*, requires certain disclosures of the pro forma impact on net income (loss) and earnings (loss) per share as if a fair value-based method of measuring stock-based compensation, as defined by the FASB's Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, had been applied.

Reported and pro forma net income (loss) and earnings (loss) per share are as follows:

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
	(Thousands, except per share amounts)		
Net income (loss), as reported	$72,897	$(46,116)	$(664,931)
Less: Fair value impact of employee stock compensation, net of tax	(9,668)	(8,953)	(10,459)
Pro forma net income (loss)	$63,229	$(55,069)	$(675,390)
Earnings (loss) per share:			
Basic — as reported	$ 0.61	$ (0.39)	$ (5.61)
Basic — pro forma	$ 0.53	$ (0.46)	$ (5.70)
Diluted — as reported	$ 0.60	$ (0.39)	$ (5.61)
Diluted — pro forma	$ 0.52	$ (0.46)	$ (5.70)

The fair value of the stock options granted is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted average assumptions used and the weighted average estimated fair values of an option granted are as follows:

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
Expected life (years)	6.1	6.0	6.0
Risk-free interest rate	3.4%	3.2%	4.3%
Volatility	46.9%	41.8%	40.7%
Dividend yield	—	—	0.4%
Weighted average fair value	$9.07	$5.77	$8.34

Concentration of credit risk — Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents and trade accounts receivable. The Company invests its excess cash primarily in overnight Eurodollar time deposits and institutional money market funds with quality financial institutions. The Company sells electronic components and computer products primarily to original equipment and contract manufacturers, including the military and military contractors, throughout the world. To reduce credit risk, management performs ongoing credit evaluations of its customers' financial condition and, in some instances, has obtained insurance coverage to reduce such risk.

The Company maintains reserves for potential credit losses, but has not experienced any material losses related to individual customers or groups of customers in any particular industry or geographic area.

Fair value of financial instruments — The carrying amounts of the Company's financial instruments, including cash and cash equivalents, receivables and accounts payable approximate their fair values at July 3, 2004 due to the short-term nature of these instruments. See Note 7 for further discussion of the fair value of the Company's fixed rate long-term debt instruments and see *Investments* in this Note 1 for further discussion of the fair value of the Company's investments in unconsolidated entities.

Accounts receivable securitization — The Company has an accounts receivable securitization program whereby the Company may sell receivables in securitization transactions and retain a subordinated interest and servicing rights to those receivables. The Company accounts for the program under the FASB's Statement of Financial Accounting Standards No. 140 ("SFAS 140"), *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities.* The gain or loss on sales of receivables is determined at the date of transfer based upon the relative fair value of the assets sold and the interests retained. The Company estimates fair value based on the present value of future expected cash flows using management's best estimates of the key assumptions, including collection period and discount rates (see Note 3).

Derivative financial instruments — The Company accounts for derivative financial instruments in accordance with the FASB's Statement of Financial Accounting Standards No. 133 ("SFAS 133"), *Accounting for Derivative Instruments and Hedging Activities,* as amended by Statement of Financial Accounting Standards No. 138, *Accounting for Certain Derivative Instruments and Hedging Activities* and Statement of Financial Accounting Standards No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities.*

Many of the Company's subsidiaries, on occasion, purchase and sell products in currencies other than their functional currencies. This subjects the Company to the risks associated with the fluctuations of foreign currency exchange rates. The Company reduces this risk by utilizing natural hedging (offsetting receivables and payables) as well as by creating offsetting positions through the use of derivative financial instruments, primarily forward foreign exchange contracts with maturities of less than sixty days. The Company adjusts all foreign denominated balances and any outstanding foreign exchange contracts to fair market value through the consolidated statements of operations. Therefore, the market risk related to the foreign exchange contracts is offset by the changes in valuation of the underlying items being hedged. The asset or liability representing the fair value of foreign exchange contracts is classified in the captions "other current assets" or "accrued expenses and other," as applicable, in the accompanying consolidated balance sheets.

The Company has also entered into hedge transactions that convert certain fixed rate debt to variable rate debt, effectively hedging the change in fair value of the fixed rate debt resulting from fluctuations in interest rates. Those fair value hedges and the hedged debt are adjusted to current market values through interest expense in accordance with SFAS 133, as amended (see Note 7).

The Company generally does not hedge its investment in its foreign operations nor its floating interest rate exposures. The Company does not enter into derivative financial instruments for trading or speculative purposes and monitors the financial stability and credit standing of its counter parties.

Fiscal year — The Company operates on a "52/53 week" fiscal year, which ends on the Saturday closest to June 30th (Friday closest to June 30th in fiscal years 2003 and 2002). Fiscal 2004 contained 53 weeks as compared with 52 weeks in fiscal 2003 and 2002. Unless otherwise noted, all references to "fiscal 2004" or any other "year" shall mean the Company's fiscal year.

Management estimates — The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the

financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications — Certain reclassifications have been made to the prior years' consolidated financial statements and notes thereto to conform to the current year presentation.

New accounting standards — In December 2003, the FASB issued FASB Interpretation No. 46R ("FIN 46R"), *Consolidation of Variable Interest Entities*, which is a revised Interpretation clarifying some of the provisions of the original Interpretation No. 46 issued in January 2003. FIN 46R requires the consolidation of variable interest entities ("VIEs"), as defined, based upon an assessment of a company's investment interests in the VIE as it relates to the interests of other investors in the VIE. FIN 46R also includes certain disclosure requirements related to any VIEs. The application of FIN 46R is required for any VIEs or potential VIEs commonly referred to as special-purpose entities for periods ending after December 15, 2003. Application for all other types of VIEs is required in financial statements for periods ending after March 15, 2004. The adoption of FIN 46R did not have a material impact on the Company's consolidated financial statements.

In December 2003, the FASB revised Statement of Financial Accounting Standards No. 132 ("SFAS 132"), *Employers' Disclosures about Pensions and Other Postretirement Benefits*. The revised SFAS 132 requires additional disclosures about plan assets, benefit obligations, cash flows, benefit costs and other relevant information related to pensions and other postretirement benefits. The disclosure requirements of the revised SFAS 132 are effective for the Company for the fiscal year ended July 3, 2004 and such disclosures are included in this filing (see Note 10).

2. Acquisitions and Dispositions:

During the last three fiscal years, the Company has completed one acquisition — the Gamma Optronik AB acquisition completed during fiscal 2002. During the last three fiscal years, the Company has also acquired remaining minority interests in certain majority-owned subsidiaries in addition to completing certain contingent purchase price payments associated with businesses acquired in previous years.

During fiscal 2004, the Company completed a contingent purchase price payment associated with its January 2000 acquisition of 84% of the stock of Eurotronics B.V., which went to market as SEI. The share purchase agreement for this acquisition called for an additional payment of cash or common stock of the Company if the Company's share price did not reach $45.25 per share by January 2004. As a result, during the fourth quarter of fiscal 2004, the Company paid, in cash, the sum of $48,930,000 as settlement of the Company's final obligation from this acquisition. This payment resulted in an addition to goodwill of $33,930,000 and a reduction of additional paid-in capital of $15,000,000, based upon an initial estimate of the fair value of the stock guarantee incorporated into the purchase price accounting at the time of the Eurotronics B.V. acquisition. During fiscal 2004, the Company also acquired the interest of a 9% minority shareholder in the Company's majority-owned Brazilian subsidiary, Avnet do Brasil, LTDA, as well as making contingent purchase price payments associated with certain companies acquired in prior years. The acquisition of minority interests and contingent purchase price payments discussed above required a total investment of $50,528,000, all of which was paid in cash.

During fiscal 2003, the Company acquired the remaining 40% interest in Max India Ltd. as well as remaining minority interests in various Israeli subsidiaries. The Company also completed contingent purchase price payments associated with companies acquired in previous years including Sunrise Technology Ltd. and Avnet Italy. The acquisitions of these remaining minority interests and the contingent purchase price payments required a total investment of $9,210,000, all of which was paid in cash.

Also during fiscal 2003, the Company and the seller of the European operations of the VEBA Electronics Group (acquired by the Company in fiscal 2001) resolved certain purchase price contingencies related to this

acquisition. This resolution resulted in a refund to Avnet, totaling approximately $6,486,000, of a portion of the amount paid by Avnet at the closing of the acquisition. The refunded purchase price was recorded as a reduction of operating expenses in the fiscal 2003 consolidated statement of operations as the goodwill related to the VEBA Electronics Group had been written off as a result of the transition impairment test performed upon the adoption of SFAS 142 (see Note 6).

In fiscal 2002, the Company completed the acquisition of Gamma Optronik AB, as well as certain contingent purchase price payments associated with businesses acquired in prior fiscal years (principally, Sunrise Technology Ltd., RDT Technologies Ltd., PCD Italia S.r.l. and Matica S.p.A. and Savoir Technology Group, Inc.), the acquisition of the remaining 20% interest in Kopp Electronics Limited and further investment in an unconsolidated business. These transactions required a total investment of $34,091,000 (net of $1,462,000 of cash on the books of Gamma Optronik AB at its acquisition date), all of which was paid in cash. Gamma Optronik AB had sales totaling approximately $7,534,000 during its fiscal year immediately preceding its acquisition. The historical results of operations of the acquired company would not have had a material effect on the Company's consolidated results of operations and therefore no unaudited pro forma results are presented herein.

