FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 28, 1996

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: 1-12203

INGRAM MICRO INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	62-1644402
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1600 E. ST. ANDREW PLACE. SANTA ANA, CALIFORNIA 92799-5125
(Address, including zip code, of principal executive offices)

(714) 566-1000
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE

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

CLASS A COMMON STOCK, PAR VALUE $.01 PER SHARE

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 X No ---

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant at March 5, 1997 was $995,737,470 based on the closing sale price on such date of $24-3/8.

The Registrant had 25,786,779 shares of Class A Common Stock, par value $.01 per share, and 109,043,762 shares of Class B Common Stock, par value $.01 per share, outstanding at March 5, 1997.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the year ended December 28, 1996 are incorporated by reference into Parts I and II of this Annual Report on Form 10-K.

Portions of the Proxy Statement for the Registrant's Annual Meeting of Shareowners to be held May 7, 1997 are incorporated by reference into Part III of this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

OVERVIEW

Ingram Micro Inc. (hereinafter referred to as "Ingram Micro" or the "Company") is the leading wholesale distributor of microcomputer products worldwide. The Company markets microcomputer hardware, networking equipment, and software products to more than 100,000 reseller customers in approximately 120 countries. As a wholesale distributor, the Company markets its products to resellers as opposed to marketing directly to end-user customers.

Ingram Micro offers one-stop shopping to its reseller customers by providing a comprehensive inventory of more than 100,000 distinct items from over 1,100 suppliers, including most of the microcomputer industry's leading hardware manufacturers, networking equipment suppliers, and software publishers. The Company's broad product offerings include: desktop and notebook PCs, servers, and workstations; mass storage devices; CD-ROM drives; monitors; printers; scanners; modems; networking hubs, routers, and switches; network interface cards; business application software; entertainment software; and computer supplies. In addition, to enhance sales and to support its suppliers and reseller customers, the Company provides a wide range of value-added services, such as technical training, order fulfillment, tailored financing programs, systems configuration, and marketing programs.

Ingram Micro entered the master reseller (also known as "aggregation") business in late 1994 with the launch of Ingram Alliance. Ingram Alliance is designed to offer resellers access to the industry's leading hardware manufacturers at competitive prices by utilizing a lower cost business model that depends upon a higher average order size, lower product returns percentage, and supplier-paid financing. Over 95% of Ingram Alliance's sales in 1996 were funded by floor plan financing companies. The Company typically receives payment from these financing institutions within three business days from the date of the sale, allowing Ingram Alliance to operate at much lower relative working capital levels than the Company's wholesale distribution business. Such floor plan financing is typically subsidized for Ingram Alliance's reseller customers by its suppliers. Since its inception, Ingram Alliance has experienced rapid growth. In 1996, Ingram Alliance achieved net sales in excess of $1.88 billion, and it currently has 13 suppliers and more than 1,100 reseller customers.

The Company is focused on providing a broad range of products and services, quick and efficient order fulfillment, and consistent on-time and accurate delivery to its reseller customers around the world. The Company believes that Impulse, the Company's on-line information system, provides a competitive advantage through real-time worldwide information access and processing capabilities. IMpulse is a single, standardized, real-time information system and operating environment, used across all of the Company's worldwide operations. This on-line information system, coupled with the Company's exacting operating procedures in telesales, credit support, customer service, purchasing, technical support, and warehouse operations, enables the Company to provide its reseller customers with superior service in an efficient and low cost manner.

The Company's earliest predecessor began business in 1979 as a California corporation named Micro D, Inc. This company and its parent, Ingram Micro Holdings Inc. ("Holdings"), grew through a series of acquisitions, mergers, and internal growth to encompass the Company's current operations. Ingram Micro Inc. was incorporated in Delaware on April 29, 1996, in order to effect the reincorporation of the Company in Delaware. The successor to Micro D, Inc. and Holdings were merged into Ingram Micro Inc. in October 1996.

THE SPLIT-OFF AND INITIAL PUBLIC OFFERING

In November 1996, the Company completed the sale of 23,200,000 shares of its Class A Common Stock pursuant to an initial public offering (the "IPO") at an offering price of $18.00 per share. Cash proceeds of the offering totaled $393.8 million, net of underwriters' discounts and expenses of the offering, of which approximately $366.3 million was used to repay indebtedness to its then parent, Ingram Industries Inc. ("Ingram Industries"). The remaining proceeds of the offering, amounting to $27.5 million, were used for working capital purposes.

Immediately prior to the closing of the IPO, the Company was split-off from its former parent, Ingram Industries, in a tax-free reorganization (the "Split-Off"). In the Split-Off, Ingram Industries, a company controlled by the family of the late E. Bronson Ingram and affiliated stockholders (the "Ingram Family Stockholders") consummated an exchange, pursuant to which certain existing stockholders of Ingram Industries exchanged eligible shares of Ingram Industries common stock for 107,251,362 shares of Class B Common Stock of the Company in specified ratios. Immediately after the Split-Off and the closing of the IPO, none of the Class A or Class B Common Stock was held by Ingram Industries, other than 246,000 shares of Class A Common Stock purchased by Ingram Industries in the IPO including 15,000 shares purchased by Ingram Entertainment Inc. ("Ingram Entertainment"), a subsidiary of Ingram Industries. At January 31, 1997, 66.4% of the outstanding Class A and Class B Common Stock (and 80.1% of the outstanding voting power) was held by the Ingram Family Stockholders. In connection with the Split-Off, agreements relating to board representation and registration rights with respect to Common Stock held by the Ingram Family Stockholders (including shares of Class A Common Stock issued upon conversion of Class B Common Stock) were entered into by the Company and the Ingram Family Stockholders. See Part III.

In connection with the Split-Off, the Company, Ingram Industries and Ingram Entertainment allocated certain liabilities and obligations among themselves. See Part III.

THE INDUSTRY

The worldwide microcomputer products distribution industry generally consists of suppliers, which sell directly to wholesalers, resellers, and end-users; wholesale distributors, which sell to resellers; and resellers, which sell to other resellers and directly to end-users. A variety of reseller categories exists, including corporate resellers, VARs, systems integrators, original equipment manufacturers, direct marketers, independent dealers, owner-operated chains, franchise chains, and computer retailers. Different types of resellers are defined and distinguished by the end-user market they serve, such as large corporate accounts, small and medium-sized businesses, or home users, and by the level of value they add to the basic products they sell. Wholesale distributors generally sell only to resellers and purchase a wide range of products in bulk directly from manufacturers. Different wholesale distribution models have evolved in particular countries and geographies depending on the characteristics of the local reseller environment, as well as other factors specific to a particular country or region. The United States, for example, is distinguished by the presence of master resellers, or aggregators, which are functionally similar to wholesale distributors, but which focus on selling relatively few product lines--typically high volume, brand name hardware systems--to a network of franchised dealers and affiliates.

The growth of the microcomputer products wholesale distribution industry continues to exceed that of the microcomputer industry as a whole. Faced with the pressures of declining product prices and the increasing costs of selling direct to a large and diverse group of resellers, suppliers are increasingly relying upon wholesale distribution channels for a greater proportion of their sales. To minimize costs and focus on their core capabilities in manufacturing, product development, and marketing, many suppliers are also outsourcing an increasing portion of certain functions such as distribution, service, technical support, and final assembly to the wholesale distribution channel. Growing product complexity, shorter product life cycles, and an increasing number of microcomputer products due to the emergence of open systems architectures and the recognition of certain industry standards have led resellers to depend on wholesale distributors for more of their product, marketing, and technical support needs. In addition, resellers are relying to an increasing extent on wholesale distributors for inventory management and credit to avoid stocking large inventories and maintaining credit lines to finance their working capital needs. The Company believes that new opportunities for growth in the microcomputer products wholesale distribution industry will emerge as new product categories, such as computer telephone integration ("CTI") and the digital video disc format, arise from the ongoing convergence of computing, communications, and consumer electronics.

Markets outside the United States, which represent over half of the microcomputer industry's sales, are characterized by a more fragmented wholesale distribution channel than in the United States. Increasingly, suppliers and resellers pursuing global growth are seeking wholesale distributors with international sales and support capabilities. In addition, the microcomputer products industry in international markets is less mature and growing more rapidly than in the United States, and as such, international growth opportunities for microcomputer wholesaler distributors are significant.

The evolution of open sourcing during the past several years is a phenomenon specific to the U.S. microcomputer products wholesale distribution market. Historically, branded computer systems from large suppliers such as Apple Computer, Compaq Computer, Hewlett-Packard, and IBM were sold in the United States only through authorized master resellers. Under this single sourcing model, resellers were required to purchase these products exclusively from one master reseller. Over the past few years, competitive pressures have led some of the major computer suppliers to authorize second sourcing, in which resellers may purchase a supplier's product from a source other than their primary master reseller, subject to certain restrictive terms and conditions (such as higher prices or the elimination of floor planning subsidies). More recently, certain computer manufacturers have authorized open sourcing, a model under which resellers can purchase the supplier's product from any source on equal terms and conditions. The trend toward open sourcing has blurred the distinction between wholesale distributors and master resellers, which are increasingly able to serve the same reseller customers, whereas previously master resellers had a captive reseller customer base. The Company believes that continued movement towards second sourcing and open sourcing puts the largest and most efficient distributors of microcomputer products, which provide the highest value through superior service and pricing, in the best position to compete for reseller customers.

The dynamics of the microcomputer products wholesale distribution business favor the largest distributors which have access to financing and are able to achieve economies of scale, breadth of geographic coverage, and the strongest vendor relationships. Consequently, the distributors with these characteristics are tending to take share from smaller distributors as the industry undergoes a process of consolidation. The need for wholesale distributors to implement high volume/low cost operations on a worldwide basis is continuing to grow due to ongoing price competition, the increasing demand for value-added services, the trend toward open sourcing, and the increasing globalization of the microcomputer products industry. In summary, the microcomputer wholesale distribution industry is growing rapidly while simultaneously consolidating, creating an industry environment in which market share leadership and cost efficiency are of paramount importance.

BUSINESS STRATEGY

The Company is the preeminent worldwide wholesale distributor of microcomputer products and services and believes that it has developed the capabilities and scale of operations critical for long-term success in the microcomputer products distribution industry.

The Company's strategy of offering a full line of products and services provides reseller customers with one-stop shopping. The Company generally is able to purchase products in large quantities and to avail itself of special purchase opportunities from a broad range of suppliers. This allows the Company to take advantage of various discounts from its suppliers, which in turn enables the Company to provide competitive pricing to its reseller customers. The Company's international market presence provides suppliers with access to a broad base of geographically dispersed resellers, serviced by the Company's extensive network of distribution centers and support offices. The Company's size has permitted it to attract highly qualified associates and increase investment in personnel development and training. Also, the Company benefits from being able to make large investments in information systems, warehousing systems, and infrastructure. Further, the Company is able to spread the costs of these investments across its worldwide operations.

The Company is pursuing a number of strategies to further enhance its leadership position within the microcomputer marketplace. These include:

EXPAND WORLDWIDE MARKET COVERAGE. Ingram Micro is committed to extending its already extensive worldwide market coverage through internal growth in all markets in which it currently participates. In addition, the Company intends to pursue acquisitions, joint ventures, and strategic relationships outside the United States in order to take advantage of growth opportunities and to leverage its strong systems, infrastructure, and international management skills.

By providing greater worldwide market coverage, Ingram Micro also increases the scale of its business, which results in more cost economies. In addition, as it increases its global reach, the Company diversifies its business across different markets, reducing its exposure to individual market downturns. The Company has grown its operations outside the United States principally through acquisitions and currently has operations in 19 countries including Canada, Mexico, most countries of the European Union, Norway, Malaysia, and Singapore. The Company believes that it is the market share leader in the United States, Canada, and Mexico, and the third largest full-line distributor in Europe, based on publicly available data and management's knowledge of the industry. The Company's objective is to achieve the number one market share in each of the markets in which it operates.

EXPLOIT INFORMATION SYSTEMS LEADERSHIP. Ingram Micro continually invests in its information systems which are crucial in supporting the Company's growth and its ability to maintain high service and performance levels. The Company has developed a scalable, full-featured information system, IMpulse, which the Company believes is critical to its ability to deliver worldwide, real-time information to both suppliers and reseller customers. IMpulse is a single, standardized information system, used across all markets worldwide, that has been customized to suit local market requirements. The Company believes that it is the only full-line wholesale distributor of microcomputer products in the world with such a centralized global system.

The Company will continue to invest in the enhancement and expansion of its systems to create additional applications and functionality including further expansion in electronic links with reseller customers and suppliers to provide better access to the Company's extensive database for pricing, product availability, and technical information.

PROVIDE SUPERIOR EXECUTION FOR RESELLER CUSTOMERS. Ingram Micro continually refines its systems and processes to provide superior execution and service to reseller customers. In the United States, the Company is currently implementing CTI technology, which will provide automatic caller identification, onscreen call waiting, and abandoned call management capabilities to telesales and customer service associates. Also in the United States, the recently installed POWER system will improve response time to reseller customers' product returns and other customer service requests. To support future customer requirements, the Company continues to expand and upgrade its distribution network. For example, a new warehouse is under construction in Millington, Tennessee. The Company is implementing formal systems for evaluating and tracking key performance metrics such as responsiveness to customers, process accuracy, order processing cycle time, and order fulfillment efficiency. Ingram Micro will use this customer satisfaction monitoring system to identify potential areas of improvement as part of the Company's focus on providing superior service.

Ingram Micro strives to maintain high order fill rates by keeping extensive supplies of product in its 30 distribution centers worldwide. In the United States and Canada, the Company has implemented control systems and processes referred to as Bulletproof Shipping, which include stock-keeping unit ("SKU") bar coding for all products and on-line quality assurance methods. As a result of this program, substantially all orders in the United States received by 5:00 p.m. are shipped on the same day, with highly accurate shipping performance.

DELIVER WORLD-CLASS VALUE-ADDED SERVICES TO SUPPLIERS AND RESELLERS. Ingram Micro is committed to providing a diverse range of value-added wholesaling and "for fee" services to its supplier and reseller customers. Together, these services are intended to link reseller customers and suppliers to Ingram Micro as a one-stop provider of microcomputer products and related services, while meeting demand by suppliers and resellers to outsource non-core business activities and thereby lower their operating costs.

The Company's value-added wholesaling services include final assembly and configuration of products, technical education programs, pre- and post-sale technical support, order fulfillment, and product demo evaluation.

In addition to these value-added wholesaling services, the Company offers a variety of "for fee" services for its reseller customers and suppliers. These services include: contract configuration, contract fulfillment, contract warehousing, contract telesales, contract credit/accounts receivable management, contract inventory management, and contract technical support for customers. The Company is focused on identifying and developing services that directly meet reseller customer and supplier needs.

MAINTAIN LOW COST LEADERSHIP THROUGH CONTINUOUS IMPROVEMENTS IN SYSTEMS AND PROCESSES. The microcomputer products industry is characterized by intense competition and narrow margins, and as a result, achieving economies of scale and controlling operating expenses are critical to achieving and maintaining profitable growth.

Over the last five years, the Company has been successful in reducing SG&A expenses (including expenses allocated from Ingram Industries) as a percentage of net sales, to 4.5% in 1996 from 5.8% in 1992. The Company has embarked on a number of programs that are designed to continue to reduce operating expenses as a percentage of net sales.

Many U.S. developed programs continue to be adapted for implementation in the Company's international operations. These programs include: (i) the use of advanced inventory processes and techniques to reduce the number of shipments from multiple warehouses to fulfill a single order; (ii) the use of proprietary warehouse productivity programs, such as Bulletproof Shipping and Pick Assignment; (iii) the enhancement of associates' productivity through the use of technology such as CTI, and the expanded use of multimedia workstations for functions such as Telesales and Customer Service; and (iv) the electronic automation of the ordering and information delivery process through CIS to decrease the number of non-order telesales calls. See "-- Information Systems."

DEVELOP HUMAN RESOURCES FOR EXCELLENCE AND TO SUPPORT FUTURE GROWTH. Ingram Micro's growth to date is a result of the talent, dedication, and teamwork of its associates. Future growth and success will be substantially dependent upon the retention and development of existing associates, as well as the recruitment of superior talent.

Transferring functional skills and implementing cross-training programs across all Ingram Micro locations have proven to be important factors in the Company's growth and international expansion. In conjunction with these programs, the Company intends to expand its human resource systems to provide enhanced career planning, training support, applicant tracking, and benefits administration. Also, the Company continues to seek top quality associates worldwide through local, professional, and college recruiting programs.

CUSTOMERS

Ingram Micro sells to more than 100,000 reseller customers in approximately 120 countries worldwide. No single customer accounted for more than 3% of Ingram Micro's net sales in 1996, 1995, or 1994.

The Company conducts business with most of the leading resellers of microcomputer products around the world, including, in the United States, CDW Computer Centers, CompuCom, CompUSA, Computer City, Electronic Data Systems, En Pointe Technologies, Entex Information Services, GE Capital Information Technologies Solutions, Micro Warehouse, Sam's Club, Staples, and Vanstar. The Company's reseller customers outside the United States include Complet Data A/S, Consultores en Diagnostico Organizacional y de Sistemas, DSG Retail Ltd., 06 Software Centre Europe, B.V., GE Capital Technologies, Jump Ordenadores, Maxima S.A., Norsk Datasenter, Owell Svenska AB, SNI Siemens Nixdorf Infosys AG, and TC Sistema S.p.A. The Company has certain limited contracts with its reseller customers, although most such contracts have a short term, or are terminable at will, and have no minimum purchase requirements. The Company's business is not substantially dependent on any such contracts.

