FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED OCTOBER 2, 1999

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)

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 [ ]

The Registrant had 70,758,232 shares of Class A Common Stock, par value $.01 per share, and 73,390,939 shares of Class B Common Stock, par value $.01 per share, outstanding at October 2, 1999.

INGRAM MICRO INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INGRAM MICRO INC.

CONSOLIDATED BALANCE SHEET
(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

	OCTOBER 2, 1999	JANUARY 2, 1999
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash	$ 134,963	$ 96,682
Trade accounts receivable (less allowances of $69,839 and $55,904 at October 2, 1999 and January 2, 1999, respectively)	2,738,539	2,562,050
Inventories	2,735,175	3,094,227
Other current assets	351,949	278,591
Total current assets	5,960,626	6,031,550
Property and equipment, net	298,792	254,718
Goodwill, net	455,732	232,112
Other	485,457	215,024
Total assets	$ 7,200,607	$ 6,733,404
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,419,738	$ 3,306,045
Accrued expenses	327,044	254,627
Current maturities of long-term debt	31,615	38,978
Total current liabilities	3,778,397	3,599,650
Convertible debentures	434,433	473,475
Other long-term debt	1,037,616	1,208,003
Other	86,459	45,205
Total liabilities	5,336,905	5,326,333
Redeemable Class B Common Stock	3,800	7,814
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; 70,758,232 and 66,520,715 shares issued and outstanding at October 2, 1999 and January 2, 1999, respectively	708	665
Class B Common Stock, $0.01 par value, 135,000,000 shares authorized; 73,390,939 and 75,459,710 shares issued and outstanding (including 542,855 and 1,116,250 redeemable shares) at October 2, 1999 and January 2, 1999, respectively	728	743
Additional paid in capital	629,916	591,235
Retained earnings	920,047	811,616
Accumulated other comprehensive income (loss)	308,516	(4,914)
Unearned compensation	(13)	(88)
Total stockholders' equity	1,859,902	1,399,257
Total liabilities and stockholders' equity	$ 7,200,607	$ 6,733,404

See accompanying notes to these consolidated financial statements

INGRAM MICRO INC.

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

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	OCTOBER 2, 1999	OCTOBER 3, 1998	OCTOBER 2, 1999	OCTOBER 3, 1998
Net sales	$6,710,093	$5,707,974	$20,240,181	$15,814,183
Cost of sales	6,388,205	5,350,176	19,191,211	14,810,993
Gross profit	321,888	357,798	1,048,970	1,003,190
Expenses:				
Selling, general and administrative	266,447	239,370	792,131	657,808
Reorganization costs	2,675	--	10,959	--
	269,122	239,370	803,090	657,808
Income from operations	52,766	118,428	245,880	345,382
Other (income) expense:				
Interest income	(635)	(2,339)	(3,290)	(5,145)
Interest expense	23,000	16,532	73,866	51,700
Net foreign currency exchange loss	965	2,975	1,589	6,001
Other	4,685	1,938	8,199	6,877
	28,015	19,106	80,364	59,433
Income before income taxes	24,751	99,322	165,516	285,949
Provision for income taxes	8,913	39,530	60,863	113,996
Income before extraordinary item	15,838	59,792	104,653	171,953
Extraordinary gain on repurchase of debentures, net of $2,405 in income taxes	--	--	3,778	--
Net income	$ 15,838	$ 59,792	$ 108,431	$ 171,953
Basic earnings per share:				
Income before extraordinary item	$ 0.11	$ 0.43	$ 0.73	$ 1.24
Extraordinary gain on repurchase of debentures	--	--	0.03	--
Net income	$ 0.11	$ 0.43	$ 0.76	$ 1.24
Diluted earnings per share:				
Income before extraordinary item	$ 0.11	$ 0.40	$ 0.70	$ 1.15
Extraordinary gain on repurchase of debentures	--	--	0.03	--
Net income	$ 0.11	$ 0.40	$ 0.73	$ 1.15

See accompanying notes to these consolidated financial statements.