3. Accounts Receivable Securitization:

The Company has an accounts receivable securitization program (the "Program") with two financial institutions that allows the Company to sell, on a revolving basis, an undivided interest of up to $350,000,000 in eligible U.S. receivables while retaining a subordinated interest in a portion of the receivables. The eligible receivables are sold without legal recourse to third party conduits through a wholly owned bankruptcy-remote special purpose entity that is consolidated for financial reporting purposes. The Company continues servicing the sold receivables and charges the third party conduits a monthly servicing fee at market rates; accordingly, no servicing asset or liability has been recorded.

The Program qualifies for sale treatment under SFAS 140. As of July 3, 2004 and June 27, 2003, the Company had no drawings outstanding under the Program and therefore there are no securitized accounts receivable held by the third party conduits. Cash outflows for reduced drawings under the Program in the consolidated statements of cash flows for fiscal 2003 and 2002 reflect the impact of a lower amount of accounts receivable being sold, on a revolving basis, into the third party conduits during those fiscal years.

Expenses associated with the Program are as follows:

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
	(Thousands)		
Losses on sales of receivables and discount on retained interest, net of servicing revenues	$ 52	$1,244	$ 8,511
Program, facility and professional fees	2,358	1,864	1,619
Total	$2,410	$3,108	$10,130

Losses on sales of receivables and discount on retained interest, net of related servicing revenues, are recorded in interest expense while the other costs associated with the Program are recorded in selling, general and administrative expenses in the accompanying consolidated statements of operations. To the extent there have been drawings under the Program, the Company has historically measured the fair value of its retained interests at the time of a securitization using a present value model incorporating two key assumptions: (1) a weighted average life of trade accounts receivable of 45 days and (2) a discount rate of 6.75% per annum.

The Program agreement requires the Company to maintain minimum senior unsecured credit ratings in order to continue utilizing the Program in its current form. These minimum ratings triggers are Ba3 by Moody's Investor Services or BB— by Standard & Poors. The term of the current Program agreement extends to August 2005.

4. Comprehensive Income (Loss):

The following table illustrates the cumulative balances of comprehensive income (loss) items at July 3, 2004, June 27, 2003 and June 28, 2002:

	July 3, 2004	June 27, 2003	June 28, 2002
		(Thousands)	
Cumulative translation adjustments, net	$188,678	$143,208	$ 44,862
Cumulative minimum pension liability adjustments, net	(37,483)	(40,001)	(17,050)
Total	$151,195	$103,207	$ 27,812

5. Property, Plant and Equipment, Net:

Property, plant and equipment are recorded at cost and consist of the following:

	July 3, 2004	June 27, 2003
	(Thousands)	
Land	$ 5,126	$ 5,648
Buildings	76,098	78,689
Machinery, fixtures and equipment	480,613	542,030
Leasehold improvements	34,073	34,299
	595,910	660,666
Less — accumulated depreciation and amortization	408,571	410,254
	$187,339	$250,412

Depreciation and amortization expense related to property, plant and equipment was $58,644,000, $80,338,000 and $93,121,000 in fiscal 2004, 2003 and 2002, respectively.

6. Goodwill and Impairment:

The amortization of goodwill was suspended effective with the beginning of fiscal 2002, the date the Company adopted the provisions of SFAS 142. Under the transitional provisions of SFAS 142, the Company identified and evaluated its reporting units for impairment of goodwill as of June 30, 2001 using a two-step process. The Company engaged an outside valuation consultant to assist in this process. The first step was to ascertain whether there was an indication that any of the Company's goodwill was impaired. This was accomplished by identifying the Company's reporting units pursuant to the guidelines set out in SFAS 142 and then determining the carrying value of each of those reporting units by assigning the Company's assets and liabilities, including existing goodwill, to each of those reporting units as of June 30, 2001. For the purpose of this process, the reporting unit structure was defined as each of the three regional businesses (Americas, EMEA and Asia) within each of the Company's operating groups. The fair value of each reporting unit was determined by using a combination of present value and multiple of earnings valuation techniques. Such fair value was then compared with the carrying value of each reporting unit. As a result of completing the first step of this process, it was determined that there was an impairment of goodwill related to the Avnet Electronics

Marketing ("EM") and Avnet Technology Solutions ("TS") operations in both EMEA and Asia. The Company identified no impairment of goodwill in the Americas region. In the second step of the process, the implied fair value of the affected reporting unit's goodwill was compared with its carrying value. This was done in order to determine the amount of impairment; that is, the amount by which the carrying amount exceeded the fair value. As a result, the Company recorded an impairment charge of $580,495,000, which was recorded as a cumulative effect of a change in accounting principle in fiscal 2002.

The magnitude of the transition impairment charge was significantly impacted by the timing of the effective date of when the fair value analysis was performed and the designation of the reporting unit structure. Since the Company adopted SFAS 142 on June 30, 2001, the Company was required to complete the fair value analysis as of that date. Due to the difficult business and economic conditions at that date, which severely impacted the market sectors in which the Company operates, and the uncertainty as to when such conditions would materially improve, the fair value of the Company's businesses was significantly less than it might have been at other times. In other words, in a cyclical business, the timing of a valuation such as this may be an important factor in the outcome of the valuation exercise. The reporting units with the most significant impairment of goodwill were in Europe where the Company had not yet generated an acceptable level of profits and cash flows. In addition, the defined reporting unit structure resulted in an impairment of goodwill which included goodwill related to certain recent acquisitions that otherwise might not have been impaired.

The Company's annual impairment tests in fiscal 2004, 2003 and 2002 yielded no additional impairments to the carrying value of the Company's goodwill.

The following table presents the carrying amount of goodwill, by reportable segment, for the periods presented:

	Avnet Electronics Marketing	Avnet Technology Solutions	Total
		(Thousands)	
Carrying value at June 28, 2002	$591,398	$253,199	$844,597
Additions	9,540	—	9,540
Foreign currency translation	298	2,675	2,973
Carrying value at June 27, 2003	601,236	255,874	857,110
Additions	35,652	—	35,652
Foreign currency translation	286	1,834	2,120
Carrying value at July 3, 2004	$637,174	$257,708	$894,882

Additions during fiscal 2004 related primarily to the contingent purchase price payment for Eurotronics B.V. and other prior year acquisitions as well as acquisitions of minority interests (see Note 2).

7. External Financing:

Short-term debt consists of the following:

	July 3, 2004	June 27, 2003
	(Thousands)	
Bank credit facilities	$ 70,096	$ 11,834
6.45% Notes due August 15, 2003	—	40,859
8.20% Notes due October 17, 2003	—	29,944
6⅞% Notes due March 15, 2004	—	100,000
4.5% Convertible Notes due September 1, 2004	2,956	3,031
7⅞% Notes due February 15, 2005	86,633	—
Other debt due within one year	975	1,988
Short-term debt	$160,660	$187,656

The bank credit facilities indicated above consist of various committed and uncommitted lines of credit with financial institutions utilized primarily to support the working capital requirements of foreign operations. The weighted average interest rates on the bank credit facilities at July 3, 2004 and June 27, 2003 were 2.5% and 4.7%, respectively.

As of its acquisition of Kent Electronics Corporation ("Kent") on June 8, 2001, Avnet assumed Kent's 4.5% Convertible Notes due September 1, 2004 (the "Notes"). During fiscal 2002, virtually all holders of the Notes exercised their "put" options by selling the Notes back to the Company. During fiscal 2004, the Company repaid in cash $75,000 of the Notes. As of July 3, 2004, $2,956,000 in Notes remain outstanding. The Company has the right to redeem all remaining Notes outstanding upon 30-day prior notice.

Long-term debt consists of the following:

	July 3, 2004	June 27, 2003
	(Thousands)	
7⅞% Notes due February 15, 2005	$ —	$ 360,000
8.00% Notes due November 15, 2006	400,000	400,000
9¾% Notes due February 15, 2008	475,000	475,000
2% Convertible Senior Debentures due March 15, 2034	300,000	—
Other long-term debt	7,597	7,237
Subtotal	1,182,597	1,242,237
Fair value adjustment for hedged 8.00% and 9¾% Notes	13,563	36,162
Long-term debt	$1,196,160	$1,278,399

In June 2004, the Company entered into an unsecured, three-year $350 million credit facility with a syndicate of banks led by Banc of America Securities LLC and ABN AMRO Incorporated (the "Credit Facility"). The Company may select from various interest rate options, currencies and maturities under the Credit Facility. There were no borrowings under the Credit Facility as of July 3, 2004.

The Credit Facility contains certain covenants with various limitations on debt incurrence, dividends, investments and capital expenditures and also includes financial covenants requiring the Company to maintain minimum interest coverage and leverage ratios, as defined. The Company was in compliance with all covenants of the Credit Facility as of July 3, 2004.