SALES AND MARKETING

Ingram Micro's telesales department is comprised of approximately 1,700 telesales representatives worldwide, of whom more than 950 representatives are located in the United States. These telesales representatives assist resellers with product specifications, system configuration, new product/service introductions, pricing, and availability. The two main United States telesales centers are located in Santa Ana, California and Buffalo, New York and are supported by an extensive national field sales organization. Currently, Ingram Micro has more than 200 field sales representatives worldwide, including more than 60 in the United States.

The sales organization is organized to focus on resellers who address the VAR (consisting of value-added resellers, system integrators, network integrators, application VARs and original equipment manufacturers), Commercial (consisting of corporate resellers, direct marketers, independent dealers and owner-operated chains) and Consumer (consisting of consumer electronics stores, computer superstores, mass merchants, office product superstores, software only stores and warehouse clubs) market sectors. In addition, the Company utilizes a variety of product-focused groups specializing in specific product types. Specialists in processors, mass storage, networks, and other product categories promote sales growth and facilitate customer contacts for their particular product group. Ingram Micro also offers a variety of marketing programs tailored to meet specific supplier and reseller customer needs. Services provided by the Company's in-house marketing services group include advertising, direct mail campaigns, market research, retail programs, sales promotions, training, and assistance with trade shows and other events.

In certain markets outside the United States, the Company relies more heavily on telesales and maintains a relatively smaller field sales organization to cover its customer base.

PRODUCTS AND SUPPLIERS

Ingram Micro believes that it has the largest inventory of products in the industry, based on a review of publicly available data with respect to its major competitors. The Company distributes and markets more than 100,000 distinct items from the industry's premier microcomputer hardware manufacturers, networking equipment suppliers, and software publishers worldwide. Product assortments vary by market, and the relative importance of manufacturers to Ingram Micro varies from country to country. On a worldwide basis, the Company's sales mix is more heavily weighted toward hardware products and networking equipment than software products. Net sales of software products have decreased as a percentage of total net sales in recent years due to a number of factors, including bundling of software with microcomputers; sales growth in Ingram Alliance, which is a hardware-only business; declines in software prices; and the emergence of alternative means of software distribution, such as site licenses and electronic distribution. The Company believes that this is a trend that applies to the microcomputer products distribution industry as a whole, and the Company expects it to continue. See Item 7. -- Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview.

In the United States, Ingram Micro's suppliers include almost all of the leading microcomputer hardware manufacturers, networking equipment manufacturers, and software publishers such as Apple Computer, Cisco Systems, Compaq Computer, Creative Labs, Hewlett-Packard, IBM, Intel, Microsoft, NEC, Novell, Quantum, Seagate, Sun Microsystems, 3Com, Toshiba, and U.S. Robotics. Outside the United States, Ingram Micro has secured distribution agreements with most of the leading suppliers, and products are added to the Company's mix in response to local market demands.

The Company's suppliers generally warrant the products distributed by the Company and allow the Company to return defective products, including those that have been returned to the Company by its customers. The Company does not independently warrant the products it distributes.

The Company's business, like that of other wholesale distributors, is subject to the risk that the value of its inventory will be affected adversely by suppliers' price reductions or by technological changes affecting the usefulness or desirability of the products comprising the inventory. It is the policy of most suppliers of microcomputer products to protect distributors, such as the Company, who purchase directly from such suppliers, from the loss in value of inventory due to technological change or the supplier's price reductions. Although the Company has written distribution agreements with many of its suppliers, these agreements usually provide for nonexclusive distribution rights and often include territorial restrictions that limit the countries in which Ingram Micro is permitted to distribute the products. The agreements are also generally short term, subject to periodic renewal, and often contain provisions permitting termination by either party without cause upon relatively short notice. The Company does not believe that its business is substantially dependent on the terms of any such agreements. Under the terms of many distribution agreements, suppliers will credit the distributor for declines in inventory value resulting from the supplier's price reductions if the distributor complies with certain conditions. In addition, under many such agreements, the distributor has the right to return for credit or exchange for other products a portion of those inventory items purchased, within a designated period of time. A supplier who elects to terminate a distribution agreement generally will repurchase from the distributor the supplier's products carried in the distributor's inventory. While the industry practices discussed above are sometimes not embodied in written agreements and do not protect the Company in all cases from declines in inventory value, management believes that these practices provide a significant level of protection from such declines. No assurance can be given, however, that such practices will continue or that they will adequately protect the Company against declines in inventory value. The Company's risk of inventory loss could be greater outside the United States, where agreements with suppliers are more restrictive with regard to price protection and the Company's ability to return unsold inventory. The Company establishes reserves for estimated losses due to obsolete inventory in the normal course of business. Historically, the Company has not experienced losses due to obsolete inventory materially in excess of established inventory reserves.

VALUE-ADDED SERVICES

Ingram Micro offers a myriad of programs and services to its supplier and reseller customers as an integral part of its wholesaling efforts. The Company categorizes these services into value-added wholesale distribution and "for fee" services. Together, these services are intended to link reseller customers and suppliers to Ingram Micro as a one-stop provider of microcomputer products and related services, while meeting demand by suppliers and resellers to outsource non-core business activities and thereby lower their operating costs.

The Company's value-added wholesaling services are an important complement to its distribution activities and include final assembly and configuration of products, technical education programs, pre- and post-sale technical support, order fulfillment, and product demo evaluation.

In addition to these value-added wholesaling services, the Company offers a variety of "for fee" services for its reseller customers and suppliers. These services include: contract configuration, contract fulfillment, contract warehousing, contract telesales, contract credit/accounts receivable management, contract inventory management, and contract technical support for customers. The Company is focused on identifying and developing services that directly meet reseller customer and supplier needs.

All of these services are currently available in the Company's U.S. operations. The degree of implementation of these value-added services in Ingram Micro's operations outside the United States varies depending on particular market circumstances. Although the Company believes that value-added services are important as a complement to its core business, such services do not, and are not in the future expected to, generate a material percentage of the Company's net sales. In addition, such value-added services do not, and are not in the future expected to, require a material portion of the Company's resources.

INFORMATION SYSTEMS

The Company's information system, IMpulse, is central to its ability to provide superior execution to its customers, and as such, the Company believes that it represents an important competitive advantage.

Ingram Micro's systems are primarily mainframe-based in order to provide the high level of scalability and performance required to manage such a large and complex business operation. IMpulse is a single, standardized, real-time information system and operating environment, used across all of the Company's worldwide operations. It has been customized as necessary for use in every country in which the Company operates and has the capability to handle multiple languages and currencies. On a daily basis, the Company's systems typically handle 12 million on-line transactions, 26,000 orders, and 37,000 shipments. The Company has designed IMpulse as a scalable system that has the capability to support increased transaction volume. The overall on-line response time for the Company's network of over 8,000 user stations (terminals, printers, personal computers, and radio frequency hand held terminals) is less than one-half second.

Worldwide, Ingram Micro's centralized processing system supports more than 40 operational functions including receiving, order processing, shipping, inventory management, and accounting. At the core of the IMpulse system is on-line, real-time distribution software to which considerable enhancements and modifications have been made to support the Company's growth and its low cost business model. The Company makes extensive use of advanced telecommunications technologies with customer service-enhancing features, such as Automatic Call Distribution to route customer calls to the telesales representatives. The Telesales Department relies on its Sales Wizard system for on-line, real-time tracking of all customer calls and for status reports on sales statistics such as number of customer calls, customer call intentions, and total sales generated. IMpulse allows the Company's telesales representatives to deliver real-time information on product pricing, inventory, availability, and order status to reseller customers. The SAGP pricing system enables telesales representatives to make informed pricing decisions through access to specific product and order related costs for each order.

In the United States, the Company is in the process of implementing CTI technology, which will provide the telesales and customer service representatives with Automatic Number Identification capability and advanced telecommunications features such as on-screen call waiting and automatic call return, thereby reducing the time required to process customer orders and customer service requests.

To complement Ingram Micro's telesales, customer service, and technical support capabilities, IMpulse supports CIS, which integrates all of the Company's electronic services into a single solution. CIS offers a number of different electronic media through which customers can conduct business with the Company, such as the Customer Automated Purchasing System ("CAPS"), Electronic Data Interchange ("EDI"), the Bulletin Board Service, and the Ingram Micro Web site. The Company's latest additions to CIS are its Internet-based Electronic Catalog and Manufacturer Information Library. The Electronic Catalog provides reseller customers with real-time access to product pricing and availability, with the capability to search by product category, name, or manufacturer. The Manufacturer Information Library is a comprehensive multi-manufacturer database of timely and accurate product, sales, marketing, and technical information, which is updated nightly for new information.

The Company's warehouse operations use extensive bar-coding technology and radio frequency technology for receiving and shipping, and real-time links to UPS and FedEx for freight processing and shipment tracking. The Customer Service Department uses the POWER System for on-line documentation and faster processing of customer product returns. To ensure that adequate inventory levels are maintained, the Company's buyers depend on the Purchasing system to track inventory on a continual basis. Many other features of IMpulse help to expedite the order processing cycle and reduce operating costs for the Company as well as its reseller customers and suppliers.

The Company employs various security measures and backup systems designed to protect against unauthorized use or failure of its information systems. Access to the Company's information systems is controlled through the use of passwords and additional security measures are taken with respect to especially sensitive information. The Company has a five year contract with Sungard Recovery Services for disaster recovery and twice per year performs a complete systems test, including applications and database integrity. In addition, the Company has backup power sources for emergency power and also has the capability to automatically reroute incoming calls, such as from its Santa Ana (West Coast sales) facility to its Buffalo (East Coast sales) facility. The Company has not in the past experienced significant failures or downtime of IMpulse or any of its other information systems, but any such failure or significant downtime could prevent the Company from taking customer orders, printing product pick-lists, and/or shipping product and could prevent customers from accessing price and product availability information from the Company.

NON-U.S. OPERATIONS AND EXPORT SALES

OPERATIONS OUTSIDE THE UNITED STATES

The Company, through its subsidiaries, operates in a number of countries outside of the United States, including Canada, Mexico, most countries of the European Union, Norway, Malaysia and Singapore. In 1996, 1995, and 1994, 31.0%, 30.7% and 29.3%, respectively, of the Company's net sales were derived from operations outside of the United States, and the Company expects its international net sales to increase as a percentage of total net sales in the future. The Company's net sales from operations outside the United States are primarily denominated in currencies other than the U.S. dollar. Accordingly, the Company's operations outside the United States impose risks upon its business as a result of exchange rate fluctuations. Although the Company attempts to mitigate the effect of exchange rate fluctuations on its business, primarily by attempting to match the currencies of sales and costs, as well as through the use of foreign currency borrowings and derivative financial instruments such as forward exchange contracts, the Company does not seek to remove all risk associated with such fluctuations. Accordingly, there can be no assurance that exchange rate fluctuations will not have a material adverse effect on the Company's business, financial condition, or results of operations in the future. In certain countries outside the United States, operations are accounted for primarily on a U.S. dollar denominated basis. In the event of an unexpected devaluation of the local currency in those countries, the Company may experience significant foreign exchange losses. For example, the devaluation of the Mexican peso, which began in December 1994, significantly affected the Company's Mexican operations. The primary impact on the Company's operating results was a foreign exchange pre-tax charge of approximately $7.8 million and $6.9 million in 1995 and 1994, respectively. In addition, the Company's net sales in Mexico were adversely affected in 1995 as a result of the general economic impact of the devaluation of the Mexican peso. See Item 7. -- Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company's operations outside the United States are subject to other risks such as the imposition of governmental controls, export license requirements, restrictions on the export of certain technology, political instability, trade restrictions, tariff changes, difficulties in staffing and managing international operations, difficulties in collecting accounts receivable and longer collection periods, and the impact of local economic conditions and practices. As the Company continues to expand its international business, its success will be dependent, in part, on its ability to anticipate and effectively manage these and other risks. There can be no assurance that these and other factors will not have a material adverse effect on the Company's operations or its business, financial condition, and results of operations as a whole.

EXPORT MARKETS

Ingram Micro's Export Division continues to expand in markets where the Company does not have a stand-alone, in-country presence. The Miami, Santa Ana, and Belgium offices serve more than 2,500 resellers in over 100 countries. In addition, the Export Division has field sales representatives based in Buenos Aires, Argentina and Quito, Ecuador.

For segment information regarding the Company's United States and international operations, see Note 10 of Notes to Consolidated Financial Statements.

COMPETITION

The Company operates in a highly competitive environment, both in the United States and internationally. The microcomputer products distribution industry is characterized by intense competition, based primarily on price, product availability, speed and accuracy of delivery, effectiveness of sales and marketing programs, credit availability, ability to tailor specific solutions to customer needs, quality and breadth of product lines and service, and availability of technical and product information. The Company believes it competes favorably with respect to each of these factors. In addition, the Company believes that value-added services capabilities (such as configuration, innovative financing programs, order fulfillment, contract telesales, and contract warehousing) will become more important competitive factors.

The Company entered the master reseller business through Ingram Alliance in late 1994. The Company competes with other master resellers, which sell to groups of affiliated franchisees and third-party dealers. Many of the Company's competitors in the master reseller business are more experienced and have more established contacts with affiliated resellers, third-party dealers, or suppliers, which may provide them with a competitive advantage over the Company.

The Company is constantly seeking to expand its business into areas closely related to its core microcomputer products distribution business. As the Company enters new business areas, it may encounter increased competition from current competitors and/or from new competitors, some of which may be current customers of the Company. For example, the Company intends to distribute media in the new digital video disc format and may compete with traditional music and printed media distributors. In addition, certain services the Company provides may directly compete with those provided by the Company's reseller customers. There can be no assurance that increased competition and adverse reaction from customers resulting from the Company's expansion into new business areas will not have a material adverse effect on the Company's business, financial condition, or results of operations.

Ingram Micro's primary competitors include large U.S.-based international distributors such as Merisel, Tech Data, and Arrow Electronics (a worldwide industrial electronics distributor), as well as national distributors such as AmeriQuest Technologies (majority owned by Computer 2000), Handleman, Navarre, and Avnet. Ingram Alliance's principal competitors include such master resellers as Intelligent Electronics, MicroAge, Datago, InaCom, and Tech Data Elect, a division of Tech Data. Ingram Micro competes internationally with a variety of national and regional distributors. European competitors include international distributors such as Computer 2000 (owned by German conglomerate Viag AG), CHS Electronics, and Softmart/Tech Data, and several local and regional distributors, including Actebis, Scribona, Microtech and Macrotron. In Canada, Ingram Micro competes with Merisel, Globelle, Beamscope, and Tech Data. Ingram Dicom is the leading distributor in Mexico, competing with such companies as MPS, CHS Electronics, Intertec, and Dataflux. In the Asia Pacific market, Ingram Micro faces both regional and local competitors, of whom the largest is Tech Pacific, a division of First Pacific Holdings, which operates in more than five Asia Pacific markets.

Ingram Micro also competes with hardware manufacturers and software publishers that sell directly to reseller customers and end-users.

ASSET MANAGEMENT

The Company maintains sufficient quantities of product inventories to achieve high order fill rates. The Company believes that the risks associated with slow moving and obsolete inventory are substantially mitigated by protection and stock return privileges provided by suppliers. In the event of a supplier price reduction, the Company generally receives a credit for products in its inventory. In addition, the Company has the right to return a certain percentage of purchases, subject to certain limitations. Historically, price protection, stock return privileges, and inventory management procedures have helped to reduce the risk of decline in the value of inventory. The Company's risk of decline in the value of inventory could be greater outside the United States, where agreements with suppliers are more restrictive with regard to price protection and the Company's ability to return unsold inventory. The Company establishes reserves for estimated losses due to obsolete inventory in the normal course of business. Historically, the Company has not experienced losses due to obsolete inventory materially in excess of established inventory reserves. Inventory levels may vary from period to period, due in part to the addition of new suppliers or new lines with current suppliers and large cash purchases of inventory due to advantageous terms offered by suppliers.

The Company offers various credit terms to qualifying customers as well as prepay, credit card, and COD terms. The Company closely monitors customers' credit worthiness through its on-line computer system which contains detailed information on each customer's payment history and other relevant information. In addition, the Company participates in a national credit association which exchanges credit rating information on customers of association members. In most markets, the Company utilizes various levels of credit insurance to allow sales expansion and control credit risks. The Company establishes reserves for estimated credit losses in the normal course of business. Historically, the Company has not experienced credit losses materially in excess of established credit loss reserves.

EMPLOYEES

As of December 28, 1996, the Company had approximately 9,008 associates located as follows: United States--5,681, Europe--1,973, Canada--844, Mexico--415, and Asia-Pacific--95. Ingram Micro believes that its success depends on the skill and dedication of its associates. The Company strives to attract, develop, and retain outstanding personnel. None of the Company's associates in the United States, Europe, Canada, Malaysia, and

Singapore are represented by unions. In Mexico, Ingram Dicom has collective bargaining agreements with one of the national unions. The Company considers its employee relations to be good.