INGRAM MICRO INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN 000S)
(UNAUDITED)

	THIRTY-NINE WEEKS ENDED	
	OCTOBER 2, 1999	OCTOBER 3, 1998
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net income	$ 108,431	$ 171,953
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	54,800	40,300
Amortization of goodwill	16,367	7,620
Deferred income taxes	(16,440)	(3,429)
Gain on repurchase of debentures	(3,778)	--
Noncash interest charge	18,019	7,649
Noncash compensation charge	1,526	3,440
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	46,733	(412,652)
Inventories	430,811	404,300
Other current assets	(68,971)	20,875
Accounts payable	(3,145)	56,556
Accrued expenses	70,956	(24,807)
Cash provided by operating activities	655,309	271,805
CASH (USED) PROVIDED BY INVESTING ACTIVITIES:		
Purchases of property and equipment	(89,605)	(105,038)
Proceeds from sale of property and equipment	7,652	--
Acquisitions, net of cash acquired	(241,107)	(85,802)
Other	(2,856)	(722)
Cash used by investing activities	(325,916)	(191,562)
CASH (USED) PROVIDED BY FINANCING ACTIVITIES:		
Redemption of Redeemable Class B Common Stock	(107)	(440)
Exercise of stock options including tax benefits	19,119	58,763
Proceeds from issuance of convertible debentures	--	449,604
Repurchase of convertible debentures	(50,321)	--
Proceeds (repayments) of debt	211,432	(130,909)
Net repayments under revolving credit facilities	(468,046)	(456,789)
Cash used by financing activities	(287,923)	(79,771)
Effect of exchange rate changes on cash	(3,189)	1,792
Increase in cash	38,281	2,264
Cash, beginning of period	96,682	92,212
Cash, end of period	$ 134,963	$ 94,476
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments during the period:		
Interest	$ 68,554	$ 50,106
Income taxes	$ 77,832	$ 78,362

See accompanying notes to these consolidated financial statements.

INGRAM MICRO INC.

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

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Ingram Micro Inc. (the "Company" or "Ingram Micro") is primarily engaged, directly and through its majority- and wholly-owned subsidiaries, in wholesale distribution of computer-based technology products and services worldwide. The Company conducts the majority of its operations in North America, Europe, Latin America, and Asia Pacific.

The consolidated financial statements include the accounts of Ingram Micro Inc. and all majority- and wholly-owned subsidiaries. These financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the financial position of the Company as of October 2, 1999, their results of operations for the thirteen and thirty-nine weeks ended October 2, 1999 and October 3, 1998 and their cash flows for the thirty-nine weeks ended October 2, 1999 and October 3, 1998. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the thirteen and thirty-nine week periods ended October 2, 1999 may not be indicative of the results of operations that can be expected for the full year.

NOTE 2 - EARNINGS PER SHARE

The Company reports earnings per share in accordance with the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS 128") and related interpretations. FAS 128 requires dual presentation of Basic Earnings per Share ("Basic EPS") and Diluted Earnings per Share ("Diluted EPS"). Basic EPS excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding during the reported period. Diluted EPS reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised using the treasury stock method or the if-converted method, where applicable.

The composition of Basic EPS and Diluted EPS is as follows:

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	OCTOBER 2, 1999	OCTOBER 3, 1998	OCTOBER 2, 1999	OCTOBER 3, 1998
Net income before extraordinary item	$ 15,838	$ 59,792	$ 104,653	$ 171,953
Weighted average shares	143,737,247	140,018,639	143,204,442	138,775,555
Basic earnings per share before extraordinary item	$ 0.11	$ 0.43	$ 0.73	$ 1.24
Weighted average shares including the dilutive effect of stock options (4,305,077 and 10,641,441 for the 13 weeks ended October 2, 1999 and October 3, 1998, respectively, and 4,893,798 and 10,815,716 for the 39 weeks ended October 2, 1999 and October 3, 1998, respectively)	148,042,324	150,660,080	148,098,240	149,591,271
Diluted earnings per share before extraordinary item	$ 0.11	$ 0.40	$ 0.70	$ 1.15

At October 2, 1999, there were $434,433 in Zero Coupon Convertible Senior Debentures that were convertible

INGRAM MICRO INC.