In March 2004, the Company issued $300,000,000 of 2% Convertible Senior Debentures due March 15, 2034 (the "Debentures"). The Debentures are convertible into Avnet common stock at a rate of 29.5516 shares of common stock per $1,000 principal amount of Debentures. The Debentures are only convertible under certain circumstances, including if: (i) the closing price of the Company's common stock reaches $45.68 per share (subject to adjustment in certain circumstances) for a specified period of time; (ii) the average trading price of the Debentures falls below a certain percentage of the conversion value per Debenture for a specified period of time; (iii) the Company calls the Debentures for redemption; or (iv) certain corporate transactions, as defined, occur. Upon conversion, the Company has the right to deliver to the holder cash or a combination of cash and common stock, in lieu of solely common stock. The Company may redeem some or all of the Debentures for cash any time on or after March 20, 2009 at the Debentures' full principal amount plus accrued and unpaid interest, if any. Holders of the Debentures may require the Company to purchase, in cash, all or a portion of the Debentures on March 15, 2009, 2014, 2019, 2024 and 2029, or upon a fundamental change, as defined, at the Debentures' full principal amount plus accrued and unpaid interest, if any.

The proceeds from the issuance of the Debentures, net of underwriting fees, were $292,500,000. The Company used these proceeds to fund the tender and purchase of $273,367,000 of its 7⅞% Notes due February 15, 2005. The Company incurred debt extinguishment costs of $16,370,000 pre-tax, $14,215,000 after-tax and $0.12 per share on a diluted basis during fiscal 2004 related primarily to premiums and other transaction costs associated with this tender.

During fiscal 2004, the Company also repaid in cash the $100,000,000 of 6⅞% Notes that matured on March 15, 2004.

In February 2003, the Company used the proceeds of $465,313,000, net of underwriting fees, from the issuance in that month of the Company's $475,000,000 of 9¼% Notes due February 15, 2008 (the "9¼% Notes") to redeem $159,141,000 of its 6.45% Notes due August 15, 2003 (the "6.45% Notes") and $220,056,000 of its 8.20% Notes due October 17, 2003 (the "8.20% Notes). The excess proceeds after these early redemptions were held in an escrow account and used to repay the remaining principal on the 6.45% Notes and 8.20% Notes at their respective maturity dates plus interest due through their maturities. At June 27, 2003, the balance in this escrow account was $78,543,000. During the third quarter of fiscal 2003, the Company incurred debt extinguishment costs of $13,487,000 pre-tax, $8,152,000 after-tax and $0.07 per share on a diluted basis, related primarily to premiums and other transaction costs associated with the tender and early redemption of the 6.45% Notes and the 8.20% Notes.

At June 27, 2003, the Company had a multi-year credit facility with a syndicate of banks led by Bank of America that provided up to $350,000,000 in financing that was to mature on October 25, 2004. At June 27, 2003 and during fiscal 2004, there were no outstanding borrowings under this multi-year credit facility. Because the Company did not expect to draw on the facility prior to its October 2004 expiration, the Company terminated the facility in September 2003. The Company wrote-off the remaining unamortized deferred loan costs associated with this facility, which amounted to $4,514,000 as of the date the facility was terminated (see Note 17).

The Company has two interest rate swaps with a total notional amount of $400,000,000 in order to hedge the change in fair value of the 8.00% Notes due November 15, 2006 (the "8% Notes") related to fluctuations in interest rates. These contracts are classified as fair value hedges and mature in November 2006. The interest rate swaps modify the Company's interest rate exposure by effectively converting the fixed rate on the 8% Notes to a floating rate (4.5% at July 3, 2004) based on three-month U.S. LIBOR plus a spread through their maturities. In July 2003, the Company entered into three additional interest rate swaps with a total notional amount of $300,000,000 in order to hedge the change in fair value of the 9¼% Notes related to fluctuations in interest rates. These hedges are also classified as fair value hedges and mature in February 2008. These interest rate swaps modify the Company's interest exposure by effectively converting the fixed

rate on the 9¾% Notes to a floating rate (7.8% at July 3, 2004) based on three-month U.S. LIBOR plus a spread through their maturities. The hedged fixed rate debt and the interest rate swaps are adjusted to current market values through interest expense in the accompanying consolidated statements of operations. The Company accounts for the hedges using the shortcut method as defined under SFAS 133, as amended. Due to the effectiveness of the hedges since inception, the market value adjustments for the hedged debt and the interest rate swaps directly offset one another. The fair value of the interest rate swaps at July 3, 2004 and June 27, 2003 was $13,563,000 and $36,162,000, respectively, and is included in other long-term assets in the accompanying consolidated balance sheets. Additionally, included in long-term debt is a comparable fair value adjustment increasing the total liability by these same amounts.

The Company had total borrowing capacity of $700,000,000 at July 3, 2004 under the Credit Facility and the asset securitization program (see Note 3), against which $18,920,000 in letters of credit were issued under the Credit Facility as of July 3, 2004, resulting in $681,080,000 of net availability. Although these issued letters of credit are not actually drawn upon at July 3, 2004, they utilize borrowing capacity under the Credit Facility and are considered in the overall borrowing capacity noted above.

Aggregate debt maturities for 2005 through 2009 and thereafter are as follows (in thousands):

2005	$ 160,660
2006	833
2007	400,000
2008	475,853
2009	908
Thereafter	305,003
Total debt	$1,343,257

At July 3, 2004, the fair value, generally based upon quoted market prices, of the 4.5% Convertible Notes due September 1, 2004, the 7⅞% Notes due February 15, 2005 and the 2% Convertible Senior Debentures due March 15, 2034 are $3,017,000, $89,665,000 and $292,500,000, respectively. Additionally, the $175,000,000 of the 9¾% Notes that are not covered by the fair value hedge discussed above had a fair value of $198,188,000 at July 3, 2004.

8. Accrued Expenses and Other:

Accrued expenses and other consist of the following:

	July 3, 2004	June 27, 2003
	(Thousands)	
Payroll, commissions and related accruals	$130,140	$126,126
Insurance	8,518	11,373
Income taxes	88,936	31,640
Other	157,036	147,216
	$384,630	$316,355

9. Income Taxes:

The components of the provision for (benefit from) income taxes are indicated in the table below. The tax provision (benefit) for deferred income taxes results from temporary differences arising principally from inventory valuation, accounts receivable valuation, net operating losses related to foreign operations, certain accruals and depreciation, net of any changes to the valuation allowance.

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
		(Thousands)	
Current:			
Federal	$ 861	$(60,425)	$(77,608)
State and local	572	(7,855)	(10,396)
Foreign	26,883	13,385	40,799
Total current taxes	28,316	(54,895)	(47,205)
Deferred:			
Federal	(8,835)	18,607	25,595
State and local	(1,720)	2,419	6,193
Foreign	7,740	580	(20,960)
Total deferred taxes	(2,815)	21,606	10,828
Provision for (benefit from) income taxes	$25,501	$(33,289)	$(36,377)

The provision for (benefit from) income taxes noted above is computed based upon the split of income (loss) before income taxes from U.S. and foreign operations. U.S. income (loss) before income taxes was $13,682,000, ($78,485,000) and ($100,708,000) and foreign income (loss) before income taxes was $84,716,000, ($920,000), and ($20,105,000), in fiscal 2004, 2003 and 2002, respectively.

A reconciliation between the federal statutory tax rate and the effective tax rate is as follows:

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
Federal statutory rate	35.0%	(35.0)%	(35.0)%
State and local income taxes, net of federal benefit	(1.1)	(4.5)	(2.8)
Impairment of investments in unconsolidated entities (Note 17)	—	0.7	10.2
Foreign tax rates, including impact of valuation allowances	(8.9)	(4.1)	(3.3)
Other, net	0.9	1.0	0.8
Effective tax rate	25.9%	(41.9)%	(30.1)%

Foreign tax rates generally consist of the impact of the difference between foreign and federal statutory rates applied to foreign income (losses) and also include the impact of valuation allowances placed against the Company's otherwise realizable foreign loss carry-forwards. The additional valuation allowances recorded during fiscal 2004 and 2003 are substantially offset by tax benefits related to certain foreign losses that are deductible in the United States. The Company determines its valuation allowance through an evaluation of relevant factors used to assess the likelihood of recoverability of the Company's deferred tax assets.

The significant components of deferred tax assets and liabilities, included primarily in other long-term assets on the consolidated balance sheets, are as follows:

	July 3, 2004	June 27, 2003
	(Thousands)	
Deferred tax assets:		
Inventory valuation	$ 12,060	$ 25,370
Accounts receivable valuation	16,845	18,963
Federal, state and foreign tax loss carry-forwards	328,678	218,217
Various accrued liabilities and other	57,102	78,682
	414,685	341,232
Less — valuation allowance	(174,090)	(148,382)
	240,595	192,850
Deferred tax liabilities:		
Depreciation and amortization of property, plant and equipment	7,544	9,051
Net deferred tax assets	$ 233,051	$ 183,799

As of July 3, 2004, the Company had foreign net operating loss carryforwards of approximately $781,531,000, approximately $153,535,000 of which have expiration dates ranging from fiscal 2005 to 2019 and the remaining $627,996,000 of which have no expiration date. The Company also had U.S. federal net operating loss carryforwards of approximately $69,470,000 as of July 3, 2004, which expire in fiscal 2024.

10. Pension and Profit Sharing Plans:

Pension Plan

The Company's noncontributory defined benefit pension plan (the "Plan") covers substantially all domestic employees. Employees are eligible to participate in the Plan following the first year of service with at least 1,000 hours worked. The Plan provides defined benefits pursuant to a cash balance feature whereby a participant accumulates a benefit based upon a percentage of current salary, which varies with age, and interest credits. The Company uses June 30 as the measurement date for determining pension benefits for each fiscal year.