EXECUTIVE OFFICERS OF REGISTRANT

The following table sets forth certain information with respect to each person who is an executive officer of the Company:

NAME	AGE	PRESENT AND PRIOR POSITIONS HELD(1)	YEARS POSITIONS HELD
Jerre L. Stead(2)	54	Chief Executive Officer and Chairman of the Board	Aug. 1996 - Present
		Chief Executive Officer and Chairman of the Board, Legent Corporation, a software development company	Jan. 1995 - Aug. 1995
		Executive Vice President, Chairman and Chief Executive Officer, AT&T Corp. Global Information Solutions (NCR Corp.), a computer manufacturer	May 1993 - Dec. 1994
		President and Chief Executive Officer, AT&T Corp. Global Business Communication Systems, a communications company	Sept. 1991 - Apr. 1993
Jeffrey R. Rodek	43	Worldwide President; Chief Operating Officer	Dec. 1994 - Present
		Senior Vice President, Americas and Caribbean, Federal Express, an overnight courier firm	July 1991 - Sept. 1994
David R. Dukes(3)	53	Vice Chairman	Apr. 1996 - Present
		Chief Executive Officer, Ingram Alliance	Jan. 1994 - Present
		Co-Chairman	Jan. 1992 - Apr. 1996
		Chief Operating Officer	Sept. 1989 - Dec. 1993
		President	Sept. 1989 - Dec. 1991
Sanat K. Dutta	47	Executive Vice President; President, Ingram Micro U.S.	Oct. 1996 - Present
		Executive Vice President	Aug. 1994 - Oct. 1996
		Senior Vice President, Operations	May 1988 - Aug. 1994
Michael J. Grainger	44	Executive Vice President; Worldwide Chief Financial Officer	Oct. 1996 - Present
		Chief Financial Officer	May 1996 - Oct. 1996
		Vice President and Controller, Ingram Industries	July 1990 - Oct. 1996
John Wm. Winkelhaus, II	46	Executive Vice President; President, Ingram Micro Europe	Jan. 1996 - Present
		Senior Vice President, Ingram Micro Europe	Feb. 1992 - Dec. 1995

NAME	AGE	PRESENT AND PRIOR POSITIONS HELD(1)	YEARS POSITIONS HELD
James E. Anderson, Jr.	49	Senior Vice President, Secretary, and General Counsel	Jan. 1996 - Present
		Vice President, Secretary, and General Counsel, Ingram Industries	Sept. 1991 - Nov. 1996
Douglas R. Antone	44	Senior Vice President; President, Ingram Alliance	June 1994 - Present
		Senior Vice President, Worldwide Sales, and Marketing, Borland International, a software development company	Nov. 1993 - May 1994
		Senior Vice President, Worldwide Sales Borland International	July 1990 - Nov. 1993
David M. Carlson	56	Senior Vice President, Chief Technology Officer	Feb. 1997 - Present
		President, Consumer Focused Technology, a consulting firm	Jan. 1996 - Feb. 1997
	`	Vice President, Technology and Network Services, Florist Transworld Delivery Corp.	Mar. 1995 - Dec. 1995
		Senior Vice President, Corporate Information Systems, K Mart Corporation, a retail company	July 1985 - Nov. 1994
Victoria L. Cotten	42	Senior Vice President, Purchasing	Jan. 1997 - Present
		Vice President, Purchasing	Jan. 1993 - Dec. 1996
		Senior Director, Purchasing	Aug. 1991 - Dec. 1992
Larry L. Elchesen	46	Senior Vice President	June 1994 - Present
		President, Ingram Micro Asia Pacific	Dec. 1996 - Present
		President, Ingram Micro Canada	May 1989 - Dec. 1996
Philip D. Ellett	42	Senior Vice President; Chief Operating Officer, Ingram Micro Europe	Jan. 1997 - Present
		Senior Vice President; General Manager, U.S. Consumer Markets Division	Feb. 1996 - Dec. 1996
		President, Gates/Arrow, an electronics distributor	Aug. 1994 - Dec. 1995
		President and Chief Executive Officer, Gates/F.A. Distributing, Inc.	Oct. 1991 - Aug. 1994
David M. Finley	56	Senior Vice President, Human Resources	July 1996 - Present
		Senior Vice President, Human Resources, Budget Rent a Car, a car rental company	May 1995 - July 1996
		Vice President, Human Resources, The Southland Corporation, a convenience retail company	Jan. 1977 - May 1995

NAME	AGE	PRESENT AND PRIOR POSITIONS HELD(1)	YEARS POSITIONS HELD
Robert Furtado	40	Senior Vice President, Operations	Aug. 1994 - Present
		Vice President, Operations	July 1989 - Aug. 1994
Robert Grambo	33	Senior Vice President, Telesales	Oct. 1995 - Present
		Vice President, Sales	Apr. 1994 - Sept. 1995
		Vice President, Product Marketing	Apr. 1993 - Mar. 1994
		President, Bloc Publishing Corp., a software publishing firm	Apr. 1992 - Apr. 1993
		Senior Director, Purchasing, Ingram Micro	Jan. 1990 - Apr. 1992
Ronald K. Hardaway	53	Senior Vice President; Chief Financial Officer, Ingram Micro U.S.	Jan. 1992 - Present
		Worldwide Chief Financial Officer	Jan. 1992 - Dec. 1993
Gregory J. Hawkins	42	Senior Vice President, Sales	Oct. 1995 - Present
		Vice President, Sales	Jan. 1993 - Oct. 1995
		Vice President, Major Accounts	Aug. 1992 - Jan. 1993
		Director, Major Accounts, Consumer Markets	June 1992 - Aug. 1992
		Director, Marketing	Jan. 1991 - June 1992
James M. Kelly	60	Senior Vice President, Management Information Systems	Feb. 1991 - Present
David W. Rutledge	43	Senior Vice President; President, Ingram Micro Canada, President, Latin America and Export Markets	Jan. 1997 - Present
		Senior Vice President, Asia Pacific, Latin America and Export Markets	Jan. 1996 - Dec. 1996
		Senior Vice President, Administration	Sept. 1991 - Dec. 1995

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(1) The first position and any other positions not given a separate corporate identification are with the Company.
(2) Jerre L. Stead is a director of Armstrong World Industries, Inc., TGB Group, and TJ International, Inc.
(3) David R. Dukes is a director of National Education Corporation.

TRADEMARKS AND SERVICE MARKS

The Company holds various trademarks and service marks, including, among others, "Ingram Micro," "IMpulse," the Ingram Micro logo, "Partnership America," and "Leading the Way in Worldwide Distribution." Certain of these marks are registered, or are in the process of being registered, in the United States and various other countries. Even though the Company's marks may not be registered in every country where the Company conducts business, in many cases the Company has acquired rights in those marks because of its continued use of them. Management believes that the value of the Company's marks is increasing with the development of its business but that the business of the Company as a whole is not materially dependent on such marks.

SAFE HARBOR FOR FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a "safe harbor" for "forward-looking statements" to encourage companies to provide prospective information, so long as such information is identified as forward looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. Except for historical information, certain statements contained in this Annual Report on Form 10-K may be "forward-looking statements" within the meaning of the Act. In order to take advantage of the "safe harbor" provisions of the Act, the Company identifies the following important factors which could affect the Company's actual results and cause such results to differ materially from those projected, forecasted, estimated, budgeted or otherwise expressed by the Company in forward-looking statements made by or on behalf of the Company:

(1) Intense competition may lead to reduced prices and lower gross margins.

(2) The Company's narrow margins magnify the impact on operating results of variations in operating discounts. A number of factors may reduce the Company's margins even further.

(3) Seasonal variations in the demand for products and services, as well as the introduction of new products, may cause variations in the Company's quarterly results.

(4) The availability (or lack thereof) of capital on acceptable terms may hamper the Company in its efforts to fund its increasing working capital needs.

(5) The failure of the Company to adequately manage its growth may adversely impact the Company's results of operations.

(6) A failure of the Company's information systems may adversely impact the Company's results of operations.

(7) Devaluation of a foreign currency, or other disruption of a foreign market, may adversely impact the Company's operations in that country.

(8) The loss of a key executive officer or other key employee may adversely impact the Company's operations.

(9) The inability of the Company to obtain products on favorable terms may adversely impact the Company's results of operations.

(10) The Company's operations may be adversely impacted by an acquisition that is either (i) not suited for the Company or (ii) improperly executed.

(11) The Company's financial condition may be adversely impacted by a decline in value of a portion of the Company's inventory.

(12) The failure of certain shipping companies to deliver product to the Company, or from the Company to its customers, may adversely impact the Company's results of operations.

(13) Rapid technological change may alter the market for the Company's products and services, requiring the Company to anticipate such technological changes, to the extent possible.

Reference is made to Exhibit 99 hereto for additional discussion of the foregoing factors, as well as additional factors which may affect the Company's actual results and cause such results to differ materially from those projected, forecasted, estimated, budgeted or otherwise expressed in forward-looking statements.

ITEM 2. PROPERTIES

Ingram Micro's worldwide executive headquarters, as well as its West Coast sales and support offices, are located in a three-building office complex in Santa Ana, California. In November 1996, the Company acquired ownership of two of the buildings within the Santa Ana office complex as well as a distribution center in Harrisburg, PA by assuming underlying mortgages in the aggregate amount of approximately $22.6 million. The Company also maintains an East Coast operations center in Buffalo, New York.

The Company operates eight distribution centers in the continental United States located in Atlanta, GA, Carrollton, TX, Chicago, IL, Fremont, CA, Fullerton, CA, Harrisburg, PA, Memphis, TN, and Miami, FL. In addition, the Company operates 22 international distribution centers located in Canada, Mexico, most countries of the European Union, Norway, Malaysia and Singapore.

A new United States distribution center in Millington, Tennessee is expected to be completed in April 1997, adding 600,000 square feet to the Company's warehouse capacity. This distribution center will be strategically located near several major transportation hubs and is expected to benefit from lower regional labor costs. The U.S. network of distribution centers permits Ingram Micro to keep an extensive supply of product close to reseller customers, which enables the Company to provide substantially all of its U.S. reseller customers with one- or two-day ground delivery.

All of the Company's facilities, with the exception of two buildings within the Santa Ana campus, the Brussels office and the distribution centers in Chicago, Harrisburg and Roncq, France, are leased. These leases have varying terms. The Company does not anticipate any material difficulty in renewing any of its leases as they expire or securing replacement facilities, in each case on commercially reasonable terms. In addition, the Company has recently purchased three undeveloped properties in Santa Ana, California totaling approximately 23.27 acres.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Company is a party or to which any of its property is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As of March 5, 1997, there were 498 holders of record of the Class A Common Stock and 150 holders of record of the Class B Common Stock. The Company believes that there are approximately 24,000 beneficial holders of the Class A Common Stock and 25 beneficial holders of the Class B Common Stock.

Information as to the Company's quarterly stock prices is included on the inside back cover of the Company's 1996 Annual Report to Shareholders, which is included as part of Exhibit 13 and is incorporated in this Annual Report on Form 10-K.

Information as to the principal market on which the Class A Common Stock is being traded is included on the inside back cover of the Company's 1996 Annual Report to Shareholders, which is included as part of Exhibit 13 and is incorporated in this Annual Report on Form 10-K.

DIVIDEND POLICY

The Company has never declared or paid any dividends on its Class A or Class B Common Stock other than a distribution of $20 million to Ingram Industries in connection with the Split-Off. The Company currently intends to retain its future earnings to finance the growth and development of its business and therefore does not anticipate declaring or paying cash dividends on its Class A or Class B Common Stock for the foreseeable future. Any future decision to declare or pay dividends will be at the discretion of the Board of Directors and will be dependent upon the Company's financial condition, results of operations, capital requirements, and such other factors as the Board of Directors deems relevant. In addition, certain of the Company's debt facilities contain restrictions on the declaration and payment of dividends.

PRIVATE SALES OF UNREGISTERED SECURITIES

In the second quarter of 1996, the Company offered 2,775,000 shares of its Class B Common Stock to certain of its employees, of which 2,510,400 shares were purchased for $17.6 million. The shares were issued without registration under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon the exemptions from registration afforded by Section 4(2) of the Securities Act, and Regulation D and Regulation S promulgated under the Securities Act. All such shares were issued pursuant to the Company's Key Employee Stock Purchase Plan and are subject to certain restrictions.

Reference is made to Item 1. -- Business -- Overview -- The Split-Off and Initial Public Offering regarding shares of the Company's Common Equity, issued in connection with the Split-Off, the purchasers thereof and the consideration therefor. The stock options so converted have exercise prices ranging from $0.66 to $3.32. Such issuances occurred without registration under the Securities Act in reliance upon the exemptions from registration afforded by Section 4(2) of the Securities Act.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial information of Ingram Micro for the five year period ended December 28, 1996 is included on page 14 of the Company's 1996 Annual Report to Shareholders, which is included as part of Exhibit 13 and is incorporated in this Annual Report on Form 10-K. It should be read in conjunction with the consolidated financial statements included on pages 24 through 42 of the Company's 1996 Annual Report to Shareholders which are also included as part of Exhibit 13 and incorporated in this Annual Report on Form 10-K and the financial statement schedule below in Item 14 of this Annual Report on Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations is included on pages 15 through 23 of the Company's 1996 Annual Report to Shareholders, which are also included as part of Exhibit 13 and are incorporated in this Annual Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements are included on pages 24 through 42 of the Company's 1996 Annual Report to Shareholders, which are also included as part of Exhibit 13 and incorporated in this Annual Report on Form 10-K. Reference is made to the Index to the Financial Statements in Item 14 below.

A financial statement schedule for the Company, and report thereon, are included on pages 22 and 23, respectively, of this Annual Report on Form 10-K. Reference is made to the Index to Financial Statements in Item 14 below.

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

There have been no changes in the Company's independent auditors or disagreements with such auditors on accounting principles or practices or financial statement disclosures.

PART III

Information regarding executive officers required by Item 401 of Regulation S-K is furnished in a separate disclosure in Part I of this report because the Company will not furnish such information in its definitive Proxy Statement prepared in accordance with Schedule 14A.

The Notice and Proxy Statement for the 1997 Annual Meeting of Shareowners, to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, which is incorporated by reference in this Annual Report on Form 10-K pursuant to General Instruction G(3) of Form 10-K, will provide the remaining information required under Part III (Items 10, 11, 12, and 13)

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. The consolidated financial statements, together with the report thereon of Price Waterhouse LLP dated February 18, 1997, all appearing on pages 24 through 43 in the 1996 Annual Report to Shareholders, are incorporated in this Annual Report on Form 10-K. With the exception of the aforementioned information and the information incorporated in Items 5, 6, 7, and 8, the 1996 Annual Report to Shareholders is not deemed filed as part of this Annual Report on Form 10-K.

INGRAM MICRO INC.	PAGE NO. IN ANNUAL REPORT TO SHAREHOLDERS
Consolidated Balance Sheet at December 28, 1996 and December 30, 1995	24
Consolidated Statement of Income for the years ended December 28, 1996, December 30, 1995 and December 31, 1994	25
Consolidated Statement of Stockholders' Equity for the years ended December 28, 1996, December 30, 1995 and December 31, 1994.	26
Consolidated Statement of Cash Flows for the years ended December 28, 1996, December 30, 1995 and December 31, 1994.	27
Notes to Consolidated Financial Statements	28
Report of Independent Accountants	43
Shareholder Information	Inside back cover

Pages 14 through 43 and the inside back cover of the 1996 Annual Report to Shareholders of Ingram Micro Inc. include the Five Year Summary, Management's Discussion and Analysis of Financial Condition and Results of Operations, the Consolidated Financial Statements and related notes thereto, the Independent Auditors' Report, Shareholder Information and Quarterly Stock Prices. These pages are filed with the Securities and Exchange Commission as Exhibit 13 to this Annual Report on Form 10-K.