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

into 6,427,721 shares of Class A Common Stock. For the thirteen and thirty-nine weeks ended October 2, 1999 and October 3, 1998, respectively, these potential shares were excluded from the computation of Diluted EPS because their effect would be antidilutive. Additionally, there were approximately 3,364,596 and 91,014 stock options for the thirteen and thirty-nine weeks ended October 2, 1999 and October 3, 1998, respectively, that were not included in the computation of Diluted EPS because the exercise price was greater than the average market price of the Class A Common Stock, thereby resulting in an antidilutive effect.

NOTE 3 - COMPREHENSIVE INCOME

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS 130") establishes standards for reporting and displaying comprehensive income and its components in the Company's consolidated financial statements. Comprehensive income is defined in FAS 130 as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from nonowner sources.

The components of accumulated other comprehensive income (loss) are as follows:

	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAIN ON AVAILABLE FOR SALE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Balance at January 3, 1998	$(14,236)	$ --	$(14,236)
Thirteen week change	(2,407)	--	(2,407)
Balance at April 4, 1998	(16,643)	--	(16,643)
Thirteen week change	121	--	121
Balance at July 4, 1998	(16,522)	--	(16,522)
Thirteen week change	5,359	--	5,359
Balance at October 3, 1998	(11,163)	--	(11,163)
Thirteen week change	(417)	6,666	6,249
Balance at January 2, 1999	$(11,580)	$ 6,666	$ (4,914)

	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	UNREALIZED GAIN ON AVAILABLE FOR SALE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
Balance at January 2, 1999	$ (11,580)	$ 6,666	$ (4,914)
Thirteen week change	(16,282)	61,664	45,382
Balance at April 3, 1999	(27,862)	68,330	40,468
Thirteen week change	(9,099)	102,718	93,619
Balance at July 3, 1999	(36,961)	171,048	134,087
Thirteen week change	13,858	160,571	174,429
Balance at October 2, 1999	$ (23,103)	$ 331,619	$ 308,516

During 1998, the Company purchased approximately $50,000 of the common stock of SOFTBANK Corp. ("Softbank"), Japan's largest distributor of software, peripherals and networking products. These securities had a gross unrealized holding gain of $331,619 at October 2, 1999 and $6,666 as of January 2, 1999. Income taxes have not been provided on the unrealized gain due to tax planning strategies that the Company believes will reduce its tax consequences to an immaterial amount.

INGRAM MICRO INC.

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

Total comprehensive income for the thirteen weeks ended October 2, 1999 and October 3, 1998 was $190,267 and $65,151, respectively. Total comprehensive income for the thirty-nine weeks ended October 2, 1999 and October 3, 1998 was $421,861 and $175,026, respectively.

NOTE 4 - EXTRAORDINARY ITEM

In March 1999, the Company repurchased Zero Coupon Convertible Senior Debentures with a carrying value of $56,504 as of the repurchase date for approximately $50,321 in cash. The debenture repurchase resulted in an extraordinary gain of $3,778 (net of $2,405 in income taxes).

NOTE 5 - ACQUISITION

In January 1999, the Company purchased 44,114,340 shares of the common stock of Ingram Micro Asia Ltd. (formerly known as Electronic Resources Ltd., "ERL") from certain shareholders, which increased the Company's ownership to 39.6% from the 21% ownership held in 1998. In accordance with Singapore law, the Company was required to extend a tender offer for the remaining shares and warrants of ERL as a result of its increased ownership. The Company offered to purchase the remaining outstanding shares and warrants for approximately $1.20 and $0.65 per share and warrant, respectively, during the tender offer period from January 4, 1999 to February 19, 1999. In addition, during January and February 1999, the Company made open market purchases of ERL shares and warrants. As a result of the open market purchases and the tender offer, the Company's ownership in ERL increased to approximately 95%. The aggregate purchase price paid for these ERL shares and warrants was approximately $232,010. In the third quarter of 1999, the Company commenced a take-over offer for the remaining ERL shares and warrants not already owned by Ingram Micro. As a result of the takeover, the Company purchased an additional 12,151,748 shares and 1,337,962 warrants of ERL for approximately $14,850 in cash, increasing the Company's ownership position to 100% of the outstanding shares of ERL and approximately 99% of the outstanding warrants.