The following tables outline changes in benefit obligations, plan assets and the funded status of the Plan as of the end of fiscal 2004 and 2003:

	July 3, 2004	June 27, 2003
	(Thousands)	
Changes in benefit obligations:		
Benefit obligations at beginning of year	$215,344	$175,902
Service cost	14,295	12,021
Interest cost	12,990	12,151
Actuarial (gain) loss	(5,542)	30,967
Benefits paid	(14,279)	(15,697)
Benefit obligations at end of year	$222,808	$215,344
Change in plan assets:		
Fair value of plan assets at beginning of year	$132,764	$141,130
Actual return on plan assets	14,984	4,872
Benefits paid	(14,279)	(15,697)
Contributions	20,648	2,459
Fair value of plan assets at end of year	$154,117	$132,764
Information on funded status of plan and the amount recognized:		
Funded status of the plan	$(68,691)	$(82,580)
Unrecognized net actuarial loss	67,281	72,153
Unamortized prior service credit	(687)	(1,008)
Accrued pension cost recognized in the consolidated balance sheets	$ (2,097)	$(11,435)
Pre-tax additional minimum pension liability recognized in comprehensive income	$(66,594)	$(71,145)

Weighted average assumptions used to calculate actuarial present values of benefit obligations are as follows:

	2004	2003
Discount rate	6.50%	6.25%

Under the cash balance plan, service costs are based solely on current year salary levels; therefore, projected salary increases are not taken into account.

Weighted average assumptions used to determine net benefit costs are as follows:

	2004	2003
Discount rate	6.25%	7.25%
Expected return on plan assets	9.00	9.50

Components of net periodic pension costs during the last three years are as follows:

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
		(Thousands)	
Service cost	$ 14,295	$ 12,021	$ 11,647
Interest cost	12,990	12,151	12,043
Expected return on plan assets	(16,389)	(16,524)	(17,043)
Recognized net actuarial (gain) loss	734	—	—
Amortization of prior service credit	(321)	(321)	(321)
Net periodic pension cost	$ 11,309	$ 7,327	$ 6,326

The Company expects to make contributions to the Plan of approximately $13,330,000 during fiscal 2005. The Company may make additional voluntary contributions to the Plan during fiscal 2005. Benefit payments are expected to be paid to participants as follows for the next five fiscal years and the aggregate for the five years thereafter (in thousands):

2005	$ 13,024
2006	12,881
2007	12,977
2008	14,353
2009	16,338
2010 through 2014	110,690

The Plan's assets are held in trust and were allocated as follows as of the June 30 measurement date for fiscal 2004 and 2003:

	2004	2003
Equity securities	59%	56%
Debt securities	34	38
Other investments, primarily money market funds	7	6

The general investment objectives of the Plan are to maximize returns through a diversified investment portfolio in order to earn annualized returns that meet the long-term cost of funding the Plan's pension obligations while maintaining reasonable and prudent levels of risk. The target rate of return on Plan assets is currently 9.0%, which represents the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. This assumption has been determined by combining expectations regarding future rates of return for the investment portfolio along with the historical and expected distribution of investments by asset class and the historical rates of return for each of those asset classes. The mix of equity securities is typically diversified to obtain a blend of domestic and international investments covering multiple industries. The Plan assets do not include any material investments in Avnet common stock. The Plan's investments in debt securities are also diversified across both public and private fixed income portfolios. The Company's current target allocation for the investment portfolio is for equity securities to represent approximately 70% of the portfolio with a policy for minimum investment in equity securities of 56% of the portfolio and a maximum of 88%. The majority of the remaining portfolio of investments are to be invested in fixed income securities.

Not included in the above tabulations and discussion are pension plans primarily of certain non-U.S. subsidiaries, which are not material.

401(k) Plan

The Company has a 401(k) plan that covers substantially all domestic employees. Employees are eligible to participate in the 401(k) plan on the first month after completing 90 days of service. The expense, including matching contributions, relating to the 401(k) plan for fiscal 2004 and 2003 totaled $1,819,000 and $276,000, respectively. During fiscal 2002, the Company did not make any matching contributions and expenses associated with the 401(k) plan were $23,000.

11. Long-term Leases:

The Company leases many of its operating facilities and is also committed under lease agreements for transportation and operating equipment. Rent expense charged to operations during the last three years is as follows:

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
		(Thousands)	
Buildings	$41,043	$42,775	$43,506
Equipment	5,462	5,589	5,864
	$46,505	$48,364	$49,370

The aggregate future minimum operating lease commitments, principally for buildings, in 2005 through 2009 and thereafter (through 2014), are as follows (in thousands):

2005	$ 46,689
2006	35,935
2007	27,508
2008	20,119
2009	14,992
Thereafter	32,331
Total	$177,574

12. Stock-based Compensation Plans:

Stock Option Plans:

In November 2003, the Company's shareholders approved the 2003 Stock Compensation Plan (the "2003 Plan") and in January 2004, the Company registered 6,000,000 shares for grant under the 2003 Plan. The entire 6,000,000 shares can be utilized to satisfy stock option exercises and no more than 2,000,000 of the shares can be utilized for restricted stock awards.

The Company has five stock option plans with shares available for grant at July 3, 2004:

	Plan				
	1995	1996	1997	1999	2003
Minimum exercise price as a percentage of fair market value at date of grant	85%	100%	85%	85%	85%
Plan termination date	August 31, 2005	December 31, 2006	November 19, 2007	November 21, 2009	September 18, 2013
Shares available for grant at July 3, 2004	417,000	87,963	9,750	102,838	5,675,000

As applicable, the excess of the fair market value at the date of grant over the exercise price is considered deferred compensation, which is amortized and charged against income as it is earned. The maximum term of options granted under any of the plans is 10 years from the date of grant.

The following is a summary of the changes in outstanding options for the three years ended July 3, 2004:

	2004		2003		2002	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	10,614,722	$21.37	9,555,698	$23.13	10,125,378	$23.20
Granted	1,808,300	18.30	1,798,700	12.84	1,739,675	18.72
Exercised	(888,276)	17.18	(58,524)	9.76	(1,478,805)	17.56
Canceled or expired	(1,521,503)	23.49	(681,152)	24.81	(830,550)	24.78
Outstanding at end of year	10,013,243	20.87	10,614,722	21.37	9,555,698	23.13
Exercisable at end of year	6,031,657	23.12	6,810,029	23.35	5,784,988	24.03

The following information relates to options outstanding at July 3, 2004:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options	Weighted Average Exercise Price
$15.00 and below	1,665,472	$12.82	93 Months	461,023	$12.80
15.00 to 20.00	4,029,038	17.89	85 Months	1,750,981	17.78
20.00 to 25.00	2,304,086	22.91	50 Months	2,080,911	22.86
25.00 to 30.00	1,174,913	28.28	74 Months	907,430	28.25
30.00 to 35.00	631,776	31.66	41 Months	624,746	31.65
35.00 and above	207,958	45.77	39 Months	206,566	45.84
	10,013,243			6,031,657	

Employee Stock Purchase Plan:

In October 1995, the Company implemented the Avnet Employee Stock Purchase Plan ("ESPP"). Under the terms of the ESPP, eligible employees of the Company are offered options to purchase shares of Avnet common stock at a price equal to 85% of the fair market value on the first or last day, whichever is lower, of each monthly offering period. A total of 4,000,000 shares of Avnet common stock have been reserved for sale under the ESPP, including an additional 1,000,000 shares reserved for the ESPP in fiscal 2004. At July 3, 2004, employees had purchased 3,080,329 shares and 919,671 shares were still available for purchase under the ESPP.

Incentive Stock:

The Company has an Incentive Stock Program wherein a total of 181,655 shares were still available for award at July 3, 2004 based upon operating achievements. Delivery of incentive shares is spread equally over a four-year period and is subject to the employee's continuance in the Company's employ. As of July 3, 2004, 23,304 shares previously awarded have not yet been delivered. Compensation expense associated with this program was not material in fiscal 2004, 2003 and 2002. The current program will terminate on December 31, 2004. However, as discussed above, 2,000,000 additional shares registered under the 2003 Plan can be used for restricted stock awards.

Outside Director Stock Bonus Plan:

The Company has a program whereby non-employee directors are awarded shares equal to $20,000 of Avnet common stock upon their re-election each year, as part of their director compensation package. Directors may elect to receive this compensation in the form of common stock under the Outside Director Stock Bonus Plan or they may elect to defer their compensation to be paid in common stock at a later date. Shares under this plan are issued in January of each year and the number of shares is calculated by dividing $20,000 by the average of the high and low price of Avnet common stock on the first business day of January. As of July 3, 2004, 30,193 shares are reserved for issuance under this plan.

Other Stock-based Compensation Information:

At July 3, 2004, there were 17,460,617 common shares reserved for stock options (including the ESPP) and incentive stock programs (including the director plan).

13. Contingent Liabilities:

From time to time, the Company may become liable with respect to pending and threatened litigation, taxes and environmental and other matters. The Company has been designated a potentially responsible party or has become aware of other potential claims against it in connection with environmental clean-ups at several sites. Based upon the information known to date, the Company believes that it has appropriately reserved for its share of the costs of the clean-ups and it is not anticipated that any contingent matters will have a material adverse impact on the Company's financial condition, liquidity or results of operations.