2. Financial Statement Schedules:

Report of Independent Accountants on Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts

3. List of Exhibits:

3.01 -- Form of Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.01 to the Company's Registration Statement on Form S-1 (File No. 333-08453) (the "IPO S-1"))

3.02 -- Form of Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.03 to the IPO S-1)

10.01 -- Ingram Micro Inc. Executive Incentive Bonus Plan (incorporated by reference to Exhibit 10.01 to the IPO S-1)

10.02 -- Ingram Micro Inc. Management Incentive Bonus Plan (incorporated by reference to Exhibit 10.02 to the IPO S-1)

10.03 -- Ingram Micro Inc. General Employee Incentive Bonus Plan (incorporated by reference to Exhibit 10.03 to the IPO S-1)

10.04 -- Agreement dated as of December 21, 1994 between the Company and Jeffrey R. Rodek (incorporated by reference to Exhibit 10.04 to the IPO S-1)

10.05 -- Agreement dated as of April 25, 1988 between the Company and Sanat K. Dutta (incorporated by reference to Exhibit 10.05 to the IPO S-1)

10.06 -- Agreement dated as of June 21, 1991 between the Company and John Wm. Winkelhaus, II (incorporated by reference to Exhibit 10.06 to the IPO S-1)

10.07 -- Ingram Micro Inc. Rollover Stock Option Plan (incorporated by reference to Exhibit 10.07 to the IPO S-1)

10.08 -- Ingram Micro Inc. Key Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.08 to the IPO S-1)

10.09 -- Ingram Micro Inc. 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.09 to the IPO S-1)

10.10 -- Ingram Micro Inc. Amended and Restated 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to the IPO S-1)

10.11 -- Severance Agreement dated as of June 1, 1996 among the Company, Ingram Industries, Linwood A. Lacy, Jr., and NationsBank, N.A., as trustee of the Linwood A. Lacy, Jr. 1996 Irrevocable Trust dated February 1996 (incorporated by reference to Exhibit 10.11 to the IPO S-1)

10.12 -- Credit Agreement dated as of October 30, 1996 among the Company and Ingram European Coordination Center N.V., Ingram Micro Singapore Pte Ltd., and Ingram Micro Inc., as Borrowers and Guarantors, certain financial institutions, as the Lenders, NationsBank of Texas, N.A., as Administrative Agent for the Lenders and The Bank of Nova Scotia as Documentation Agent for the Lenders (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 (File No. 333-16667) (the "Thrift Plan S-1"))

10.13 -- Amended and Restated Reorganization Agreement dated as of October 17, 1996 among the Company, Ingram Industries, and Ingram Entertainment (incorporated by reference to Exhibit 10.13 to the Thrift Plan S-1)

10.14 -- Registration Rights Agreement dated as of November 6, 1996 among the Company and the persons listed on the signature pages thereof (incorporated by reference to Exhibit 10.14 to the Thrift Plan S-1)

10.15 -- Board Representation Agreement dated as of November 6, 1996 (incorporated by reference to Exhibit 10.15 to the Thrift Plan S-1)

10.16 -- Thrift Plan Liquidity Agreement dated as of November 6, 1996 among the Company and the Ingram Thrift Plan (incorporated by reference to Exhibit 10.16 to the Thrift Plan S-1)

10.17 -- Tax Sharing and Tax Services Agreement dated as November 6, 1996 among the Company, Ingram Industries, and Ingram Entertainment (incorporated by reference to Exhibit 10.17 to the Thrift Plan S-1)

10.18 -- Master Services Agreement dated as of November 6, 1996 among the Company, Ingram Industries, and Ingram Entertainment (incorporated by reference to Exhibit 10.18 to the Thrift Plan S-1)

10.19 -- Employee Benefits Transfer and Assumption Agreement dated as of November 6, 1996 among the Company, Ingram Industries, and Ingram Entertainment (incorporated by reference to Exhibit 10.19 to the Thrift Plan S-1)

10.20 -- Data Center Services Agreement dated as of November 6, 1996 among the Company, Ingram Book Company, and Ingram Entertainment Inc. (incorporated by reference to Exhibit 10.20 to the Thrift Plan S-1)

10.21 -- Amended and Restated Exchange Agreement dated as of November 6, 1996 among the Company, Ingram Industries, Ingram Entertainment and the other parties thereto (incorporated by reference to Exhibit 10.21 to the Thrift Plan S-1)

10.22 -- Agreement dated as of August 26, 1996 between the Company and Jerre L. Stead (incorporated by reference to Exhibit 10.22 to the IPO S-1)

10.23 -- Definitions for Ingram Funding Master Trust Agreements (incorporated by reference to Exhibit 10.23 to the IPO S-1)

10.24 -- Asset Purchase and Sale Agreement dated as of February 10, 1993 between Ingram Industries and Ingram Funding (incorporated by reference to Exhibit 10.24 to the IPO S-1)

10.25 -- Pooling and Servicing Agreement dated as of February 10, 1993 among Ingram Funding, Ingram Industries and Chemical Bank (incorporated by reference to Exhibit 10.25 to the IPO S-1)

10.26 -- Amendment No. 1 to the Pooling and Servicing Agreement dated as of February 12, 1993, the Asset Purchase and Sale Agreement dated as of February 12, 1993, and the Liquidity Agreement dated as of February 12, 1993 (incorporated by reference to Exhibit 10.26 to the IPO S-1)

10.27 -- Certificate Purchase Agreement dated as of July 23, 1993 (incorporated by reference to Exhibit 10.27 to the IPO S-1)

10.28 -- Schedule of Certificate Purchase Agreements (incorporated by reference to Exhibit 10.28 to the IPO S-1)

10.29 -- Series 1993-1 Supplement to Ingram Funding Master Trust Pooling and Servicing Agreement dated as of July 23, 1993 (incorporated by reference to Exhibit 10.29 to the IPO S-1)

10.30 -- Schedule of Supplements to Ingram Funding Master Trust Pooling and Servicing Agreement dated as of July 23, 1993 (incorporated by reference to Exhibit 10.30 to the IPO S-1)

10.31 -- Letter of Credit Reimbursement Agreement dated as of February 10, 1993 (incorporated by reference to Exhibit 10.31 to the IPO S-1)

10.32 -- Liquidity Agreement dated as of February 10, 1993 (incorporated by reference to Exhibit 10.32 to the IPO S-1)

10.33 -- Amendment No. 2 to the Pooling and Servicing Agreement dated as of February 12, 1993, the Asset Purchase and Sale Agreement dated as of February 12, 1993, and the Liquidity Agreement dated as of February 12, 1993 (incorporated by reference to Exhibit 10.33 to the IPO S-1)

10.34 -- Agreement dated as of October 10, 1996 between the Company and Michael J. Grainger (incorporated by reference to Exhibit 10.34 to the IPO S-1)

10.35 -- Form of Repurchase Agreement (incorporated by reference to Exhibit 10.35 to the IPO S-1)

13.01 -- Portions of Annual Report to Shareholders for the year ended December 28, 1996

21.01 -- Subsidiaries of the Registrant

27.01 -- Financial Data Schedule (included in electronic version only)

99.01 -- Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995.

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the three months ended December 28, 1996.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors
of Ingram Micro Inc.

Our audits of the consolidated financial statements referred to in our report dated February 18, 1997 appearing in the 1996 Annual Report to Shareholders of Ingram Micro Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedules listed in Item 14(a) of this Form 10-K. In our opinion, these Financial Statement Schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICE WATERHOUSE LLP

Costa Mesa, California
February 18, 1997

INGRAM MICRO INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Description	Balance at beginning of year	Charged to costs and expenses	Deductions	Other(*)	Balance at end of year
Allowance for doubtful accounts receivable & sales returns:					
1996	30,791	28,619	(25,394)	4,606	38,622
1995	25,668	24,168	(19,718)	673	30,791
1994	18,594	20,931	(13,853)	(4)	25,668
Inventory obsolescence:					
1996	12,245	13,836	(12,602)	(153)	13,326
1995	10,706	13,199	(11,867)	207	12,245
1994	9,431	9,410	(8,392)	257	10,706

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* Other includes recoveries, acquisitions and the effect of fluctuations in foreign currency.

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.

INGRAM MICRO INC.

By: /s/ James E. Anderson, Jr.
Name: James E. Anderson, Jr.
Title: Senior Vice President, Secretary and General Counsel

March 24, 1997

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ Jerre L. Stead Jerre L. Stead	Chief Executive Officer (Principal Executive Officer); Chairman of the Board	March 24, 1997
/s/ Michael J. Grainger Michael J. Grainger	Executive Vice President and Worldwide Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 24, 1997
/s/ Martha R. Ingram Martha R. Ingram	Director	March 24, 1997
/s/ John R. Ingram John R. Ingram	Director	March 24, 1997
/s/ David B. Ingram David B. Ingram	Director	March 24, 1997
/s/ Philip M. Pfeffer Philip M. Pfeffer	Director	March 24, 1997
/s/ Don H. Davis, Jr. Don H. Davis, Jr.	Director	March 24, 1997
/s/ J. Phillip Samper J. Phillip Samper	Director	March 24, 1997
/s/ Joe B. Wyatt Joe B. Wyatt	Director	March 24, 1997

EXHIBIT 13.01

SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents selected consolidated financial data of the Company. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and notes thereto included elsewhere in this Annual Report to Shareholders.

The fiscal year of the Company is a 52- or 53-week period ending on the Saturday nearest to December 31. References below to 1992, 1993, 1994, 1995 and 1996 represent the fiscal years ended January 2, 1993 (53 weeks), January 1, 1994 (52 weeks), December 31, 1994 (52 weeks), December 30, 1995 (52 weeks) and December 28, 1996 (52 weeks), respectively. The Company's next 53-week fiscal year will be fiscal year 1997.

	Fiscal Year				
(in 000s, except per share data)	1996	1995	1994	1993	1992 (1)
SELECTED OPERATING INFORMATION					
Net sales	$ 12,023,451	$ 8,616,867	$ 5,830,199	$ 4,044,169	$ 2,731,272
Gross profit	812,384	605,686	438,975	329,642	227,570
Income from operations (2)	247,508	186,881	140,290	103,028	68,934
Income before income taxes and minority interest (2)	196,757	134,616	100,705	82,855	48,502
Net income (2)	110,679	84,307	63,344	50,355	30,973
Earnings per share (2)	0.88	0.69	0.52	0.41	0.26
Weighted average common shares outstanding	125,436,376	121,406,591	121,406,591	121,406,591	121,406,591
SELECTED BALANCE SHEET INFORMATION					
Cash	$ 48,279	$ 56,916	$ 58,369	$ 44,391	$ 25,276
Total assets	3,366,947	2,940,898	1,974,289	1,296,363	915,590
Total debt (3)	304,033	850,548	552,283	398,929	295,389
Stockholders' equity	825,150	310,795	221,344	155,459	109,418

(1) The 1992 results reflect the adoption of FAS 109.

(2) Reflects a noncash compensation charge in 1996 of $23.4 million ($19.5 million, or $0.16 per share, net of tax) in connection with the granting of Rollover Stock Options. See Note 12 of Notes to Consolidated Financial Statements.

(3) Includes long-term debt, current maturities of long-term debt and debt due to Ingram Industries.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Ingram Micro is the leading wholesale distributor of microcomputer products worldwide. The Company's net sales have grown to $12.0 billion in 1996 from $2.7 billion in 1992. This sales growth reflects substantial expansion of its existing operations, resulting from the addition of new customers, increased sales to the existing customer base, the addition of new product categories and suppliers, and the establishment of Ingram Alliance, as well as the successful integration of ten acquisitions worldwide. Net income has grown to $110.7 million in 1996 from $31.0 million in 1992.

In November 1996, the Company was split-off from Ingram Industries (the "Split-Off") and completed an initial public offering (the "IPO") of its Class A Common Stock that raised $393.8 million, net of underwriters' discounts and expenses, of which approximately $366.3 million was used to repay certain indebtedness to Ingram Industries. Concurrently with the completion of the IPO, the Company entered into a $1 billion Credit Facility with a syndicate of banks for which NationsBank of Texas N.A. and the Bank of Nova Scotia acted as agents. In addition, the Company assumed an Ingram Industries accounts receivable securitization program under which $160 million of fixed rate medium term certificates and $13 million in trust certificate-backed commercial paper was outstanding at the time in satisfaction of remaining amounts due to Ingram Industries. See "-- Liquidity and Capital Resources."

The microcomputer wholesale distribution industry in which the Company operates is characterized by narrow gross and operating margins that have declined industrywide in recent years, primarily due to intense price competition. The Company's gross margins declined to 6.8% in 1996 from 8.3% in 1992. To partially offset the decline in gross margins, the Company has continually instituted operational and expense controls that have reduced selling, general and administrative ("SG&A") expenses (including charges allocated from Ingram Industries prior to the Split-Off) as a percentage of net sales to 4.5% in 1996 from 5.8% in 1992. As a result, the Company's operating margins and net margins have declined less than gross margins. Operating margins declined to 2.1% in 1996 (1996 operating margins were 2.3% excluding the impact of noncash compensation charges totaling $23.4 million) from 2.5% in 1992, and net margins declined to 0.9% in 1996 (1996 net margins were 1.0% excluding the impact of noncash compensation charges totaling $19.5 million, net of tax) from 1.1% in 1992. There can be no assurance that the Company will be able to continue to reduce operating expenses as a percentage of net sales to mitigate further reductions in gross margins. Although the Company's operations outside the United States have historically had gross margins similar to the Company's U.S. traditional wholesale operations, these non-U.S. operations have historically had lower operating margins due in part to greater economies of scale in the U.S. operations.

Ingram Micro entered the master reseller (also known as "aggregation") business in late 1994 through the launch of Ingram Alliance. Ingram Alliance is designed to offer resellers access to certain of the industry's leading hardware manufacturers at competitive prices by utilizing a lower cost business model that depends upon a higher average order size, lower product returns percentage, and supplier paid financing. Ingram Alliance contributed over $1.8 billion and $700 million of net sales to the Company in 1996 and 1995, respectively. Since its inception in late 1994, Ingram Alliance has operated with lower gross margins, lower SG&A expenses as a percentage of net sales, and lower financing costs than the Company's traditional wholesale distribution business. Accordingly, if Ingram Alliance's sales continue to grow as a percentage of the Company's total net sales, the Company expects such increase to cause its overall gross margins to decline.

The Company sells microcomputer hardware, networking equipment and software products. Sales of hardware products (including networking equipment) represent a majority of total net sales and have historically generated a higher operating margin than sales of software products, although operating margins of both hardware products and software products have historically declined. Hardware products and networking equipment have comprised an increasing percentage, and software products a decreasing percentage, of the Company's net sales in recent years, and the Company expects this trend to continue. Net sales of software products have decreased as a percentage of total net sales in recent years due to a number of factors, including bundling of software with microcomputers; sales growth of Ingram Alliance, which is a hardware-only business; declines in software prices; and the emergence of alternative means of software distribution, such as site licenses and electronic distribution.

The microcomputer wholesale distribution business is capital intensive. The Company's business requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. The Company has relied heavily on debt financing for its increasing working capital needs in connection with the expansion of its business. The Company will need additional capital to finance its product inventory and accounts receivable as it expands its business. The Company's interest expense for any current or future indebtedness will be subject to fluctuations in interest rates and may cause fluctuations in the Company's net income.

In connection with the Split-Off, certain outstanding Ingram Industries stock options, incentive stock units ("ISUs"), and stock appreciation rights ("SARs") held by certain employees of Ingram Industries, Ingram Entertainment, and Ingram Micro were converted to options to purchase up to an aggregate of approximately 10,989,000 shares of Common Stock ("Rollover Stock Options"). The Company recorded a pre-tax noncash compensation charge of approximately $23.4 million ($19.5 million net of tax) in 1996 related to the vested portion of certain Rollover Stock Options based on the difference between the estimated fair value of such options at the applicable measurement dates and the exercise price of such options. The Company will record additional noncash compensation charges over the remaining vesting periods of the Rollover Stock Options. These additional charges, including charges for a 1996 restricted stock grant, are expected to be approximately $7.3 million ($5.8 million net of tax) for 1997, $4.8 million ($3.7 million net of tax) for 1998 and $2.7 million ($1.9 million net of tax) for 1999.

RESULTS OF OPERATIONS

The following table sets forth the Company's net sales by geographic region (excluding intercompany sales), and the percentage of total net sales represented thereby, for each of the periods indicated.

	FISCAL YEAR					
	1996		1995		1994	
NET SALES BY GEOGRAPHIC REGION (1):			(DOLLARS IN MILLIONS)			
United States	$ 8,290	69.0%	$ 5,970	69.3%	$ 4,122	70.7%
Europe	2,590	21.5%	1,849	21.4%	1,078	18.5%
Other international	1,143	9.5%	798	9.3%	630	10.8%
Total	$12,023	100.0%	$ 8,617	100.0%	$ 5,830	100.0%

(1) Net sales are classified by location of the Company entity. For example, products sold through Ingram Alliance or the U.S. Export Division are classified as United States sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

The following table sets forth certain items from the Company's Consolidated Statement of Income as a percentage of net sales, for each of the periods indicated.

	PERCENTAGE OF NET SALES FISCAL YEAR 1996	1995	1994
Net sales	100.0%	100.0%	100.0%
Cost of sales	93.2%	93.0%	92.5%
Gross profit	6.8%	7.0%	7.5%
Expenses:			
SG&A expenses and charges allocated from Ingram Industries	4.5%	4.8%	5.1%
Noncash compensation charge	0.2%	0.0%	0.0%
Income from operations	2.1%	2.2%	2.4%
Other expense, net	0.5%	0.6%	0.7%
Income before income taxes and minority interest	1.6%	1.6%	1.7%
Provision for income taxes	0.7%	0.6%	0.6%
Minority interest	0.0%	0.0%	0.0%
Net income	0.9%	1.0%	1.1%

1996 COMPARED TO 1995

Consolidated net sales increased 39.5% to $12.0 billion in 1996 from $8.6 billion in 1995. The increase in worldwide net sales was attributable to growth in the microcomputer products industry in general, the addition of new customers, increased sales to the existing customer base, and expansion of the Company's product offerings. Microsoft Windows 95 was launched in the third quarter of 1995 with net sales of $267.5 million in 1995.

Net sales from U.S. operations increased 38.9% to $8.3 billion in 1996 from $6.0 billion in 1995. In addition to the factors above that impacted net sales worldwide, U.S. net sales were positively impacted by the strong growth in Ingram Alliance sales which grew 157.3% to $1.88 billion in 1996 from $729 million in 1995. Net sales from European operations increased 40.0% to $2.6 billion in 1996 from $1.8 billion in 1995. Other international net sales increased 43.3% to $1.1 billion in 1996 from $798 million in 1995, principally due to the growth in net sales from the Company's Canadian operations.

Cost of sales as a percentage of net sales increased to 93.2% in 1996 from 93.0% in 1995. This increase was largely attributable to competitive pricing pressures, especially in Europe, and the increase as a percentage of net sales of the lower gross margin Ingram Alliance business.