Prior to 1999, the Company accounted for its investment in ERL under the equity method. Due to the purchase of ERL common stock and warrants in 1999, the Company has accounted for the acquisition of ERL under the purchase method; accordingly, the results of ERL's operations have been combined with those of the Company for the thirteen and thirty-nine weeks ended October 2, 1999. The purchase price was allocated on a preliminary basis to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price, including the $71,212 paid in December 1997, over the net assets acquired was determined to be approximately $225,153 and is being amortized on a straight-line basis over 30 years. The final allocation of the purchase price may vary as additional information is obtained; accordingly, the final allocations may differ from those used in these unaudited consolidated financial statements.

NOTE 6 - SEGMENT INFORMATION

The Company operates predominantly in a single industry segment as a wholesale distributor of computer-based technology products and services. The Company's reportable operating segments are based on geographic location, and the measure of segment profit is income from operations. Geographic areas in which the Company operates include the United States, Europe (Austria, Belgium, Denmark, Finland, France, Germany, Hungary, Italy, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom) and Other (Argentina, Australia, Brazil, Canada, Chile, China, India, Indonesia, Malaysia, Mexico, New Zealand, Peru, Singapore, and Thailand). Inter-geographic sales primarily represent intercompany sales which are accounted for based on established sales prices between the related companies and are eliminated in consolidation.

INGRAM MICRO INC.

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

Financial information by geographic segments is as follows:

	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	OCTOBER 2, 1999	OCTOBER 3, 1998	OCTOBER 2, 1999	OCTOBER 3, 1998
NET SALES:				
United States				
Sales to unaffiliated customers	$4,033,406	$3,764,498	$12,465,508	$10,699,278
Transfers between geographic areas	50,441	43,777	124,901	121,285
Europe	1,639,624	1,452,672	4,987,176	3,639,100
Other	1,037,063	490,804	2,787,497	1,475,805
Eliminations	(50,441)	(43,777)	(124,901)	(121,285)
Total	$6,710,093	$5,707,974	$20,240,181	$15,814,183
INCOME (LOSS) FROM OPERATIONS:				
United States	$ 47,818	$ 106,293	$ 203,715	$ 291,340
Europe	(5,109)	6,335	13,159	36,761
Other	10,057	5,800	29,006	17,281
Total	$ 52,766	$ 118,428	$ 245,880	$ 345,382
IDENTIFIABLE ASSETS:				
United States	$4,561,497	$3,417,427	$ 4,561,497	$ 3,417,427
Europe	1,801,470	1,576,135	1,801,470	1,576,135
Other	837,640	494,764	837,640	494,764
Total	$7,200,607	$5,488,326	$ 7,200,607	$ 5,488,326
CAPITAL EXPENDITURES:				
United States	$ 14,240	$ 36,647	$ 56,475	$ 89,265
Europe	13,198	7,581	25,354	12,782
Other	4,348	843	7,776	2,991
Total	$ 31,786	$ 45,071	$ 89,605	$ 105,038
DEPRECIATION AND AMORTIZATION:				
United States	$ 14,535	$ 10,722	$ 41,004	$ 31,494
Europe	6,687	4,962	17,006	10,482
Other	4,431	1,953	13,157	5,944
Total	$ 25,653	$ 17,637	$ 71,167	$ 47,920

INGRAM MICRO INC.

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

NOTE 7 - REORGANIZATION COSTS

In February 1999, the Company initiated a plan primarily in the United States ("U.S."), but also in Europe, to streamline operations and reorganize resources to increase flexibility and service and maximize cost savings and operational efficiencies. This reorganization plan includes instituting several organizational and structural changes, including the closing of the Company's California-based consolidation center and certain other redundant locations, realignment of the Company's sales force and the creation of a product management organization that integrates purchasing, vendor services, and product marketing functions, as well as a realignment of administrative functions and processes throughout the U.S. organization.