14. Earnings (Loss) Per Share:

Basic earnings (loss) per share is computed based on the weighted average number of common shares outstanding and excludes any potential dilution. Diluted earnings (loss) per share reflect potential dilution from the exercise or conversion of securities into common stock.

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
	(Thousands, except per share data)		
Numerator:			
Income (loss) before cumulative effect of change in accounting principle	$ 72,897	$(46,116)	$ (84,436)
Cumulative effect of change in accounting principle (Note 6)	—	—	(580,495)
Net income (loss) for basic earnings (loss) per share	72,897	(46,116)	(664,931)
Interest on 4.5% Convertible Notes due September 1, 2004	100	—	—
Net income (loss) for diluted earnings (loss) per share	$ 72,997	$(46,116)	$(664,931)
Denominator:			
Weighted average common shares for basic earnings (loss) per share	120,086	119,456	118,561
Net effect of dilutive stock options and restricted stock awards	1,113	—	—
Net effect of 4.5% Convertible Notes due September 1, 2004	53	—	—
Weighted average common shares for diluted earnings (loss) per share	121,252	119,456	118,561
Basic earnings (loss) per share:			
Income (loss) before cumulative effect of change in accounting principle	$ 0.61	$ (0.39)	$ (0.71)
Cumulative effect of change in accounting principle	—	—	(4.90)
Net earnings (loss) per basic share	$ 0.61	$ (0.39)	$ (5.61)
Diluted earnings (loss) per share:			
Income (loss) before cumulative effect of change in accounting principle	$ 0.60	$ (0.39)	$ (0.71)
Cumulative effect of change in accounting principle	—	—	(4.90)
Net earnings (loss) per diluted share	$ 0.60	$ (0.39)	$ (5.61)

The 4.5% convertible notes are excluded from the computation of loss per share in fiscal 2003 and 2002 as the effects were antidilutive. Shares issuable upon conversion of the 2% Convertible Debentures are also excluded from the computation of earnings per share for fiscal 2004 because the contingent conditions for their conversion have not been met (see Note 7).

The effects of certain stock options and restricted stock awards are also excluded from the determination of the weighted average common shares for diluted earnings (loss) per share in each of the periods presented as the effects were antidilutive or the exercise price for the outstanding options exceeded the average market price for the Company's common stock. Accordingly, in fiscal 2004, the effects of approximately 3,159,000 shares related to stock options are excluded from the computation above, all of which relate to options for which exercise prices were greater than the average market price of the Company's common stock. In fiscal 2003 and 2002, the effects of approximately 10,682,000 and 9,705,000 shares, respectively, related to

stock options and restricted stock awards, are excluded from the computation above of which approximately 10,467,000 and 3,891,000, respectively, related to options for which the exercise prices were greater than the average market price of the Company's common stock (see Note 12 for options outstanding and weighted average exercise prices).

15. Additional Cash Flow Information:

Other non-cash and reconciling items consist of the following:

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
		(Thousands)	
Provisions for doubtful accounts	$36,434	$46,664	$32,276
Other, net — primarily net periodic pension cost (Note 10)	11,215	3,120	11,003
Total	$47,649	$49,784	$43,279

In fiscal 2003 and 2002, the Company recognized through other comprehensive income (loss) additional minimum pension liabilities of $42,939,000 and $28,205,000, respectively, net of the related deferred tax benefit of $19,988,000 and $11,155,000, respectively. In fiscal 2004, the Company reversed through other comprehensive income (loss) a portion of the additional minimum pension liability amounting to $4,169,000 net of the related deferred taxes of $1,651,000. These are non-cash reconciling items. See Note 10 for discussion of the Company's pension plan.

Interest and income taxes paid (refunded) during the last three years were as follows:

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
		(Thousands)	
Interest	$105,773	$ 95,306	$126,945
Income taxes	(59,073)	(195,994)	40,109

16. Segment Information:

During the first quarter of fiscal 2004, the Company combined its Avnet Computer Marketing ("CM") and Avnet Applied Computing ("AC") operating groups into one computer products and services business called Avnet Technology Solutions ("TS"). This combination was part of the Company's continued efforts to strengthen its market leadership position, streamline the business and further leverage cost synergies resulting from the combination. In light of the similarities of the logistics operations and related functions of CM and AC, the consolidation of certain of the units' operating facilities, equipment and processes has yielded cost savings while also stimulating new market opportunities for the combined group.

As a result of the formation of TS, Avnet Electronics Marketing ("EM") and TS are the overall segments upon which management primarily evaluates the operations of the Company and upon which it based its operating decisions during fiscal 2004. Therefore, the segment data that follows reflects the two segments subsequent to the formation of TS. Data for fiscal 2003 and 2002 has been restated to present segment data on a consistent basis with fiscal 2004.

EM markets and sells semiconductors, interconnect, passive and electromechanical devices, and radio frequency/microwave components. EM markets and sells its products to a diverse customer base spread across end-markets including communications, computer hardware and peripheral, industrial and manufacturing, medical equipment and military and aerospace. EM also offers an array of value-added services to its customers such as supply-chain management, engineering design, inventory replenishment systems, connector and cable assembly and semiconductor programming.

TS markets and sells mid- to high-end servers, data storage, software and networking solutions, and the services required to implement these solutions, to the value-added reseller channel and enterprise computing customers. TS also focuses on the worldwide original equipment manufacturers ("OEM") market for computing technology, system integrators and non-PC OEMs that require embedded systems and solutions including engineering, product prototyping, integration and other value-added services.

	Years Ended		
	July 3, 2004	June 27, 2003	June 28, 2002
		(Millions)	
Sales:			
Avnet Electronics Marketing	$ 5,892.4	$4,988.4	$4,841.9
Avnet Technology Solutions	4,352.3	4,060.0	4,078.3
	$10,244.7	$9,048.4	$8,920.2
Operating income (loss):			
Avnet Electronics Marketing	$ 212.5	$ 101.9	$ 22.7
Avnet Technology Solutions	98.9	56.2	105.8
Corporate	(53.6)	(38.6)	(51.9)
	257.8	119.5	76.6
Restructuring and Other Charges	(55.6)	(106.8)	(79.6)
	$ 202.2	$ 12.7	$ (3.0)
Assets:			
Avnet Electronics Marketing	$ 3,489.0	$2,928.8	$2,940.8
Avnet Technology Solutions	1,243.8	1,174.3	1,402.0
Corporate	130.9	396.5	339.1
	$ 4,863.7	$4,499.6	$4,681.9
Capital expenditures:			
Avnet Electronics Marketing	$ 12.6	$ 20.2	$ 56.3
Avnet Technology Solutions	7.2	9.4	22.7
Corporate	8.8	4.6	8.2
	$ 28.6	$ 34.2	$ 87.2
Depreciation & amortization expense:			
Avnet Electronics Marketing	$ 27.8	$ 44.3	$ 53.6
Avnet Technology Solutions	11.9	16.9	19.2
Corporate	24.8	27.6	31.1
	$ 64.5	$ 88.8	$ 103.9
Sales, by geographic area, are as follows:			
Americas	$ 5,409.6	$5,028.7	$5,346.3
EMEA (Europe, Middle East and Africa)	3,380.2	2,997.1	2,874.4
Asia/Pacific	1,454.9	1,022.6	699.5
	$10,244.7	$9,048.4	$8,920.2
Assets, by geographic area, are as follows:			
Americas	$ 2,457.7	$2,616.6	$2,892.4
EMEA (Europe, Middle East and Africa)	1,853.8	1,461.3	1,444.0
Asia/Pacific	552.2	421.7	345.5
	$ 4,863.7	$4,499.6	$4,681.9

The Company manages its business based upon the operating results of its two operating groups before restructuring and other charges (see Note 17). In each of the three years presented above, approximate unallocated pre-tax restructuring and other charges related to EM and TS, respectively, were: $19,446,000 and $29,920,000 in fiscal 2004; $84,238,000 and $21,315,000 in fiscal 2003; and $12,811,000 and $32,527,000 in fiscal 2002. The remaining restructuring and other charges in each year relate to corporate activities.

Beginning in fiscal 2003, the Company has allocated its goodwill remaining after the transition impairment charge recorded in accordance with the adoption of SFAS 142 (see Note 6) to the applicable unit level in order to better evaluate and measure performance of its unit and segment operations. Asset balances by group and by geography in fiscal 2002 have been reclassified to present this prior year on a consistent basis.