Total SG&A expenses and charges allocated from Ingram Industries increased 29.3% to $541.5 million in 1996 from $418.8 million in 1995, but decreased as a percentage of net sales to 4.5% in 1996 from 4.8% in 1995. The increased level of spending was attributable to expenses required to support expansion of the Company's business, consisting primarily of incremental personnel and support costs, lease payments relating to new operating facilities, and expenses associated with the development and maintenance of information systems. The decrease in operating expenses as a percentage of net sales was primarily attributable to the growth of Ingram Alliance, which utilizes a lower cost business model, and economies of scale from higher sales volumes.

During 1996, the Company recorded a noncash compensation charge of $23.4 million ($19.5 million, net of tax) or 0.2% of net sales in connection with the Rollover Stock Options. The Company did not record any such charge during 1995.

Excluding the $23.4 million noncash compensation charge in 1996, total income from operations increased as a percentage of net sales to 2.3% in 1996 from 2.2% in 1995. Income from operations in the United States excluding the noncash compensation charge increased as a percentage of net sales to 2.7% in 1996 from 2.6% in 1995. Income from operations in Europe excluding the noncash compensation charge decreased as a percentage of net sales to 0.8% in 1996 from 1.0% in 1995. This decrease was offset by an increase in income from operations excluding the noncash compensation charge as a percentage of net sales for geographic regions outside the United States and Europe to 2.0% in 1996 from 1.3% in 1995.

For the reasons set forth above, income from operations, including the $23.4 million noncash compensation charge, increased 32.4% to $247.5 million in 1996 from $186.9 million in 1995, but, as a percentage of net sales, decreased to 2.1% in 1996 from 2.2% in 1995.

Other expense, net, which consists primarily of net interest expense (including interest expense charged by Ingram Industries), foreign currency exchange losses, and miscellaneous non-operating expenses, decreased 2.9% to $50.8 million in 1996 from $52.3 million in 1995, and decreased as a percentage of net sales to 0.5% in 1996 from 0.6% in 1995. The decrease in other expense was largely attributable to a year-over-year decrease in the amount of foreign currency losses to $0.7 million in 1996 from $7.8 million in 1995, primarily related to the Mexican peso devaluation. Such decrease was partially offset by a higher level of borrowings to finance the Company's worldwide business expansion.

The provision for income taxes increased 59.7% to $84.9 million in 1996 from $53.1 million in 1995, reflecting the 46.2% increase in the Company's income before income taxes and minority interest. The Company's effective tax rate was 43.1% in 1996 compared to 39.5% in 1995. The increase in the effective tax rate was primarily due to the effect of the noncash compensation charge, much of which is not deductible for income tax purposes, as well as the effect of certain international taxes in 1996.

Excluding the $19.5 million (net of tax) noncash compensation charge, net income increased 54.4% to $130.2 million in 1996 from $84.3 million in 1995 and, as a percentage of net sales, remained constant at 1.0% in 1996 and in 1995. Pro forma earnings per share, excluding the noncash compensation charge, increased 50.7% to $1.04 in 1996 from $0.69 in 1995. Net income, including the $19.5 million (net of tax) noncash compensation charge, increased 31.3% to $110.7 million in 1996 from $84.3 million in 1995. Earnings per share, including the noncash compensation charge, increased 27.5% to $0.88 in 1996 from $0.69 in 1995.

1995 COMPARED TO 1994

Consolidated net sales increased 47.8% to $8.6 billion in 1995 from $5.8 billion in 1994. The increase in worldwide net sales was attributable to growth in the microcomputer products industry in general, the addition of new customers, increased sales to the existing customer base, and expansion of the Company's product offerings, as well as to the release of significant new products, including the Microsoft Windows 95 operating system in August 1995.

Net sales from U.S. operations increased 44.8% to $6.0 billion in 1995 from $4.1 billion in 1994. The increase in U.S. net sales was largely attributable to the growth of Ingram Alliance in 1995, its first full year of operations, as well as an increase in the Company's customer base and product lines. Net sales from European operations increased 71.5% to $1.8 billion in 1995 from $1.1 billion in 1994. In addition to factors affecting sales worldwide, European net sales were positively impacted by the full year contribution in 1995 of the Company's Scandinavian operations, which were acquired in September 1994. Other international net sales increased 26.7% to $798.0 million in 1995 from $629.6 million in 1994. The increase in net sales from other international operations was entirely attributable to an increase in Canadian sales, partially offset by a decrease in Mexican net sales resulting from the distressed Mexican economy and the related peso devaluation.

Cost of sales as a percentage of net sales increased to 93.0% in 1995 from 92.5% in 1994. This increase was largely attributable to competitive pricing pressures worldwide and the growth of Ingram Alliance, which is characterized by lower gross margins than the Company's traditional wholesale distribution business. Gross margin was favorably impacted by effective operational controls and an increase in worldwide purchase discounts and rebates from the Company's suppliers.

Total SG&A expenses and charges allocated from Ingram Industries increased 40.2% to $418.8 million in 1995 from $298.7 million in 1994, but decreased as a percentage of net sales to 4.8% in 1995 from 5.1% in 1994. The increased level of spending was attributable to expenses required to support expansion of the Company's business, consisting primarily of incremental personnel and support costs, lease payments relating to new facilities, and expenses associated with the development and maintenance of information systems. The decreased level of spending as a percentage of net sales was primarily attributable to economies of scale resulting from higher sales volumes, increased operating efficiencies, and the growth of Ingram Alliance, which is characterized by lower SG&A expenses as a percentage of net sales than the Company's traditional wholesale distribution business.

For the reasons set forth above, income from operations increased 33.2% to $186.9 million in 1995 from $140.3 million in 1994, but decreased as a percentage of net sales to 2.2% in 1995 from 2.4% in 1994. Income from U.S. operations decreased as a percentage of net sales to 2.6% in 1995 from 3.0% in 1994. This decrease was partially offset by an increase in income from European operations as a percentage of net sales to 1.1% in 1995 from 0.7% in 1994.

Other expense, net increased 32.0% to $52.3 million in 1995 from $39.6 million in 1994, but decreased as a percentage of net sales to 0.6% in 1995 from 0.7% in 1994. The increase in other expense was largely attributable to a higher level of borrowings to finance the Company's worldwide business expansion. The Company was also negatively impacted by the effect of a distressed Mexican economy and the related peso devaluation. Primarily due to events in Mexico, the Company sustained a net foreign currency exchange loss of $7.8 million in 1995 as compared to a $6.9 million loss in 1994.

The provision for income taxes increased 34.2% to $53.1 million in 1995 from $39.6 million in 1994, reflecting the 33.7% increase in the Company's income before income taxes and minority interest. The Company's effective tax rate was 39.5% in 1995 as compared to 39.3% in 1994.

Net income increased 33.1% to $84.3 million in 1995 from $63.3 million in 1994, but decreased as a percentage of net sales to 1.0% in 1995 from 1.1% in 1994.

QUARTERLY DATA; SEASONALITY

The Company's quarterly sales and operating results have varied in the past and will likely continue to do so in the future as a result of seasonal variations in the demand for the products and services offered by the Company, the introduction of new hardware and software technologies and products offering improved features and functionality, the introduction of new products and services by the Company and its competitors, the loss or consolidation of a significant supplier or customer, changes in the level of operating expenses, inventory adjustments, product supply constraints, competitive conditions including pricing, interest rate fluctuations, the impact of acquisitions, currency fluctuations, and general economic conditions. The Company's narrow operating margins may magnify such fluctuations. Specific historical seasonal variations in the Company's operating results have included a reduction of demand in Europe during the summer months, increased Canadian government purchasing in the first quarter, and worldwide pre-holiday stocking in the retail channel during the September to November period. In addition, as was the case with the introduction of Microsoft Windows 95 in August 1995, the product cycle of major products may materially impact the Company's business, financial condition, or results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

The following table sets forth certain unaudited quarterly historical financial data for each of the twelve quarters up to the period ended December 28, 1996. This unaudited quarterly information has been prepared on the same basis as the annual information presented elsewhere herein and, in the Company's opinion, includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the selected quarterly information. This information should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report to Shareholders. The operating results for any quarter shown are not necessarily indicative of results for any future period.

CONSOLIDATED QUARTERLY INFORMATION

	NET SALES	GROSS PROFIT	INCOME FROM OPERATIONS	INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	NET INCOME	EARNINGS PER SHARE
			(IN MILLIONS, EXCEPT PER SHARE DATA)			
FISCAL YEAR ENDED DECEMBER 31, 1994						
THIRTEEN WEEKS ENDED:						
April 2, 1994	$1,266.6	$92.4	$26.1	$19.4	$11.6	0.10
July 2, 1994	1,298.9	96.8	28.3	19.5	12.1	0.10
October 1, 1994	1,387.0	105.1	32.9	24.3	14.6	0.12
December 31, 1994	1,877.7	144.7	53.0	37.5	25.0	0.20
FISCAL YEAR ENDED DECEMBER 30, 1995						
THIRTEEN WEEKS ENDED:						
April 1, 1995	$1,879.5	$132.4	$38.5	$24.3	$17.1	0.14
July 1, 1995	1,859.6	138.9	40.2	30.0	18.4	0.15
September 30, 1995	2,331.6	151.2	45.2	33.8	20.8	0.17
December 30, 1995	2,546.2	183.2	63.0	46.5	28.0	0.23
FISCAL YEAR ENDED DECEMBER 28, 1996						
THIRTEEN WEEKS ENDED:						
March 30, 1996	$2,752.7	$186.6	$54.9(1)	$39.6(1)	$23.8(1)	0.20(1)
June 29, 1996	2,790.4	190.5	59.5(2)	44.9(2)	26.8(2)	0.22(2)
September 28, 1996	2,931.6	197.4	61.5(3)	48.9(3)	27.0(3)	0.22(3)
December 28, 1996	3,548.8	237.9	71.6(4)	63.4(4)	33.1(4)	0.24(4)

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(1) Reflects a noncash compensation charge of $6.7 million ($4.1 million, or $0.03 per share, net of tax) in connection with the granting of the Rollover Stock Options.

(2) Reflects a noncash compensation charge of $1.1 million ($0.7 million, or less than $0.01 per share, net of tax) in connection with the granting of the Rollover Stock Options.

(3) Reflects a noncash compensation charge of $1.1 million ($0.6 million, or less than $0.01 per share, net of tax) in connection with the granting of the Rollover Stock Options.

(4) Reflects a noncash compensation charge of $14.5 million ($14.1 million, or $0.11 per share, net of tax) in connection with the granting of the Rollover Stock Options.

As indicated in the table above, the increases in the Company's net sales in the fourth quarter of each fiscal year have generally been higher than those in the other three quarters in the same fiscal year. The trend of higher fourth quarter net sales is attributable to calendar year-end business purchases and holiday period purchases made by customers. Additionally, gross profit in the fourth quarter of each year has historically been favorably impacted by attractive year-end product buying opportunities which have often resulted in higher purchase discounts.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its growth and cash needs largely through income from operations and borrowings, trade and supplier credit and, more recently, the public sale of 23,200,000 shares of its Class A Common Stock at $18.00 per share in the IPO completed in November 1996.

Cash provided by operating activities was $78.0 million in 1996 as compared to cash used in operating activities of $251.3 million in 1995 and $87.1 million in 1994. The significant increase in cash provided by operating activities in 1996 over cash used in operating activities in 1995 was partially due to higher net income and the difference between accounts receivable, inventory levels, and accounts payable in 1996 as compared to 1995 due to the launch of Microsoft Windows 95 in the third quarter of 1995. The significant increase in cash used by operating activities in 1995 over 1994 was due to the increased levels of inventory and an increase in accounts receivable. Cash provided by the increase in accounts payable in 1995 partially offset the use related to inventory and accounts receivable. The increase in the difference in inventory levels and accounts payable in 1995 as compared to 1994 was partially due to the launch of Microsoft Windows 95.

Net cash used by investing activities was $107.2 million, $48.8 million, and $42.6 million in 1996, 1995, and 1994, respectively. These increases were due to the Company's expansion of warehouse and other facilities in each year. In 1996, purchases of property and equipment included $22.6 million related to the acquisition, in connection with the Split-Off, of certain previously leased facilities utilized by the Company. Net cash used by investing activities in 1994 included acquisitions of operations in four European countries in 1994.

Net cash provided by financing activities was $21.3 million, $298.3 million, and $143.3 million in 1996, 1995 and 1994, respectively. Net cash provided by financing activities in 1996 includes the receipt of $393.8 million in net proceeds from the IPO. The decrease in net cash provided by financing activities in 1996 as compared to 1995 was caused primarily by the repayment of borrowings from Ingram Industries totaling $513.8 million as a result of the Split-Off and a $20.0 million distribution to Ingram Industries in 1996. The decrease in borrowings from Ingram Industries is partially offset by proceeds from debt totaling $49.7 million and net borrowings under the revolving credit facility of $80.6 million. The increase in net cash provided by financing activities in 1995 as compared to 1994 was primarily provided by an increase in borrowings from Ingram Industries.

Historically, the Company's sources of capital have primarily been borrowings from Ingram Industries. Ingram Industries no longer provides financing to the Company following the Split-Off. Concurrently with the completion of the IPO, the Company entered into a $1 billion Credit Facility (the "Credit Facility") with a syndicate of banks for which NationsBank of Texas N.A. and The Bank of Nova Scotia acted as agents. The Company is required to comply with certain financial covenants, including minimum net worth, restrictions on funded debt, current ratio and interest coverage, which will be tested as of the end of each fiscal quarter. The Credit Facility also restricts the Company's ability to pay dividends. Borrowings will be subject to the satisfaction of customary conditions, including the absence of any material adverse change in the Company's business or financial condition. Borrowings under the Credit Facility were used to repay outstanding revolving indebtedness related to amounts drawn by certain of the Company's subsidiaries, as participants in Ingram Industries' existing unsecured credit facility, which was terminated concurrent with the Split-Off, as well as partial financing for the increase in accounts receivable and inventories at December 28, 1996 as compared to December 30, 1995.

In November 1996, the Company sold 23,200,000 shares of Class A Common Stock in the IPO at $18.00 per share. The Company received net proceeds of $393.8 million of which approximately $366.3 million was used to repay certain existing indebtedness to Ingram Industries. Primarily as a result of the IPO, stockholders' equity increased to $825.2 million at December 28, 1996, up 165.5%, from $310.8 million at December 30, 1995. In addition, the Company's debt to capitalization ratio was 27% at December 28, 1996, down from 73% at December 30, 1995. At December 28, 1996, the Company had $201.5 million in outstanding borrowings under the Credit Facility.

From February 1993 through the Split-Off, the Company had an agreement with Ingram Industries whereby the Company sold all of its domestic trade accounts receivable to Ingram Industries on an ongoing basis. Ingram Industries transferred certain trade accounts receivable from the Company and other Ingram Industries affiliates to a trust which sold certificates representing undivided interests in the total pool of trade receivables without recourse. As of November 1, 1996, Ingram Industries had sold $160 million of fixed rate medium term certificates and established a commercial paper program, supported by a variable rate certificate, under which $13.0 million was outstanding. The arrangement with the trust extends to December 31, 1997, renewable biannually under an evergreen provision up to a maximum term of 20 years. In connection with the Split-Off, in partial satisfaction of amounts due to Ingram Industries, the Ingram Industries accounts receivable securitization program was assumed by the Company, which is now the sole seller of receivables. Under the amended program, certain of the Company's domestic receivables are transferred to the trust. The Company believes the amended program contains sufficient trade accounts receivable to support the outstanding fixed rate medium term certificates as well as an unspecified amount of variable rate certificates which support the commercial paper program. At December 28, 1996, the amount of commercial paper outstanding totaled $50 million. Assumption of the securitization program resulted in a $160 million reduction of trade accounts receivable and long-term debt in the Company's consolidated balance sheet at December 28, 1996.

The Company and its foreign subsidiaries have uncommitted lines of credit and short-term overdraft facilities in various currencies which aggregated $62.4 million as of December 28, 1996. These facilities are used principally for working capital and bear interest at market rates.

The exercise of stock options provides an additional source of cash to the Company. In 1996, cash proceeds from the exercise of stock options, including applicable tax benefits, totaled $11.3 million.

The Company believes that the net proceeds from the IPO, together with net cash provided by operating activities, supplemented as necessary with funds available under credit arrangements (including the $1 billion Credit Facility), will provide sufficient resources to meet its present and future working capital and cash requirements for at least the next 12 months, or earlier if the Company were to engage in significant, material corporate transactions not currently anticipated, in which event the Company anticipates that additional debt or equity financing would be required.

The Company presently expects to spend approximately $90 million in 1997 for capital expenditures due to continued expansion of its business.

NEW ACCOUNTING STANDARDS

The Company will adopt Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("FAS 125") in 1997. The Company does not expect the adoption of FAS 125 to have a material impact on its financial condition or results of operations.