In connection with the reorganization plan, the Company recorded a charge of $6,234 in the thirteen weeks ended April 3, 1999 related primarily to reorganization efforts in the U.S. This reorganization charge included $4,269 in employee termination benefits for approximately 358 employees, $1,519 for closing and consolidation of redundant facilities relating primarily to excess lease costs net of estimated sublease income, and $446 for other costs associated with the reorganization. The Company recorded an additional reorganization charge of $2,050 during the thirteen weeks ended July 3, 1999, in connection with the reorganization of certain of the Company's European operations. This reorganization charge included $1,735 in employee termination benefits for approximately 98 employees and $315 for other costs associated with the reorganization. In the third quarter of 1999, the Company recorded an additional charge of $2,675 related primarily to continued reorganization efforts in the sales, product management, and information technology departments in the U.S. operations. The reorganization charge of $2,675 represents employee termination benefits for approximately 130 employees. These initiatives are expected to be substantially completed by the end of 1999.

The reorganization charges and related activity for the thirty-nine weeks ended October 2, 1999 are summarized as follows:

	1999 REORGANIZATION CHARGE	AMOUNTS PAID AND CHARGED AGAINST THE LIABILITY	ADJUSTMENTS	REMAINING LIABILITY AT OCTOBER 2, 1999
Employee termination benefits	$ 8,679	$ 7,152	$ --	$ 1,527
Facility costs	1,519	598	--	921
Other costs	761	349	--	412
Total	$10,959	$ 8,099	$ --	$ 2,860

NOTE 8 - NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), which will become effective for the Company in fiscal 2001. FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The Company does not expect the adoption of FAS 133 to have a material impact on its reported consolidated financial condition or results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

	THIRTEEN WEEKS ENDED				THIRTY-NINE WEEKS ENDED			
	OCTOBER 2, 1999		OCTOBER 3, 1998		OCTOBER 2, 1999		OCTOBER 3, 1998	
	(DOLLARS IN MILLIONS)							
Net sales by geographic region:								
United States	$4,033	60.1%	$3,764	65.9%	$12,465	61.6%	$10,699	67.7%
Europe	1,640	24.4%	1,453	25.5%	4,987	24.6%	3,639	23.0%
Other international	1,037	15.5%	491	8.6%	2,788	13.8%	1,476	9.3%
Total	$6,710	100.0%	$5,708	100.0%	$20,240	100.0%	$15,814	100.0%

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			
	THIRTEEN WEEKS ENDED		THIRTY-NINE WEEKS ENDED	
	OCTOBER 2, 1999	OCTOBER 3, 1998	OCTOBER 2, 1999	OCTOBER 3, 1998
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	95.2%	93.7%	94.8%	93.7%
Gross profit	4.8%	6.3%	5.2%	6.3%
Expenses:				
SG&A expenses	4.0%	4.2%	3.9%	4.1%
Reorganization costs	0.0%	--	0.1%	--
Income from operations	0.8%	2.1%	1.2%	2.2%
Other expense, net	0.4%	0.4%	0.4%	0.4%
Income before income taxes	0.4%	1.7%	0.8%	1.8%
Provision for income taxes	0.1%	0.7%	0.3%	0.7%
Income before extraordinary item	0.3%	1.0%	0.5%	1.1%
Extraordinary gain on repurchase of debentures, net of income taxes	--	--	0.0%	--
Net income	0.3%	1.0%	0.5%	1.1%

THIRTEEN WEEKS ENDED OCTOBER 2, 1999 COMPARED TO THIRTEEN WEEKS ENDED OCTOBER 3, 1998

Consolidated net sales increased 17.6% to $6.71 billion for the thirteen weeks ended October 2, 1999 (or "third quarter of 1999") from $5.71 billion for the thirteen weeks ended October 3, 1998 (or "third quarter of 1998"). The increase in worldwide net sales was primarily attributable to the acquisition of ERL (Note 5 of Notes to Consolidated Financial Statements), the addition of new customers, increased sales to the existing customer base, expansion of the Company's product and service offerings, and growth in the computer-based technology products and services industry in general. Although consolidated net sales increased 17.6%, the overall growth in net sales was tempered, primarily in the U.S. and Europe, due to significant competitive pricing pressures, as well as the overall difficult market conditions that are being experienced throughout the industry. Sales growth for succeeding quarters may be hindered due to continued competitive pricing pressures and difficult market conditions, as well as the possible deferral in purchases of technology products by resellers and end-users because of potential concerns surrounding end-user Year 2000 matters (see discussion of Year 2000 matters under "Year 2000 Matters").