17. Restructuring and Other Charges:

Over the course of the past three years, the Company recorded a number of restructuring and integration charges which generally related either to the reorganization of operations in each of the three major regions of the world in which the Company operates, charges stemming from the acquisition and integration of newly acquired businesses. During that period, the Company has also recorded other charges, generally taken in response to business conditions at the time of the charge, including impairments recorded to certain of its Internet-related investments. The following table summarizes these charges for the past three years, including activity in the related accrued liability and reserve accounts subsequent to initially recording the charge:

	Severance Costs	Facility Exit Costs	IT-Related Costs	Other	Impairment of Investments	Total
Balance at June 29, 2001	$ 20,266	$ 26,631	$ —	$ 13,156	$ —	$ 60,053
2002 activity	13,712	15,863	—	13,871	36,177	79,623
Amounts utilized	(27,208)	(21,467)	—	(24,115)	(36,177)	(108,967)
Balance at June 28, 2002	6,770	21,027	—	2,912	—	30,709
2003 activity	27,476	38,132	47,762	—	—	113,370
Amounts utilized	(28,882)	(24,891)	(46,199)	(1,320)	—	(101,292)
Adjustments	(462)	(2,761)	(850)	(945)	—	(5,018)
Other, principally foreign currency translation	2,332	5,401	29	—	—	7,762
Balance at June 27, 2003	7,234	36,908	742	647	—	45,531
2004 activity	14,691	15,643	19,759	5,525	—	55,618
Amounts utilized	(18,235)	(32,411)	(19,351)	(5,624)	—	(75,621)
Adjustments	(1,043)	1,164	(210)	—	—	(89)
Other, principally foreign currency translation	381	1,041	(68)	—	—	1,354
Balance at July 3, 2004	$ 3,028	$ 22,345	$ 872	$ 548	$ —	$ 26,793

Total amounts utilized in fiscal 2004, 2003 and 2002 consist of cash payments of $44,212,000, $45,948,000 and $47,043,000, respectively and non-cash write-downs of $31,409,000, $55,344,000 and $77,961,000, respectively. Additionally, fiscal 2002 amounts utilized include $16,037,000 in cash recoveries of prior year acquisition integration costs discussed more fully below.

During the first and second quarters of fiscal 2004, the Company executed certain restructuring and cost reduction initiatives designed to continue improving the profitability of the Company. These actions can generally be broken into three categories: (1) the combination of CM and AC as discussed in Note 16; (2) the reorganization of the Company's global IT resources, which had previously been administered

generally on a separate basis within each of the Company's operating groups; and (3) various other reductions within EM and certain centralized support functions.

Restructuring and other charges incurred during the first quarter of fiscal 2004 totaled $32,153,000 pre-tax and $22,186,000 after-tax, or $0.18 per diluted share. The pre-tax charge consisted of severance costs ($9,393,000), charges related to consolidation of selected facilities ($10,848,000), write-downs of certain capitalized IT-related initiatives ($6,909,000) and other items, consisting primarily of the write-off of the remaining unamortized deferred loan costs associated with the Company's multi-year credit facility terminated in September 2003 as discussed in Note 7 ($5,003,000).

Severance costs resulted from workforce reductions of approximately 400 personnel completed during the first quarter, primarily in executive, support and other non-customer facing functions in the Americas and EMEA regions. Management also identified a number of facilities for consolidation primarily in the Americas and EMEA regions. These facilities generally related to certain logistics and warehousing operations as well as certain administrative facilities across both operating groups and at the corporate level. The charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in these facilities that have been vacated. Management also evaluated and elected to discontinue a number of IT-related initiatives that, in light of recent business restructurings, no longer met the Company's return on investment standards for continued use or deployment. These charges related to write-offs of capitalized hardware and software.

Restructuring charges incurred during the second quarter of fiscal 2004 totaled $23,465,000 pre-tax, $16,351,000 after-tax, or $0.14 per diluted share. The charges consisted of severance costs ($5,298,000), charges related to write-downs of owned assets and consolidation of selected facilities ($4,795,000), write-downs of certain capitalized IT-related initiatives ($12,850,000) and other items ($522,000).

Severance charges related to workforce reductions of approximately 120 personnel, the majority of whom staffed warehousing, administrative and support functions primarily for facilities within TS EMEA operations that were identified for consolidation as part of the combination of CM and AC. A smaller portion of these charges also impacted operations in the Americas. The combination of CM and AC in EMEA also led to charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in the facilities that were vacated. The facilities primarily served in warehousing and administrative capacities. Management also evaluated and elected to discontinue a number of IT-related initiatives similar to the decisions also reached in the first quarter of fiscal 2004 as discussed above. These charges related to the write-off of capitalized hardware and software. Lastly, the Company's efforts to combine CM and AC in EMEA resulted in the decision to merge the former CM EMEA operations onto the computer systems that have historically been used in the AC EMEA business. The change in the use of this significant asset of CM EMEA generated a need to analyze the group of long-lived assets within the former CM EMEA operations for impairment. As a result of this analysis, the Company recorded an impairment charge to write-down certain long-lived assets to their estimated fair market values. This charge, totaling $9,430,000, of which $4,228,000 relates to the CM EMEA computer systems, is included in the facilities and IT-related charges discussed above.

During the fourth quarter of fiscal 2004, as part of management's ongoing analysis of the reserves for various restructuring activities, the Company recorded adjustments to certain of its remaining reserves. The adjustments occurred primarily in the Company's EM and TS operations in EMEA and related to adjustments to reduce excess severance reserves based upon revised estimates of statutorily required payouts and recording of additional charges related to leased facilities due to modifications to sublease and termination assumptions based upon ongoing market conditions. The Company also negotiated a favorable buyout of a hardware and software maintenance contract, which resulted in the reversal of certain IT-related reserves. These adjustments are reflected on the "Adjustments" line item in the above table for fiscal 2004.

The combined charges recorded during fiscal 2004 totaled $55,618,000 pre-tax and $38,537,000 after-tax, or $0.32 per diluted share.

During the second quarter of fiscal 2003, the Company executed certain actions as part of its cost reduction initiatives and, accordingly, recorded charges totaling $106,765,000 pre-tax, $65,750,000 after tax, or $0.55 per diluted share. The charge consisted of severance costs ($21,700,000 pre-tax), charges related to the consolidation of selected facilities ($37,359,000 pre-tax) and charges related to certain IT-related initiatives ($47,706,000 pre-tax).

These charges included severance costs and charges related to the consolidation of selected facilities, taken in response to the business environment. During the second quarter of fiscal 2003, management identified a number of facilities in each of the Company's operating groups and its corporate functions, which covered each of the Company's geographic regions, to be consolidated into other facilities. The facilities were identified in an effort to combine certain logistics and administrative operations wherever possible and eliminate what would otherwise be duplicative costs. The charges related to reserves for remaining non-cancelable lease obligations, write-downs of the carrying value of certain owned facilities to market value and write-downs to fair market value of owned assets located in these leased and owned facilities that were vacated. Additionally, workforce reductions at these and other facilities worldwide resulted in the termination of approximately 750 personnel. The impacted personnel were primarily in non-customer facing positions. The IT-related charges resulted from management's decision during the second quarter of fiscal 2003 to discontinue a number of IT-related initiatives that represented insufficient benefit to the Company if they were kept in service or continued to be developed. These charges included the write-off of capitalized hardware, software and software licenses.

During the fourth quarter of fiscal 2003, the Company executed certain additional actions that resulted in charges totaling $6,605,000 pre-tax. The incremental impact of these actions was substantially offset by certain adjustments that the Company recorded, also in the fourth quarter of fiscal 2003, primarily relating to certain of the reserves recorded from the restructuring activity in the second quarter of fiscal 2003. The new charge activity, mostly for severance and consolidation of selected facilities, related to each of the Company's three operating groups and its corporate functions in the Americas and EMEA regions. The additional census reductions totaled approximately 175 and resulted primarily from: (1) EM's decision to combine its Cilicon and RF and Microwave sales divisions; and (2) TS's decision to reduce its participation in certain market segments where profitability of the products in question have not yielded acceptable economic returns to the Company. The fourth quarter adjustments to prior restructuring and other charges reflect changes in estimates from the time the charges and applicable reserves were initially recorded, relating to: (1) reserves for severance and for leases and other contractual commitments that were determined to be excessive during the fourth quarter based upon payments made or still to be made and/or based upon more favorable than anticipated sublease or lease buyout arrangements; and (2) an adjustment, based upon estimated sales price net of costs to sell as derived from current market studies and comparable sales, of a portion of a write-down that was recorded in the second quarter of fiscal 2003 related to an owned facility that was vacated and classified as held for sale during that quarter.

In the fourth quarter of fiscal 2002, the Company recorded charges representing a write-down in value of certain assets acquired in the fiscal 2001 acquisition of Kent Electronics Corporation ("Kent") and certain other charges taken in response to business conditions. The charge totaled $79,623,000 pre-tax ($21,600,000 included in cost of sales and the remaining $58,023,000 included as a component of operating expenses) and $62,084,000 after tax, or $0.52 per share on a diluted basis.

The Kent-related items resulted from the acquisition of Kent being accounted for using the "pooling-of-interests" method of accounting for the acquisition. These items related specifically to assets or obligations that were on the books of Kent at the acquisition and, therefore, under the "pooling-of-interests" method, these items that normally would have been reflected as adjustments to goodwill if the purchase method of

accounting had been used were instead recorded to the Company's consolidated statement of operations. These items amounted to $29,734,000 pre-tax and relate primarily to: (1) write-downs to the value of receivables considered uncollectible after the Company had exhausted efforts of collecting these amounts from Kent's pre-acquisition customers ($8,200,000 pre-tax); (2) excess and obsolete inventory, primarily for customer-specific inventory held by Kent at the acquisition date that was subsequently determined, through ongoing negotiations with the customer, to require a write-down to net realizable value ($21,600,000 pre-tax); and (3) charges to record additional write-downs to approximate fair market value on held-for-sale properties acquired in the Kent acquisition or to record lease reserves for non-cancelable lease obligations on properties the Company committed to exit ($15,971,000 pre-tax); (4) net of approximately $16,037,000 pre-tax in cash recoveries of certain charges recorded as part of the restructuring and integration charges taken in the fourth quarter of 2001. The majority of these acquisition-related charges are included in "other" in the table summarizing the Company's restructuring activity for the three years ended July 3, 2004.