INGRAM MICRO INC.
CONSOLIDATED BALANCE SHEET
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

	FISCAL YEAR END 1996	1995
ASSETS		
Current assets:		
Cash	$ 48,279	$ 56,916
Trade accounts receivable (less allowances of $38,622 in 1996 and $30,791 in 1995)	1,143,028	1,071,275
Inventories	1,818,047	1,582,922
Other current assets	145,964	88,503
Total current assets	3,155,318	2,799,616
Property and equipment, net	161,172	89,126
Goodwill, net	25,918	29,871
Other	24,539	22,285
Total assets	$ 3,366,947	$ 2,940,898
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,047,988	$ 1,652,073
Accrued expenses	162,887	121,572
Current maturities of long-term debt	23,899	6,332
Total current liabilities	2,234,774	1,779,977
Long-term debt	280,134	170,424
Due to Ingram Industries	-	673,792
Other	6,190	5,697
Total liabilities	2,521,098	2,629,890
Minority interest	3,476	213
Commitments and contingencies (Note 9)		
Redeemable Class B Common Stock	17,223	-
Stockholders' equity:		
Preferred Stock, $0.01 par value, 1,000,000 shares authorized; no shares issued and outstanding	-	-
Class A Common Stock, $0.01 par value, 265,000,000 shares authorized; 25,047,696 shares issued and outstanding in 1996	250	-
Class B Common Stock, $0.01 par value, 135,000,000 shares authorized; 109,043,762 and 107,251,362 shares issued and outstanding in 1996 and 1995 (including 2,460,400 redeemable shares in 1996)	1,066	1,073
Additional paid in capital	449,657	22,427
Retained earnings	372,801	282,122
Cumulative translation adjustment	1,910	5,173
Unearned compensation	(534)	-
Total stockholders' equity	825,150	310,795
Total liabilities and stockholders' equity	$ 3,366,947	$ 2,940,898

See accompanying notes to these consolidated financial statements

INGRAM MICRO INC.

CONSOLIDATED STATEMENT OF INCOME
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

	FISCAL YEAR 1996	1995	1994
Net sales	$ 12,023,451	$ 8,616,867	$ 5,830,199
Cost of sales	11,211,067	8,011,181	5,391,224
Gross profit	812,384	605,686	438,975
Expenses:			
Selling, general and administrative	537,893	415,344	296,330
Charges allocated from Ingram Industries	3,633	3,461	2,355
Noncash compensation charge (Note 12)	23,350	-	-
	564,876	418,805	298,685
Income from operations	247,508	186,881	140,290
Other (income) expense:			
Interest income	(2,060)	(3,479)	(937)
Interest expense	14,812	13,451	8,744
Interest expense charged by Ingram Industries	35,123	32,606	24,189
Net foreign currency exchange loss	701	7,751	6,873
Other	2,175	1,936	716
	50,751	52,265	39,585
Income before income taxes and minority interest	196,757	134,616	100,705
Provision for income taxes	84,889	53,143	39,604
Income before minority interest	111,868	81,473	61,101
Minority interest	1,189	(2,834)	(2,243)
Net income	$ 110,679	$ 84,307	$ 63,344
Earnings per share	$ 0.88	$ 0.69	$ 0.52

See accompanying notes to these consolidated financial statements

INGRAM MICRO INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(DOLLARS IN 000S)

	COMMON STOCK CLASS A	COMMON STOCK CLASS B	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	CUMULATIVE TRANSLATION ADJUSTMENT	UNEARNED COMPENSATION	TOTAL
JANUARY 1, 1994	$ --	$1,073	$ 22,427	$134,471	$(2,512)	$ --	$155,459
Translation adjustment					2,541		2,541
Net income				63,344			63,344
DECEMBER 31, 1994	--	1,073	22,427	197,815	29	--	221,344
Translation adjustment					5,144		5,144
Net income				84,307			84,307
DECEMBER 30, 1995	--	1,073	22,427	282,122	5,173	--	310,795
Noncash compensation charge related to stock options			23,170				23,170
Distribution to Ingram Industries				(20,000)			(20,000)
Grant of restricted Class B Common Stock		1	713			(714)	--
Net proceeds from sale of Class A Common Stock	232		393,612				393,844
Stock options exercised	10		1,612				1,622
Income tax benefit from exercise of stock options			8,123				8,123
Conversion of Class B Common Stock to Class A Common Stock	8	(8)					--
Amortization of unearned compensation						180	180
Translation adjustment					(3,263)		(3,263)
Net income				110,679			110,679
DECEMBER 28, 1996	$250	$1,066	$449,657	$372,801	$ 1,910	$(534)	$825,150

See accompanying notes to these consolidated financial statements

INGRAM MICRO INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN 000S)

	FISCAL YEAR 1996	1995	1994
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Net income	$ 110,679	$ 84,307	$ 63,344
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	36,170	25,394	18,675
Deferred income taxes	(1,635)	(8,632)	(4,668)
Minority interest	1,189	(2,834)	(2,243)
Noncash compensation charge	23,350	--	--
Changes in operating assets and liabilities, net of effects of acquisitions:			
Trade accounts receivable	(237,747)	(320,177)	(232,268)
Inventories	(239,054)	(580,116)	(345,511)
Other current assets	(46,291)	(15,877)	(12,846)
Accounts payable	399,995	543,822	411,012
Accrued expenses	31,372	22,828	17,452
Cash provided (used) by operating activities	78,028	(251,285)	(87,053)
CASH PROVIDED (USED) BY INVESTING ACTIVITIES:			
Purchase of property & equipment	(105,584)	(52,985)	(31,286)
Acquisitions, net of cash acquired	--	--	(15,088)
Other	(1,596)	4,188	3,765
Cash used by investing activities	(107,180)	(48,797)	(42,609)
CASH PROVIDED (USED) BY FINANCING ACTIVITIES:			
Proceeds from sale of Class A Common Stock	393,844	--	--
Proceeds from sale of Redeemable Class B Common Stock	17,223	--	--
Exercise of stock options including tax benefits	11,331	--	--
(Decrease) increase in borrowings from Ingram Industries	(513,792)	224,437	103,580
Proceeds (repayment) of debt	49,717	(838)	(4,930)
Net borrowings under revolving credit facility	80,618	74,666	44,636
Distribution to Ingram Industries	(20,000)	--	--
Minority interest investment	2,400	--	--
Cash provided by financing activities	21,341	298,265	143,286
Effect of exchange rate changes on cash	(826)	364	354
(Decrease) increase in cash	(8,637)	(1,453)	13,978
Cash, beginning of year	56,916	58,369	44,391
Cash, end of year	$ 48,279	$ 56,916	$ 58,369
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash payments during the year:			
Interest	$ 50,071	$ 45,164	$ 32,528
Income taxes	101,091	54,506	47,152

Cash payments include payments made to Ingram Industries for interest and U.S. income taxes.

See accompanying notes to these consolidated financial statements

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Ingram Micro Inc. (the "Company" or "Ingram Micro"), formerly Ingram Micro Holdings Inc., is primarily engaged in wholesale distribution and marketing of microcomputer hardware and software products. The Company conducts the majority of its operations in North America and Europe. In November 1996, the Company's former parent, Ingram Industries Inc. ("Ingram Industries"), consummated a split-off of the Company in a tax-free reorganization (the "Split-Off"). In connection with the Split-Off, certain stockholders of Ingram Industries exchanged all or some of their shares of Ingram Industries Common Stock for 107,251,362 shares of Class B Common Stock of the Company in specified ratios. See Note 3 for further information.

On April 29, 1996, Ingram Micro Inc., a Delaware corporation, was formed to hold all of the outstanding stock of Ingram Micro Holdings Inc. ("Holdings"). In October 1996, just prior to the Company's initial public offering, Holdings merged with and into such Delaware corporation. The merger did not impact the Company's financial statements, since the Company's historical financial statements for earlier periods reflect the capital structure described herein.

The accompanying historical consolidated financial statements have been prepared as if the Company had operated as an independent stand alone entity for all periods presented except that prior to the Split-Off, the Company generally had no significant borrowings in North America other than amounts due Ingram Industries. See Notes 7 and 11 regarding long-term debt and related party transactions.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies are described below:

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year

The fiscal year of the Company is a 52 or 53 week period ending on the Saturday nearest to December 31. All references herein to "1996," "1995" and "1994" represent the 52 week fiscal years ended December 28, 1996, December 30, 1995, and December 31, 1994, respectively.

Accounting Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash

Outstanding checks of $128,233 in 1996 and $72,868 in 1995 are included in accounts payable.

(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

Revenue Recognition

Revenue is recognized at the time of product shipment. The Company, under specific conditions, permits its customers to return or exchange products. The provision for estimated sales returns is recorded concurrently with the recognition of revenue.

Vendor Programs

Funds received from vendors for price protection, product rebates, marketing or training programs are recorded net of direct costs as adjustments to product costs, reduction of selling, general and administrative expenses or revenue according to the nature of the program.

The Company does not provide warranty coverage for its product sales. However, to maintain customer relations, the Company facilitates domestic vendor warranty policies by accepting for exchange, with the Company's prior approval, most defective products within 90 days of invoicing. Defective products received by the Company are subsequently returned to the vendor for credit or replacement.

The Company generated approximately 35% of its net sales in fiscal 1996, 32% in 1995 and 22% in 1994 from products purchased from three vendors.

Inventories

Inventories are stated at the lower of average cost or market.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the following estimated useful lives. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life:

Leasehold improvements	3 - 12 years
Distribution equipment	5 - 7 years
Computer equipment	2 - 5 years

Maintenance, repairs and minor renewals are charged to expense as incurred. Additions, major renewals and betterments to property and equipment are capitalized. Realization of carrying value is assessed annually.

Goodwill

Goodwill is amortized on a straight-line basis over periods ranging from five to twenty years. Accumulated amortization was $16,566 at December 28, 1996 and $13,576 at December 30, 1995. The Company evaluates the recoverability of goodwill and reviews the amortization periods on an annual basis. Recoverability is measured on the basis of anticipated undiscounted cash flows from operations. At December 28, 1996 and December 30, 1995, no impairment was indicated.

Income Taxes

The temporary differences between the financial reporting basis and the income tax basis of the Company's assets and liabilities are provided using the liability method.

Foreign Currency Translation

Financial statements of foreign subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate for each period for the results of operations. Translation adjustments are recorded as a separate component of stockholders' equity when the local currency is the functional currency. Translation adjustments are recorded in income when the U.S. dollar is the functional currency. The U.S. dollar is the functional currency for the Company's subsidiaries in Mexico, Singapore and Malaysia.

Financial Instruments

The carrying amounts of cash, accounts receivable, accounts payable and other accrued expenses approximate fair value because of the short maturity of these items.

The carrying amounts of intercompany debt due to Ingram Industries and debt issued pursuant to bank credit agreements approximate fair value because interest rates on these instruments approximate current market interest rates.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of trade accounts receivable and derivative financial instruments. Credit risk with respect to trade accounts receivable is limited due to the large number of customers and their dispersion across geographic areas. The Company sells its products primarily in the United States, Europe, Canada and Mexico. The Company performs ongoing credit evaluations of its customers' financial condition, utilizes floor plan financing arrangements with third party financing companies, obtains credit insurance in certain locations and requires collateral in certain circumstances. The Company maintains an allowance for potential credit losses.

Derivative Financial Instruments

The Company operates internationally with distribution facilities in various locations around the world. The Company reduces its exposure to fluctuations in interest rates and foreign exchange rates by creating offsetting positions through the use of derivative financial instruments. The market risk related to the foreign exchange agreements is offset by changes in the valuation of the underlying items being hedged. The majority of the Company's derivative financial instruments have terms of 90 days or less. The Company currently does not use derivative financial instruments for trading or speculative purposes, nor is the Company a party to leveraged derivatives.

Derivative financial instruments are accounted for on an accrual basis. Income and expense are recorded in the same category as that arising from the related asset or liability being hedged. Gains and losses resulting from effective hedges of existing assets, liabilities or firm commitments are deferred and recognized when the offsetting gains and losses are recognized on the related hedged items. Written foreign currency options are used to mitigate currency risk in conjunction with purchased options. Gains or losses on written foreign currency options are adjusted to market value at the end of each accounting period and have not been material to date.

The notional amount of forward exchange contracts and options is the amount of foreign currency bought or sold at maturity. The notional amount of currency interest rate swaps is the underlying principal and currency amounts used in determining the interest payments exchanged over the life of the swap. Notional amounts are indicative of the extent of the Company's involvement in the various types and uses of derivative financial instruments and are not a measure of the Company's exposure to credit or market risks through its use of derivatives. The estimated fair value of derivative financial instruments represents the amount required to enter into like off-setting contracts with similar remaining maturities based on quoted market prices.

(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

Credit exposure is limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the obligations of the Company to the counterparties. Potential credit losses are minimized through careful evaluation of counterparty credit standing, selection of counterparties from a limited group of high quality institutions and other contract provisions.

Derivative financial instruments comprise the following:

	1996		1995	
	NOTIONAL AMOUNTS	ESTIMATED FAIR VALUE	NOTIONAL AMOUNTS	ESTIMATED FAIR VALUE
Foreign exchange forward contracts	$178,873	$1,498	$109,218	$(1,971)
Purchased foreign currency options	30,857	146	75,928	485
Written foreign currency options	44,017	(112)	121,183	(615)
Currency interest rate swaps	25,655	410	25,655	(1,056)

Employee Benefits

The Company participated in Ingram Industries' defined contribution plan covering substantially all U.S. employees. As a result of the Split-Off, the Company established its own employee benefit plans. The plans permit eligible employees to make contributions up to certain limits which are matched by the Company at stipulated percentages. The Company's contributions charged to expense were $1,642 in fiscal 1996, $1,399 in 1995 and $764 in 1994.

Accounting for Stock-Based Compensation

The Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("FAS 123") in 1996. As permitted by FAS 123, the Company continues to measure compensation cost in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") but provides pro forma disclosures of net income and earnings per share as if the fair value method (as defined in FAS 123) had been applied beginning in 1996.

Earnings Per Share

Historical earnings per share for fiscal 1995 and 1994 reflect the Company's capital structure as a result of the formation of the Delaware corporation in connection with the Split-Off. Earnings per share is determined based on the number of shares outstanding after giving effect to the Split-Off (109,043,762, 107,251,362 and 107,251,362 at December 28, 1996, December 30, 1995 and December 31, 1994, respectively) in addition to all dilutive common stock and common stock equivalent shares. Pursuant to the Securities and Exchange Commission Staff Accounting Bulletins and Staff policy, such shares issued within 12 months of the initial public offering (the "IPO") of the Company's Class A Common Stock are treated as if they were outstanding for all periods presented prior to the IPO using the treasury stock method (14,155,229 at December 30, 1995 and December 31, 1994). The number of common and common equivalent shares outstanding used in the computation of earnings per share for the fiscal years ended December 28, 1996, December 30, 1995 and December 31, 1994 was 125,436,376, 121,406,591 and 121,406,591, respectively.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

NOTE 3 - SPLIT-OFF, REORGANIZATION AND EXCHANGE

In November 1996, the Split-off was effected pursuant to a Reorganization Agreement among the Company, Ingram Industries, and its subsidiary, Ingram Entertainment Inc. ("Ingram Entertainment"), and an Exchange Agreement among such companies and the stockholders of Ingram Industries. Pursuant to the Reorganization Agreement, the Company retained all of the assets and liabilities associated with the Company's business and indemnified Ingram Industries for all liabilities related to the Company's business and operations or otherwise assigned to the Company. In addition, the Reorganization Agreement provided for the sharing by the Company of approximately 73% of certain contingent assets and liabilities not allocated to one of the parties. The Company assumed a portion of Ingram Industries' debt in return for the extinguishment of intercompany indebtedness (see Note 5).

In connection with the Reorganization Agreement, the Company entered into an Employee Benefits Transfer and Assumption Agreement with Ingram Industries which provided for the allocation of employee benefit assets and liabilities to each of the parties relating to their continuing employees. The Company also entered into a Tax Sharing and Tax Services Agreement pursuant to which the Company will be responsible for its allocable share of Ingram Industries' consolidated federal and state income tax liabilities for fiscal 1996 through the date of the Split-Off and approximately 73% of any adjustment in excess of reserves already established by Ingram Industries for past federal and state liabilities of the Company and Ingram Industries. Similarly, the Company will share in any refunds received with respect to such periods. The Company also entered into Transitional Service Agreements related to certain administrative services and data processing (see Note 11).

Pursuant to the Exchange Agreement, certain stockholders of Ingram Industries exchanged all or some of their shares of Ingram Industries Common Stock for 107,251,362 shares of Class B Common Stock of the Company in specified ratios.

NOTE 4 - ACQUISITIONS

In April and August 1994, the Company acquired two separate wholesale distributors (Keylan S.A. and Datateam Sverige AB) with operations in Spain, Sweden, Denmark and Norway. The combined consideration paid was $15,088 cash and $5,279 of notes payable to sellers. The acquired companies had assets of $48,748 and liabilities of $35,034. The acquisitions were accounted for using the purchase method of accounting. The purchase price was allocated to the assets purchased and the liabilities assumed based on fair values at the date of acquisition. The excess of the purchase price over fair value of net assets acquired totaling $6,653 was recorded as goodwill.

The operating results of these acquired businesses have been included in the consolidated statement of income from the date of acquisition. Pro forma results of operations have not been presented because the effect of these acquisitions was not significant.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

NOTE 5 - ACCOUNTS RECEIVABLE

From February 1993 through the Split-Off, the Company had an arrangement with Ingram Industries whereby the Company sold all of its domestic trade accounts receivable to Ingram Industries on an ongoing basis. Ingram Industries transferred certain trade accounts receivable from the Company and other Ingram Industries affiliates to a trust which sold certificates representing undivided interests in the total pool of trade receivables without recourse. At December 30, 1995, the accounts receivable and due to Ingram Industries amounts in the Company's consolidated balance sheet have not been reduced to reflect the sale of such receivables.

In connection with the Split-Off, in partial satisfaction of amounts due to Ingram Industries, the Ingram Industries accounts receivable securitization agreement as it related to the Company was assumed by the Company. The arrangement with the trust extends to December 31, 1997 and renews biannually under an evergreen provision up to a maximum term of twenty years. As of the Split-Off, the trust had sold $160,000 of medium term certificates. In addition, approximately $13,000 of trust certificate-backed commercial paper was outstanding on that date. Assumption of the securitization program resulted in a $160,000 reduction of trade accounts receivable and long-term debt on the Company's consolidated balance sheet at December 28, 1996 to reflect the sale of such receivables. Amounts outstanding under the commercial paper program totaling $50,000 at December 28, 1996 are included in long-term debt in the consolidated balance sheet at December 28, 1996.

Fees in the amount of $1,537 in 1996 related to the sale of trade accounts receivable under the medium term certificates are included in other expenses in the consolidated statement of income. Prior to the Company assuming the accounts receivable securitization program, such fees were included in interest expense charged by Ingram Industries.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	FISCAL YEAR END	
	1996	1995
Land	$ 18,746	$ 2,359
Buildings and leasehold improvements	67,765	26,381
Distribution equipment	83,242	62,462
Computer equipment	83,594	59,161
	253,347	150,363
Accumulated depreciation	(92,175)	(61,237)
	$ 161,172	$ 89,126

Depreciation expense was $33,180 in 1996 and $21,785 in 1995.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

NOTE 7 - LONG-TERM DEBT AND DUE TO INGRAM INDUSTRIES

Prior to the Split-Off, Ingram Industries managed most treasury activities for the Company, including the arrangement of short-term and long-term financing on a centralized, consolidated basis. Using a centralized cash management system, the Company's domestic cash receipts were remitted to Ingram Industries and domestic cash disbursements were funded by Ingram Industries on a daily basis. The Company's historical financial statements reflect funding provided by Ingram Industries to the Company, and net cash used by the Company, as amounts due to Ingram Industries. This arrangement was terminated effective with the Split-Off. At December 28, 1996, all amounts due to Ingram Industries had been repaid with the exception of certain federal and state estimated tax payments made on the Company's behalf relating to the period prior to the Split-Off.

Ingram Industries charged the Company interest expense on the outstanding intercompany balance based on Ingram Industries' domestic weighted average cost of funds. The average rate was 7.25% in fiscal 1996, 7.38% in 1995 and 6.99% in 1994.

Prior to the Split-Off, the Company and other Ingram Industries affiliates participated in Ingram Industries' unsecured revolving credit agreement with a syndicate of banks. Under this agreement, Ingram Industries and its affiliates borrowed in various currencies up to $380,000 at various money market and bid rates. The weighted average borrowing rate was 7.00% at December 30, 1995. The agreement was guaranteed by certain subsidiaries of the Company and other Ingram Industries affiliates. The Company's participation in Ingram Industries' revolving credit agreement was terminated concurrently with the Split-Off.

Effective upon completion of the Company's initial public offering, the Company entered into a $1,000,000 revolving credit agreement (the "Credit Facility") with a syndicate of banks. The Credit Facility is unsecured and matures on October 30, 2001. Revolving loan rate and competitive bid interest rate options are available under the Credit Facility. The spread over LIBOR for revolving rate loans as well as a facility fee will be determined by reference to certain financial ratios or credit ratings by recognized rating agencies on the Company's senior unsecured debt. At December 28, 1996, the Company had $201,475 of outstanding borrowings under this Credit Facility. The weighted average interest rate on outstanding borrowings at December 28, 1996 was 5.44%.

The Company is required to comply with certain financial covenants, including minimum net worth, current ratio and interest coverage. The Company is also subject to certain restrictions on the amount of funded debt and the payment of dividends. At December 28, 1996, the Company was in compliance with these covenants.

At December 28, 1996, commercial paper in the amount of $50,000 was outstanding under the Company's accounts receivable securitization program (see Note 5) and is included in long-term debt. The weighted average interest rate on this commercial paper was 5.7% at December 28, 1996.

The Company's subsidiaries outside the United States have lines of credit and short-term overdraft facilities with various banks worldwide which provide for borrowings aggregating $62,424. Most of these arrangements are reviewed periodically for renewal. At December 28, 1996, the Company had $22,752 outstanding under these facilities.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

Long-term debt consists of the following:

	FISCAL YEAR END	
	1996	1995
Revolving credit facility	$ 201,475	$ 141,521
Overdraft facilities	22,752	5,782
Commercial paper	50,000	-
Other	29,806	29,453
	304,033	176,756
Less current maturities of long-term debt	(23,899)	(6,332)
	$ 280,134	$ 170,424

Annual maturities of long-term debt as of December 28, 1996 are as follows:

1997	$ 23,899
1998	512
1999	460
2000	393
2001 and thereafter	278,769
	$ 304,033

NOTE 8 - INCOME TAXES

The components of income before taxes and minority interest consist of the following:

	FISCAL YEAR END		
	1996	1995	1994
United States	$ 165,576	$ 124,277	$ 99,701
Foreign	31,181	10,339	1,004
Total	$ 196,757	$ 134,616	$ 100,705

The provision for income taxes consists of the following:

Current:			
Federal	$ 64,252	$ 44,615	$ 35,989
State	9,952	9,544	4,060
Foreign	13,076	7,616	4,223
	87,280	61,775	44,272
Deferred:			
Federal	(5,241)	(4,082)	(2,472)
State	462	(949)	136
Foreign	2,388	(3,601)	(2,332)
	(2,391)	(8,632)	(4,668)
Total income tax provision	$ 84,889	$ 53,143	$ 39,604

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

Deferred income taxes reflect the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred tax assets and liabilities are as follows:

	FISCAL YEAR END		
	1996	1995	1994
Net deferred tax assets and liabilities:			
Tax in excess of book basis of foreign operations	$18,511	$ 19,511	$13,816
Items not currently deductible	20,296	18,610	12,813
Depreciation	(881)	(1,564)	(958)
Other	758	492	263
Total	$38,684	$ 37,049	$25,934

Net current deferred tax assets of $22,038 and $19,307 are included in other current assets and other current liabilities at December 28, 1996 and December 30, 1995, respectively. Net non-current deferred tax assets of $16,646 and $17,742 are included in other assets and other liabilities at December 28, 1996 and December 30, 1995, respectively.

Reconciliation of the statutory U.S. federal income tax rate to the Company's effective tax rate is as follows:

	FISCAL YEAR END		
	1996	1995	1994
U.S. statutory rate	35%	35%	35%
State income taxes, net of federal income tax benefit	4%	4%	3%
Noncash compensation	2%		
Foreign rates in excess of statutory rate	2%	1%	1%
Effective tax rate	43%	40%	39%

The Company was included in the consolidated federal income tax return filed by Ingram Industries through the date of the Split-Off. Taxes related to the Company, prior to the Split-Off, were determined on a separate entity basis and taxes payable were remitted to Ingram Industries every two months. Taxes payable to Ingram Industries of $10,521 at December 28, 1996 and $14,303 at December 30, 1995 are included in accrued expenses.

At December 28, 1996, the Company had foreign net operating loss carryforwards of $50,530 of which approximately one-half have no expiration date.

The Company does not provide for income taxes on undistributed earnings of foreign subsidiaries as such earnings are intended to be permanently reinvested in those operations. Any related taxes on the undistributed earnings are immaterial.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

NOTE 9 - COMMITMENTS AND CONTINGENCIES

There are various claims, lawsuits and pending actions against the Company incident to the Company's operations. It is the opinion of management that the ultimate resolution of these matters will not have a material effect on the Company's financial position or results of operations.

The Company has arrangements with certain finance companies which provide accounts receivable and inventory financing facilities for its customers. The Company assesses the financial stability of the finance companies and the payment terms are within 3 to 30 days of product shipment. In conjunction with certain of these arrangements, the Company has inventory repurchase agreements with the finance companies that would require it to repurchase certain inventory which might be repossessed from the customers by the finance companies. Such repurchases have been insignificant to date.

The Company leases the majority of its facilities and certain equipment under noncancelable operating leases. Renewal and purchase options at fair values exist for a substantial portion of the leases. Rental expense for the years ended December 28, 1996, December 30, 1995 and December 31, 1994 was $34,784, $28,367 and $16,574, respectively.

Future minimum rental commitments on operating leases that have remaining noncancelable lease terms in excess of one year as of December 28, 1996 are as follows:

1997	$24,628
1998	21,268
1999	19,184
2000	12,922
2001	9,739
Later years	31,905

NOTE 10 - SEGMENT INFORMATION

The Company operates predominantly in a single industry segment as a wholesale distributor of microcomputer hardware and software. Geographic areas in which the Company operates include the United States (United States and the majority of the Company's exports), Europe (Austria, Belgium, Denmark, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden and the United Kingdom) and Other (Canada, Malaysia, Mexico, and Singapore). Transfers between geographic areas primarily represent intercompany sales which are accounted for based on established sales prices between the related companies and are eliminated in consolidation. Net sales, income from operations and identifiable assets by geographic area are as follows:

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

	FISCAL YEAR 1996	1995	1994
NET SALES			
United States			
Sales to unaffiliated customers	$ 8,289,776	$ 5,969,749	$ 4,122,338
Transfers between geographic areas	140,721	86,961	76,696
Europe	2,590,120	1,849,129	1,078,250
Other	1,143,555	797,989	629,611
Eliminations	(140,721)	(86,961)	(76,696)
Total	$ 12,023,451	$ 8,616,867	$ 5,830,199
INCOME FROM OPERATIONS:			
United States	$ 201,961	$ 156,749	$ 123,796
Europe	21,593	19,576	8,079
Other	23,954	10,556	8,415
Total	$ 247,508	$ 186,881	$ 140,290
IDENTIFIABLE ASSETS:			
United States	$ 2,227,997	$ 1,996,642	$ 1,381,798
Europe	800,755	669,309	393,346
Other	338,195	274,947	199,145
Total	$ 3,366,947	$ 2,940,898	$ 1,974,289

No single customer accounts for 10% or more of the Company's net sales.

NOTE 11 - TRANSACTIONS WITH RELATED PARTIES

Historically, Ingram Industries provided certain administrative services to the Company. Prior to the Split-Off, the Company was allocated a portion of the costs of these administrative services. Charges for these services were based upon utilization and at amounts which management believes are less than the amounts which the Company would have incurred as a stand-alone entity. Such amounts are reflected as charges allocated from Ingram Industries on the consolidated statement of income. Subsequent to the Split-Off, such allocations ceased and the Company entered into Transitional Service Agreements with Ingram Industries relating to the continued provision of certain administrative services including payroll processing through December 31, 1997. The Company believes that the terms of these agreements are on a basis as favorable as those that would be obtained from third parties on an arm's length basis. In addition, the Company entered into the Data Center Services Agreement with Ingram Entertainment and a division of Ingram Industries pursuant to which the Company has agreed to provide computer services and maintenance. Charges for these services are based on a pro-rata allocation of costs incurred by the Company in operating the data services center.

Prior to the Split-Off, Ingram Industries also provided guarantees to certain of the Company's vendors and for certain of the Company's leases; no charges from Ingram Industries were reflected in the Company's financial statements for such guarantees. Such guarantees ceased concurrently with the Split-Off.

The Company leases warehouse and office space from certain of its stockholders. Total rental payments were $1,645 in fiscal 1996 and 1995, respectively, and $784 in 1994.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

Other transactions with Ingram Industries affiliates include sales of $3,464 in fiscal 1996, $5,281 in 1995 and $3,056 in 1994.

NOTE 12 - STOCK OPTIONS AND INCENTIVE PLANS

The Company adopted Statement of Financial Accounting Standards No. 123 ("FAS 123") in 1996. As permitted by FAS 123, the Company continues to measure compensation cost in accordance with APB 25. Therefore, the adoption of FAS 123 had no impact on the Company's financial condition or results of operations. Had compensation cost for the Company's stock option plans been determined based on the fair value of the options consistent with the method of FAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		1996
Net Income	As reported	$110,679
	Pro forma	106,825
Earnings per share	As reported	$ 0.88
	Pro forma	0.85

For pro forma disclosure, the fair value of compensatory stock options, restricted stock grants and stock purchase rights was estimated using the Black-Scholes option pricing model using the following weighted average assumptions: dividend yield of 0%; expected volatility of 0% for options granted prior to the IPO and 39.4% for options granted concurrently with the IPO, risk free interest rates ranging from 5.6% to 5.8%, and expected lives for each plan ranging from 1.71 years to 3.5 years.

Rollover Stock Option Plan

Certain of the Company's employees participated in Ingram Industries' qualified and non-qualified stock option and SAR plans. Ingram Industries' plans provided for the grant of options and SARs at fair value. In conjunction with the Split-Off, Ingram Industries options and SARs held by the Company's employees and certain other Ingram Industries options, SARs and Incentive Stock Units ("ISUs") were converted to or exchanged for Ingram Micro options ("Rollover Stock Options") to purchase Class A Common Stock. Approximately 10,989,000 Rollover Stock Options were outstanding immediately following the conversion. The majority of the Rollover Stock Options will be fully vested by the year 2000 and no such options expire later than 10 years from the date of grant. The Company recorded a noncash compensation charge of approximately $23,350 ($19,483 net of tax) in 1996 related to the vested portion of certain Rollover Stock Options based on the difference between the estimated fair value of such options at the applicable measurement dates and the exercise price of such options. The weighted average fair value of Rollover Stock Options for pro forma disclosure was $7.60.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

1996 Equity Incentive Plan

As of April 30, 1996, the Company adopted the 1996 Equity Incentive Plan, as amended (the "Plan"), and Ingram Industries approved the grant of options under this plan. The Plan authorized the granting of options to purchase up to 12,000,000 shares of Common Stock. In June 1996, the Company issued options under the Plan at $7.00 per share to purchase an aggregate of approximately 4,618,000 shares of Class B Common Stock to all eligible employees of the Company. These options vest and generally become exercisable over five years from the issue date and expire eight years from the issue date.

In November 1996, the Company issued options under the Plan at $18.00 per share (the initial public offering price) to purchase an aggregate of approximately 5,137,000 shares of Class A Common Stock to certain executive officers, employees and directors of the Company. Options to purchase 2,680,000 shares vest at the end of nine years; however, such options will vest earlier if the Company achieves certain performance criteria. All such options expire ten years from the issue date. The remaining options to purchase 2,457,000 shares vest and generally become exercisable over five years and expire eight years from the issue date.

The weighted average fair value of options granted in 1996 for pro forma disclosure was $3.87.

A summary of the status of the Company's stock option plans as of December 28, 1996 and changes during the year then ended is presented below:

	SHARES (000)	WEIGHTED-AVERAGE EXERCISE PRICE
Rollover Stock Options	10,989	$ 1.83
Stock options granted during the year	9,756	12.79
Stock options exercised	(1,078)	1.32
Forfeitures	(20)	1.87
Outstanding at end of year	19,647	$ 7.30

The following table summarizes information about stock options outstanding at December 28, 1996:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT 12/28/96	WEIGHTED-AVERAGE REMAINING LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 12/28/96	WEIGHTED-AVERAGE EXERCISE PRICE
$0.66 - $3.32	9,891	5.4	$ 1.83	1,748	$ 1.48
$7.00	4,618	7.5	7.00	-	-
$18.00	5,138	7.8	18.00	200	18.00
	19,647		$ 7.30	1,948	$ 3.18

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

1996 Employee Stock Purchase Plan

In October 1996, the Board of Directors and stockholders adopted the 1996 Employee Stock Purchase Plan (the "ESPP"). The ESPP permits eligible employees of the Company to purchase Class A Common Stock through payroll deductions, provided that no employee may accrue the right to purchase more than $25 worth of stock under all employee stock purchase plans of the Company in any calendar year. Up to 1,000,000 shares of Class A Common Stock will be initially available for sale under the ESPP. The initial offering period commenced on November 1, 1996 and will end on the last market trading day on or before December 31, 1998. The purchase price under the initial offer is the lower of $18.00 per share or the last reported transaction price of the Class A Common Stock reported on the New York Stock Exchange on December 31, 1998. Employees may end their participation in the ESPP at any time during an offering period, and they will be paid their payroll deductions accumulated to date. Participation ends automatically on termination of employment with the Company and will terminate in all events on the last business day of October 2006.

The weighted average fair value of these purchase rights granted in 1996 was $4.79.

NOTE 13 - COMMON STOCK

The Company has two classes of Common Stock, consisting of 265,000,000 authorized shares of $0.01 par value Class A Common Stock and 135,000,000 authorized shares of $0.01 par value Class B Common Stock, and 1,000,000 authorized shares of $0.01 par value Preferred Stock. Class A stockholders are entitled to one vote on each matter to be voted on by the stockholders whereas Class B stockholders are entitled to ten votes on each matter to be voted on by the stockholders. The two classes of stock have the same rights in all other respects. Each share of Class B Common Stock may at any time be converted to a share of Class A Common Stock; however, conversion will occur automatically on the earliest to occur of (i) the fifth anniversary of the consummation of the Split-Off; (ii) the sale or transfer of such share of Class B Common Stock to any person not specifically authorized to hold such shares by the Company's Certificate of Incorporation; or (iii) the date on which the number of shares of Class B Common Stock then outstanding represents less than 25% of the aggregate number of shares of Class A Common Stock and Class B Common Stock then outstanding.