The remaining pre-tax charge recorded in the fourth quarter of fiscal 2002, which amounted to $49,889,000, included an impairment charge of $36,177,000 pre-tax to write-down certain of the Company's investments in unconsolidated Internet-related businesses to their fair market value and $13,712,000 pre-tax for severance charges taken for workforce reductions, primarily in the Americas region, with more limited reductions in EMEA and Asia, totaling approximately 850 individuals. The impairments recorded to the Company's Internet-related investments are considered capital losses for tax purposes and were therefore only deductible to the extent the Company had available capital gains. At that time, there were no capital gains, available or forecasted in the foreseeable future, to offset these losses. Therefore, the Company generally did not record a tax benefit for these losses.

As of July 3, 2004, the Company's total remaining reserves for restructuring and other related activities totaled $26,793,000. Of this balance, $3,028,000 relates to remaining severance reserves, the majority of which the Company expects to utilize by the end of the first quarter of fiscal 2006. Reserves for $22,345,000 relate to reserves for contractual lease commitments, substantially all of which the Company expects to utilize by the end of fiscal 2007. The IT-related and other reserves, which total $1,420,000, relate primarily to remaining contractual commitments, the majority of which the Company expects to utilize by the end of fiscal 2005.

18. Summary of Quarterly Results (Unaudited):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
		(Millions, except per share amounts)			
2004					
Sales	$2,407.7	$2,554.4	$2,639.6	$2,643.0	$10.244.7
Gross profit	309.1	329.2	358.6	368.0	1,364.9
Net income (loss)	(11.4)(a)	8.9 (b)	26.7(c)	48.7	72.9(a)(b)(c)
Diluted earnings (loss) per share	(0.09)(a)	0.07 (b)	0.22(c)	0.40	0.60(a)(b)(c)
2003					
Sales	$2,173.9	$2,346.6	$2,340.5	$2,187.4	$ 9,048.4
Gross profit	297.6	315.6	307.1	294.7	1,215.0
Net income (loss)	(0.5)	(58.6)(d)	1.5(e)	11.5	(46.1)(d)(e)
Diluted earnings (loss) per share	—	(0.49)(d)	0.01(e)	0.10	(0.39)(d)(e)

(a) Includes the impact of restructuring and other charges recorded in connection with cost cutting initiatives and the combination of the Avnet Computer Marketing ("CM") and Avnet Applied Computing

("AC") operating groups into one operating group now called Avnet Technology Solutions ("TS"). The charges amounted to $32.2 million pre-tax (all of which was included as part of operating expenses), $22.2 million after-tax and $0.18 per share on a diluted basis for the first quarter and fiscal year 2004. See Note 17.

(b) Includes the impact of additional restructuring and other charges recorded in connection with cost cutting initiatives and the combination of CM and AC. The charges amounted to $23.4 million pre-tax (all of which was included as part of operating expenses), $16.4 million after-tax and $0.14 per share on a diluted basis for the second quarter and fiscal year 2004. See Note 17.

(c) Includes the impact of debt extinguishment costs associated with the Company's cash tender offer completed during the third quarter for $273.4 million of the 7⅞% Notes due February 15, 2005. These charges amounted to $16.4 million pre-tax, $14.2 million after-tax and $0.12 per share on a diluted basis for the third quarter and fiscal year 2004. See Note 7.

(d) Includes the impact of restructuring and other charges associated with the Company's continuing cost reduction initiatives. The charges related to (a) severance for workforce reductions, (b) reserves for non-cancelable lease obligations, write-downs of the carrying value of owned facilities and write-downs of owned assets located in these leased and owned facilities, and (c) costs related to write-offs of certain IT-related initiatives. The charges amounted to $106.8 million pre-tax (all of which is included as part of operating expenses), $65.8 million after-tax and $0.55 per share on a diluted basis for the second quarter and fiscal year 2003. See Note 17.

(e) Includes the impact of debt extinguishment costs associated with the Company's cash tender offers and repurchases completed during the third quarter of fiscal 2003 for $159.0 million of its 6.45% Notes due August 15, 2003 and $220.1 million of its 8.20% Notes due October 17, 2003. These charges amounted to $13.5 million pre-tax, $8.2 million after-tax and $0.07 per share on a diluted basis for the third quarter and fiscal year 2003. See Note 7.

SCHEDULE II

AVNET, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

Years Ended July 3, 2004, June 27, 2003 and June 28, 2002

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts-Describe	Deductions-Describe	Balance at End of Period
			(Thousands)		
Fiscal 2004					
Allowance for doubtful accounts	$ 84,042	$36,434	$ —	$42,066(a)	$ 78,410
Valuation allowance on foreign loss carryforwards (Note 9) . . .	148,382	25,708	—	—	174,090
Fiscal 2003					
Allowance for doubtful accounts	99,073	46,664	—	61,695(a)	84,042
Valuation allowance on foreign loss carryforwards (Note 9) . . .	120,671	27,711	—	—	148,382
Fiscal 2002					
Allowance for doubtful accounts	65,204	32,276	977(b) 13,894(c)	13,278(a)	99,073
Valuation allowance on foreign loss carryforwards (Note 9) . . .	49,783	70,888	—	—	120,671

(a) Uncollectible accounts written off.

(b) Recovery of amounts previously written off or reserved.

(c) Reserves recorded primarily through fiscal 2002 restructuring charges (see Note 17) and subsequently classified as reserves for doubtful accounts in fiscal 2002.

INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Restated Certificate of Incorporation of the Company (incorporated herein by reference to the Company's Current Report on Form 8-K dated February 12, 2001, Exhibit 3(i).
3.2	By-laws of the Company, effective November 6, 2003 (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated November 14, 2003 Exhibit 3).
4.1	Indenture dated as of October 1, 2000, between the Registrant and Bank One Trust Company, N.A., as Trustee, providing for the issuance of Debt Securities in one or more series (incorporated herein by reference to the Company's Current Report on Form 8-K dated January 31, 2003, Exhibit 4.1).
4.2	Officers' Certificate dated February 4, 2003, providing for the 9¾% Notes, including (a) the form of the Notes, and (b) the Pricing Agreement (incorporated herein by reference to the Company's Current Report on Form 8-K dated January 31, 2003, Exhibit 4.2).
4.3	Indenture dated as of May 5, 2004, by and between the Company and JP Morgan Trust Company, National Association (incorporated herein by reference to the Company's Current Report on Form 8-K dated March 8, 2004, Exhibit 4.1).
4.4	Officers' Certificate dated March 5, 2004, establishing the terms of the Debentures (incorporated herein by reference to the Company's Current Report on Form 8-K dated March 8, 2004, Exhibit 4.2).
	Note: The total amount of securities authorized under any other instrument that defines the rights of holders of Company's long-term debt does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. Therefore, these instruments are not required to be filed as exhibits to this Report. The Company agrees to furnish copies of such instruments to the Commission upon request.
	Executive Compensation Plans and Arrangements
10.1	Employment Agreement dated June 29, 1998 between the Company and David R. Birk (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 18, 1998, Exhibit 99.3).
10.2	Employment Agreement dated June 29, 1998 between the Company and Raymond Sadowski (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 18, 1998, Exhibit 99.4).
10.3	Employment Agreement dated April 1, 2000 and Change of Control Agreement between the Company and Andrew S. Bryant (incorporated herein by reference to the Company's Current Report on Form 8-K dated May 14, 2001, Exhibit 99C).
10.4	Employment Agreement dated May 1, 2000 between the Company and Richard Hamada (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10B).
10.5	Employment Agreement dated July 1, 2002 and Change of Control Agreement between the Company and Edward B. Kamins (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10C).
10.6	Employment Agreement dated June 29, 2002 between the Company and Roy Vallee (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10D).
10.7	Change of Control Agreement dated as of March 1, 2001 between the Company and David R. Birk (incorporated herein by reference to the Company's Current Report on Form 8-K dated May 14, 2001, Exhibit 99D).
10.8	Change of Control Agreement dated as of March 1, 2001 between the Company and Ray Sadowski (incorporated herein by reference to the Company's Current Report on Form 8-K dated May 14, 2001, Exhibit 99H).
10.9	Change of Control Agreement dated September 22, 2003 between the Company and Richard Hamada (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated November 14, 2003, Exhibit 10).