Initial Public Offering

On November 1, 1996, the Company sold 23,200,000 shares of Class A Common Stock at $18.00 per share in an initial public offering. Proceeds of $393,844, net of underwriters' commissions and expenses of the offering aggregating $23,756, were received and used to repay indebtedness to Ingram Industries in the amount of $366,340. The remaining amount of $27,504 was used for working capital purposes.

Key Employee Stock Purchase Plan

As of April 30, 1996, the Company adopted the Key Employee Stock Purchase Plan (the "Stock Purchase Plan") which provides for the issuance of up to 4,000,000 shares of Class B Common Stock to certain employees. In June 1996, the Company offered 2,775,000 shares of its Class B Common Stock for sale to certain employees pursuant to the Stock Purchase Plan, and subsequently sold 2,510,400 shares with proceeds of approximately $17,573. The shares sold thereby are subject to certain restrictions on transfer and to repurchase by the Company upon termination of employment prior to certain specified vesting dates at the original offering price. The Company has repurchased 50,000 of such shares.

In addition, the Company granted, pursuant to the Stock Purchase Plan, 107,000 restricted shares of Class B Common Stock to certain officers and employees of the Company. These shares are subject to vesting. Prior to vesting, these restricted grant shares are subject to forfeiture to the Company without consideration upon termination of employment. At December 28, 1996, 5,000 of such shares have been forfeited to the Company.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

Unearned compensation in the amount of $714 related to the restricted shares was recorded as a separate component of stockholders' equity and is amortized to noncash compensation over the vesting period. The amount amortized to noncash compensation in 1996 was $180.

The detail of changes in the number of issued and outstanding shares of Class A Common Stock, Class B Common Stock, and Redeemable Class B Common Stock for the three year period ended December 28, 1996 is as follows:

	COMMON STOCK		
	CLASS A	CLASS B	REDEEMABLE CLASS B
JANUARY 1, 1994	--	107,251,362	--
Shares issued during the year	--	--	--
DECEMBER 31, 1994	--	107,251,362	--
Shares issued during the year	--	--	--
DECEMBER 30, 1995	--	107,251,362	--
Shares issued during the year for:			
Grant of restricted Class B Common Stock		102,000	
Sale of Class A Common Stock	23,200,000		
Sale of Redeemable Class B Common Stock			2,510,400
Repurchase of Redeemable Class B Common Stock			(50,000)
Stock options exercised	1,077,696		
Conversion of Class B Common Stock to Class A Common Stock	770,000	(770,000)	
DECEMBER 28, 1996	25,047,696	106,583,362	2,460,400

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholders of Ingram Micro Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Ingram Micro Inc. and its subsidiaries at December 28, 1996 and December 30, 1995, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 28, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Costa Mesa, California
February 18, 1997

COMMON STOCK

The common stock of Ingram Micro is traded on the New York Stock Exchange under the symbol "IM". Ingram Micro made its initial public offering on November 1, 1996 at a price of $18 per share. From Nov. 1, 1996 through Dec. 28, 1996, the trading price of the Class A common stock ranged from a high of $28.125 per share to a low of $20 per share.

INGRAM MICRO INC. EXHIBIT 21.01

SUBSIDIARIES

AS OF MARCH 1, 1997

		JURISDICTION
A.	Ingram Micro GmbH Zweigniederlassung Osterreich	Austria
B.	Ingram Micro Europe Division	
C.	Ingram Micro Export Company Ltd.	Barbados
D.	Ingram Micro Inc.	Canada
E.	Ingram Laboratories Division	
F.	Ingram Alliance Division	
G.	CD Access Inc.	Iowa
H.	Ingram Micro Delaware Inc.	Delaware
I.	Ingram Micro Management Company	Delaware
J.	Ingram Dicom S.A. de C.V. (1)	Mexico
	1. Export Services Inc.	California
K.	Ingram European Coordination Center S.A./N.V.	Belgium
L.	Ingram Micro S.A.R.L.	France
M.	Ingram Micro N.V.	Belgium
N.	Ingram Micro B.V.	The Netherlands
	1. Micro Communication Services B.V.	The Netherlands
O.	Ingram Micro S.p.A.	Italy
P.	Ingram Micro GmbH	Germany
Q.	Ingram Micro Holdings Limited	United Kingdom
	1. Ingram Micro (UK) Limited	United Kingdom
	2. Metrocom Computer Systems Limited	United Kingdom
	3. Document Technology Limited	United Kingdom
	4. Software Limited (2)	United Kingdom
R.	Ingram Micro Singapore Inc.	California
	1. Ingram Micro Malaysia Sdn Bhd	Malaysia
	2. Ingram Micro Singapore Pte Ltd.	Singapore
	(a) Ingram Micro Hong Kong Ltd.	Hong Kong
	(b) Capitage Trading Ltd.	Hong Kong
S.	Ingram Micro Japan Inc.	Delaware
T.	Ingram Micro S.A.	Spain
U.	Ingram Micro AB	Sweden
	1. Ingram Micro A/S	Denmark
	2. Ingram Micro A.S.	Norway
	3. Datateam Norm AB (3)	Sweden
	4. Oy Datateam AB (3)	Finland
V.	Ingram Micro SA/AG	Switzerland
W.	IMI Washington Inc.	Delaware
X.	Ingram Funding Inc.	Delaware
Y.	Ingram Micro CLBT Inc.	Delaware

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(1) 70% owned by Ingram Micro Inc.

(2) Name-saving corporation

(3) Dormant

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF INGRAM MICRO INC. FOR THE YEAR ENDED DECEMBER 28, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR
DEC-28-1996
DEC-31-1995
DEC-28-1996
48,279
0
1,181,650
38,622
1,818,047
3,155,318
253,347
92,175
3,366,947
2,234,774
0
0
0
1,316
823,834
3,366,947
12,023,451
12,023,451
11,211,067
11,775,943
2,876
0
49,935
196,757
84,889
110,679
0
0
0
110,679
0.88
0.88

EXHIBIT 99.01

CAUTIONARY STATEMENTS FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The Private Securities Litigation Reform Act of 1995 (the "Act") provides a "safe harbor" for "forward-looking statements" to encourage companies to provide prospective information, so long as such information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the forward-looking statement(s). Ingram Micro Inc. (the "Company") desires to take advantage of the safe harbor provisions of the Act.

Except for historical information, the Company's Annual Report on Form 10-K for the year ended December 28, 1996 to which this exhibit is appended, the Company's quarterly reports on Form 10-Q, the Company's current reports on Form 8-K, periodic press releases, as well as other public documents and statements, may contain forward-looking statements within the meaning of the Act.

In addition, representatives of the Company from time to time participate in speeches and calls with market analysts, conferences with investors and potential investors in the Company's securities, and other meetings and conferences. Some of the information presented in such speeches, calls, meetings and conferences may be forward-looking within the meaning of the Act.

It is not reasonably possible to itemize all of the many factors and specific events that could affect the Company and/or the microcomputer products distribution industry as a whole. In some cases, information regarding certain important factors that could cause actual results to differ materially from those projected, forecasted, estimated, budgeted or otherwise expressed in forward-looking statements made by or on behalf of the Company may appear or be otherwise conveyed together with such statements. The following additional factors (in addition to other possible factors not listed) could affect the Company's actual results and cause such results to differ materially from those projected, forecasted, estimated, budgeted or otherwise expressed in forward-looking statements made by or on behalf of the Company:

INTENSE COMPETITION. The Company operates in a highly competitive environment, both in the United States and internationally. The microcomputer products distribution industry is characterized by intense competition, based primarily on price, product availability, speed and accuracy of delivery, effectiveness of sales and marketing programs, credit availability, ability to tailor specific solutions to customer needs, quality and breadth of product lines and services, and availability of technical and product information. The Company's competitors include regional, national, and international wholesale distributors, as well as hardware manufacturers, networking equipment manufacturers, and software publishers that sell directly to resellers and large resellers who resell to other resellers. There can be no assurance that the Company will not lose market share in the United States or in international markets, or that it will not be forced in the future to reduce its prices in response to the actions of its competitors and thereby experience a further reduction in its gross margins. See "Narrow Margins" below.

The Company entered the "aggregator" or "master reseller" business by launching Ingram Alliance in late 1994. Many of the Company's competitors in the master reseller business are more experienced and have more established contacts with affiliated resellers, third-party dealers, or suppliers, which may provide them with a competitive advantage over the Company. In addition, the Company is constantly seeking to expand its business into areas closely related to its core microcomputer products distribution business. As the Company enters new business areas, it may encounter increased competition from current competitors and/or from new competitors, some of which may be current customers of the Company. There can be no assurance that increased competition and adverse reaction from customers resulting from the Company's expansion into new business areas will not have a material adverse effect on the Company's business, financial condition, or results of operations.

NARROW MARGINS. As a result of intense price competition in the microcomputer products wholesale distribution industry, the Company's margins have historically been narrow and are expected in the future to continue to be narrow.

These narrow margins magnify the impact on operating results of variations in operating costs. The Company receives purchase discounts from suppliers based on a number of factors, including sales or purchase volume and breadth of customers. These purchase discounts directly affect gross margins. Because many purchase discounts from suppliers are based on percentage increases in sales of products, it may become more difficult for the Company to achieve the percentage growth in sales required for larger discounts due to the current size of the Company's revenue base. The Company's gross margins have been further reduced by the Company's entry into the master reseller business through Ingram Alliance, which has lower gross margins than the Company's traditional wholesale distribution business.

FLUCTUATIONS IN QUARTERLY RESULTS. The Company's quarterly net sales and operating results have varied significantly in the past and will likely continue to do so in the future as a result of seasonal variations in the demand for the products and services offered by the Company, the introduction of new hardware and software technologies and products offering improved features and functionality, the introduction of new products and services by the Company and its competitors, the loss or consolidation of a significant supplier or customer, changes in the level of operating expenses, inventory adjustments, product supply constraints, competitive conditions including pricing, interest rate fluctuations, the impact of acquisitions, currency fluctuations, and general economic conditions. The Company's narrow margins may magnify the impact of these factors on the Company's operating results. The Company believes that period-to-period comparisons of its operating results should not be relied upon as an indication of future performance. In addition, the results of any quarterly period are not indicative of results to be expected for a full fiscal year. In certain future quarters, the Company's operating results may be below the expectations of public market analysts or investors. In such event, the market price of the Common Stock would be materially adversely affected.

CAPITAL INTENSIVE NATURE OF BUSINESS. The Company's business requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. In order to continue its expansion, the Company will need additional financing, including debt financing, which may or may not be available on terms acceptable to the Company, or at all. In addition to the Company's prospects, financial condition and results of operations, macroeconomic factors such as fluctuations in interest rates or a general economic downturn may restrict the Company's ability to raise the necessary capital. No assurance can be given that the Company will continue to be able to raise capital in adequate amounts for these or other purposes on terms acceptable to the Company, and the failure to do so could have a material adverse effect on the Company's business, financial condition, and results of operations. See "--Fluctuations in Quarterly Results" above.

MANAGEMENT OF GROWTH. The rapid growth of the Company's business has required the Company to make significant recent additions in personnel and has significantly increased the Company's working capital requirements. Although the Company has experienced significant sales growth in recent years, such growth should not be considered indicative of future sales growth. Such growth has resulted in new and increased responsibilities for management personnel and has placed and continues to place a significant strain upon the Company's management, operating and financial systems, and other resources. There can be no assurance that the strain placed upon the Company's management, operating and financial systems, and other resources will not have a material adverse effect on the Company's business, financial condition, and results of operations, nor can there be any assurance that the Company will be able to attract or retain sufficient personnel to continue the expansion of its operations. Also crucial to the Company's success in managing its growth will be its ability to achieve additional economies of scale. There can be no assurance that the Company will be able to achieve such economies of scale, and the failure to do so could have a material adverse effect on the Company's business, financial condition, and results of operations.

DEPENDENCE ON INFORMATION SYSTEMS. The Company depends on a variety of information systems for its operations, particularly its centralized IMpulse information processing system which supports more than 40 operational functions including inventory management, order processing, shipping, receiving, and accounting. At the core of IMpulse is on-line, real-time distribution software which supports basic order entry and processing and customers' shipments and returns. Although the Company has not in the past experienced significant failures or downtime of IMpulse or any of its other information systems, any such failure or significant downtime could prevent the Company from taking customer orders, printing product pick-lists, and/or shipping product and could prevent customers from accessing price and product availability information from the Company. In order to react to changing market conditions, the Company must continuously expand and improve IMpulse and its other information systems. From time to time the Company may acquire other businesses having information systems and records which must be converted and integrated into IMpulse or other Company information systems. This can be a lengthy and expensive process that results in a significant diversion of resources from other operations.

EXPOSURE TO FOREIGN MARKETS; CURRENCY RISK. The Company, through its subsidiaries, operates in a number of countries outside the United States, and the Company expects its international net sales to increase as a percentage of total net sales in the future. The Company's international net sales are primarily denominated in currencies other than the U.S. dollar. Accordingly, the Company's international operations impose risks upon its business as a result of exchange rate fluctuations. There can be no assurance that exchange rate fluctuations will not have a material adverse effect on the Company's business, financial condition, or results of operations in the future. In certain countries outside the United States, operations are accounted for primarily on a U.S. dollar denominated basis. In the event of an unexpected devaluation of the local currency in those countries (as occurred in Mexico in December 1994), the Company may experience significant foreign exchange losses. In addition, the Company's operations may be significantly adversely affected as a result of the general economic impact of the devaluation of the local currency.

The Company's international operations are subject to other risks such as the imposition of governmental controls, export license requirements, restrictions on the export of certain technology, political instability, trade restrictions, tariff changes, difficulties in staffing and managing international operations, difficulties in collecting accounts receivable and longer collection periods, and the impact of local economic conditions and practices.

DEPENDENCE ON KEY INDIVIDUALS. The Company is dependent in large part on its ability to retain the services of its executive officers. The loss of any of the Company's executive officers could have a material adverse effect on the Company. The Company's continued success is also dependent upon its ability to retain and attract other qualified employees to meet the Company's needs.

PRODUCT SUPPLY; DEPENDENCE ON KEY SUPPLIERS. The ability of the Company to obtain particular products or product lines in the required quantities and to fulfill customer orders on a timely basis is critical to the Company's success. In most cases, the Company has no guaranteed price or delivery agreements with its suppliers. As a result, the Company has experienced, and may in the future continue to experience, short-term inventory shortages. In addition, manufacturers who currently distribute their products through the Company may decide to distribute, or to substantially increase their existing distribution, through other distributors, their own dealer networks, or directly to resellers. Further, the personal computer industry experiences significant product supply shortages and customer order backlogs from time to time due to the inability of certain manufacturers to supply certain products on a timely basis. There can be no assurance that suppliers will be able to maintain an adequate supply of products to fulfill the Company's customer orders on a timely basis or that the Company will be able to obtain particular products or that a product line currently offered by suppliers will continue to be available.

ACQUISITIONS. As part of its growth strategy, the Company pursues the acquisition of companies that either complement or expand its existing business. Acquisitions involve a number of risks and difficulties, including expansion into new geographic markets and business areas, the requirement to understand local business practices, the diversion of management's attention to the assimilation of the operations and personnel of the acquired companies, the integration of the acquired companies' management information systems with those of the Company, potential adverse short-term effects on the Company's operating results, the amortization of acquired intangible assets, and the need to present a unified corporate image.

RISK OF DECLINES IN INVENTORY VALUE. The Company's business, like that of other wholesale distributors, is subject to the risk that the value of its inventory will be adversely affected by price reductions by suppliers or by technological changes affecting the usefulness or desirability of the products comprising the inventory. It is the policy of most suppliers of microcomputer products to protect distributors such as the Company, who purchase directly from such suppliers, from the loss in value of inventory due to technological change or the supplier's price reductions. These policies are sometimes not embodied in written agreements and do not protect the Company in all cases from declines in inventory value. No assurance can be given that such practices will continue, that unforeseen new product developments will not materially adversely affect the Company, or that the Company will be able to successfully manage its existing and future inventories. The Company's risk of declines in inventory value could be greater outside the United States where agreements with suppliers are more restrictive with regard to price protection and the Company's ability to return unsold inventory.

DEPENDENCE ON INDEPENDENT SHIPPING COMPANIES. The Company relies almost entirely on arrangements with independent shipping companies for the delivery of its products. The termination of the Company's arrangements with one or more of these independent shipping companies, or the failure or inability of one or more of these independent shipping companies to deliver products from suppliers to the Company or products from the Company to its reseller customers or their end-user customers could have a material adverse effect on the Company's business, financial condition, or results of operations.

RAPID TECHNOLOGICAL CHANGE; ALTERNATE MEANS OF SOFTWARE DISTRIBUTION. The microcomputer products industry is subject to rapid technological change, new and enhanced product specification requirements, and evolving industry standards. These changes may cause inventory in stock to decline substantially in value or to become obsolete. In addition, suppliers may give the Company limited or no access to new products being introduced.

Net sales of software products have decreased as a percentage of total net sales in recent years due to a number of factors, including bundling of software with microcomputers; sales growth in Ingram Alliance, which is a hardware-only business; declines in software prices; and the emergence of alternative means of software distribution, such as site licenses and electronic distribution. The Company expects this trend to continue.