Exhibit Number	Exhibit
10.10	Avnet 1984 Stock Option Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, Registration No. 2-96800, Exhibit 4-B).
10.11	Avnet 1988 Stock Option Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, Registration No. 33-29475, Exhibit 4-B).
10.12	Avnet 1990 Stock Option Plan (incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1992, Exhibit 10E).
10.13	Avnet 1995 Stock Option Plan (incorporated herein by reference to the Company's Current Report on Form 8-K dated February 12, 1996, Exhibit 10).
10.14	Avnet 1996 Incentive Stock Option Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, Registration No. 333-17271, Exhibit 99).
10.15	Amended and Restated Avnet 1997 Stock Option Plan (incorporated herein by reference to the Company's Current Report on Form 8-K dated May 6, 1999, Exhibit 10).
10.16	1994 Avnet Incentive Stock Program (incorporated herein by reference to the Company's Registration Statement on Form S-8, Registration No. 333-00129, Exhibit 99).
10.17	Stock Bonus Plan for Outside Directors (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 23, 1997, Exhibit 99.2).
10.18	Amendment to Stock Bonus Plan for Outside Directors dated November 8, 2002. Directors (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003 Exhibit 10G).
10.19	Retirement Plan for Outside Directors of Avnet, Inc., effective July 1, 1993 (incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1992, Exhibit 10i).
10.20	Amended and Restated Avnet, Inc. Deferred Compensation Plan for Outside Directors (incorporated herein by reference to the Company's Registration Statement on Form S-8, Registration No. 333-112062, Exhibit 10.1).
10.21	Avnet 1999 Stock Option Plan (incorporated by reference to the Company's Registration Statement on Form S-8, Registration No. 333-55806, Exhibit 99).
10.22	Avnet, Inc. Executive Incentive Plan (incorporated herein by reference to the Company's Proxy Statement dated October 7, 2002).
10.23	Amended and Restated Employee Stock Purchase Plan (incorporated herein by reference to the Company's Proxy Statement dated October 1, 2003).
10.24	Avnet, Inc. 2003 Stock Compensation Plan (incorporated by reference to the Company's Registration Statement on Form S-8, Registration No. 333-112057, Exhibit 10.1).
10.25	Change of Control Agreement dated as of March 1, 2001 between the Company and Harley Feldberg (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 8, 2004, Exhibit 10.1
10.26	Form of Indemnity Agreement. The Company enters into this form of agreement with each of its directors and officers (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 8, 2004, Exhibit 10.2).
10.27	Avnet, Inc. 2003 Stock Compensation Plan — form stock option agreements (incorporated by reference to the Company's Current Report on Form 8-K dated September 8, 2004, Exhibit 10.3). (a) Nonqualified stock option agreement (b) Incentive stock option agreement
10.28	Form option agreements for stock option plans (incorporated by reference to the Company's Current Report on Form 8-K dated September 8, 2004, Exhibit 10.4). (a) Non-Qualified stock option agreement for 1999 Stock Option Plan (b) Incentive stock option agreement for 1999 Stock Option Plan (c) Incentive stock option agreement for 1996 Stock Option Plan (d) Non-Qualified stock option agreement for 1995 Stock Option Plan

Exhibit Number	Exhibit
	Bank Agreements
10.29	Credit Agreement (364-day) dated as of October 25, 2001 among the Company and certain other Borrowers as the Borrowers, Bank of America, N.A., as Administrative Agent and Documentation Agent, Credit Suisse First Boston, First Union National Bank, The Bank of Nova Scotia, and ABN AMRO Bank, N.V., as Joint Syndication Agents, the Other Lenders and Banc of America Securities LLC, and Credit Suisse First Boston as Joint Lead Arrangers and Joint Book Managers (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10F).
10.30	First Amendment, dated as of March 29, 2002, to the Credit Agreement (364-Day) in 10FF above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10G).
10.31	Credit Agreement (Multi-Year) dated as of October 25, 2001 among Avnet, Inc. and Certain Other Borrowers as the Borrowers, Bank of America, N.A., as Administrative Agent, Documentation Agent, Letter of Credit Issuer and Swing Line Lender, Credit Suisse First Boston, First Union National Bank, The Bank of Nova Scotia, and ABN AMRO Bank N.V., as Joint Syndication Agents, the other Lenders party thereto and Banc of America Securities LLC, and Credit Suisse First Boston as Joint Lead Arrangers and Joint Book Managers (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10H).
10.32	First Amendment, dated as of March 29, 2002, to the Credit Agreement (Multi-Year) in 10.31 above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10I).
10.33	Second Amendment, dated as of October 10, 2002, to the Credit Agreement (Multi-Year) in 10.31 above (incorporated herein by reference to the Company's Current Report on Form 8-K dated October 10, 2002, Exhibit 10A).
10.34	Third Amendment, dated as of November 23, 2002, to the Credit Agreement in 10.31 above (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated December 27, 2002, Exhibit 10B).
10.35	Fourth Amendment, dated as of December 9, 2002, to the Credit Agreement in 10.31 above (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated December 27, 2002, Exhibit 10C).
10.36	Fifth Amendment, dated as of December 12, 2002, to the Credit Agreement in 10.31 above (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated December 27, 2002, Exhibit 10D).
10.37	Sixth Amendment, dated as of December 13, 2002, to the Credit Agreement in 10.31 above (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated December 27, 2002, Exhibit 10E).
10.38	Seventh Amendment, dated as of January 30, 2003, to the Credit Agreement in 10.31 above (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated March 28, 2003, Exhibit 10A).
10.39	Eighth Amendment, dated as of March 28, 2003, to the Credit Agreement in 10.31 above (incorporated herein by reference to the Company's Quarterly Report on Form 10-Q dated March 28, 2003, Exhibit 10B).
10.40	Ninth Amendment, dated as of July 2, 2003, to the Credit Agreement in 10.31 above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003, Exhibit 10B).
10.41	Termination and Release Amendment, dated as of September 8, 2003, to the Credit Agreement in 10.31 above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003, Exhibit 10F).
10.42	Securitization Program
	(a) Receivables Sale Agreement, dated as of June 28, 2001 between Avnet, Inc., as Originator and Avnet Receivables Corporation as Buyer (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10J).

Exhibit Number	Exhibit
	(b) Amendment No. 1, dated as of February 6, 2002, to Receivables Sale Agreement in 10.42(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10K).
	(c) Amendment No. 2, dated as of June 26, 2002, to Receivables Sale Agreement in 10.42(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10L).
	(d) Amendment No. 3, dated as of November 25, 2002, to Receivables Sale Agreement in 10.42(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10B).
	(e) Amendment No. 4, dated as of December 12, 2002, to Receivables Sale Agreement in 10.42(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10E).
	(f) Amendment No. 5, dated as of August 15, 2003, to Receivables Sale Agreement in 10.42(a) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003, Exhibit 10C).
	(g) Amended and Restated Receivables Purchase Agreement dated as of February 6, 2002 among Avnet Receivables Corporation, as Seller, Avnet, Inc., as Servicer, the Companies, as defined therein, the Financial Institutions, as defined therein, and Bank One, NA (Main Office Chicago) as Agent (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10M).*
	(h) Amendment No. 1, dated as of June 26, 2002, to the Amended and Restated Receivables Purchase Agreement in 10.42(g) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10N).
	(i) Amendment No. 2, dated as of November 25, 2002, to the Amended and Restated Receivables Purchase Agreement in 10.42(g) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10A).
	(j) Amendment No. 3, dated as of December 9, 2002, to the Amended and Restated Receivables Purchase Agreement in 10.42(g) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10C).
	(k) Amendment No. 4, dated as of December 12, 2002, to the Amended and Restated Receivables Purchase Agreement in 10.42(g) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated December 17, 2002, Exhibit 10D).
	(l) Amendment No. 5, dated as of June 23, 2003, to the Amended and Restated Receivables Purchase Agreement in 10.42(g) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003, Exhibit 10D).
	(m) Amendment No. 6, dated as of August 15, 2003, to the Amended and Restated Receivables Purchase Agreement in 10.42(g) above (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 15, 2003, Exhibit 10E).
10.43	Credit Agreement, dated June 7, 2004, by and among Avnet, Inc. and Avnet Logistics U.S., L.P., as Borrowers, the Lenders party thereto, and Bank of America, N.A. as Administrative Agent, Swing Line Lender and L/C Issuer. (incorporated herein by reference to the Company's Current Report on Form 8-K dated June 8, 2004, Exhibit 99.
21.	List of subsidiaries of the Company (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 8, 2004, Exhibit 21).
23.1**	Consent of KPMG LLP.
24.	Powers of Attorney (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 8, 2004, Exhibit 24).
31.1**	Certification by Roy Vallee, Chief Executive Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification by Raymond Sadowski, Chief Financial Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit Number	Exhibit
32.1***	Certification by Roy Vallee, Chief Executive Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2***	Certification by Raymond Sadowski, Chief Financial Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.

* This Exhibit does not include the Exhibits and Schedules thereto as listed in its table of contents. The Company undertakes to furnish any such Exhibits and Schedules to the Securities and Exchange Commission upon its request.

** Filed herewith.

*** Furnished herewith.

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Avnet, Inc. and its Domestic Subsidiaries

as of April 13, 2007

	Company Name	Domicile
1	Access Graphics LLC	United States - Delaware
2	Avnet Corporate Services Group, Inc.	United States - Delaware
3	Avnet Delaware LLC	United States - Delaware
4	Avnet Holdings, LLC	United States - Delaware
5	Avnet International, LLC	United States - Delaware
6	Avnet Logistics Holding Corp.	United States - Arizona
7	Avnet Logistics U.S., L.P.	United States - Texas
8	Avnet Properties Corporation	United States - Delaware
9	Avnet Receivables Corporation	United States - Delaware
10	Avnet, Inc. (parent company)	United States – New York
11	Avnet, Inc.	United States - Delaware
12	BFI-IBEXSA International LLC	United States - Delaware
13	CM Satellite Systems, Inc.	United States – New York
14	Kent One Corporation	United States - Delaware
15	Optional Systems Resource, Inc.	United States - Delaware
16	Telmil Electronics, Inc.	United States - Delaware

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