Net sales from U.S. operations increased 7.1% to $4.03 billion in the third quarter of 1999 from $3.76 billion in the third quarter of 1998 primarily due to growth of the Company's ongoing business. Net sales from European operations increased 12.9% to $1.64 billion in the third quarter of 1999 from $1.45 billion in the third quarter of 1998 primarily due to the overall growth in the Company's existing European operations. For geographic regions outside the U.S. and Europe, net sales increased 111.3% to $1.04 billion in the third quarter of 1999 from $490.8 million in the third quarter of 1999 primarily due to the ERL acquisition in January 1999 as well as growth in the Company's Canadian and Latin American operations.

Gross profit, as a percentage of net sales, decreased to 4.8% in the third quarter of 1999 from 6.3% in the third quarter of 1998. The decrease was largely attributable to significant competitive pricing pressures experienced primarily in the U.S. and larger countries in Europe combined with significant reductions in vendor rebates and incentives. The Company expects this to continue for the foreseeable future.

Total SG&A expenses increased 11.3% to $266.4 million in the third quarter of 1999 from $239.4 million in the third quarter of 1998, but decreased as a percentage of net sales to 3.97% in the third quarter of 1999 from 4.19% in the third quarter of 1998. The increase in SG&A expenses was attributable to the acquisition of ERL in January 1999 as well as the increased expenses required to support the expansion of the Company's business. Expenses related to expansion consist of incremental personnel and support costs, lease expense related to new operating facilities, and the expenses associated with the development and maintenance of information systems. The overall decrease in SG&A expenses as a percentage of net sales is attributable to economies of scale from greater sales volume, the reorganization efforts during 1999 and continued cost-control measures.

In the third quarter of 1999, the Company recorded a reorganization charge of approximately $2.7 million related primarily to continued reorganization efforts in the sales, product management, and information technology departments in the U.S. operations. The reorganization charge of $2.7 million represents employee termination benefits for approximately 130 employees. Based upon the Company's reorganization efforts and continued cost control measures, the Company expects its SG&A expenses to remain below 4.0% of consolidated net sales for the foreseeable future. However, any significant decline in future sales growth rates or significant changes in the business or industry in which the Company operates could impact this trend. In addition, the Company is currently evaluating its methods of providing certain products and services through its Frameworks(TM), Total Integration Services(TM) business ("Frameworks"). This includes, among other items, assessing the allocation of its existing resources between its custom-configuration services and the production of unbranded systems. Several alternatives are currently being considered including the possibility of outsourcing the production of unbranded systems with contract manufacturers, while continuing to provide and develop the Company's custom-configuration services capabilities. The Company is currently seeking and evaluating proposals from potential outsourcing partners in this regard and expects this process to continue for the next several months. As a result, the Frameworks product and service offerings and/or the means of providing such offerings may change from those currently being offered or employed. The impact of these changes, which may include additional reorganization costs as well as changes in the Frameworks business strategy, is not certain at this time because the Company has not completed its evaluation.

Income from operations, excluding reorganization costs, decreased as a percentage of net sales to 0.8% in the third quarter of 1999 from 2.1% in the third quarter of 1998. The decrease in income from operations, excluding reorganization costs, as a percentage of net sales is primarily due to the significant decrease in gross profit as a percentage of net sales as described above. U.S. income from operations, excluding reorganization costs, as a percentage of net sales decreased to 1.3% in the third quarter of 1999 from 2.8% in the third quarter of 1998. European loss from operations, excluding reorganization costs, as a percentage of net sales was (0.3%) in the third quarter of 1999 compared to income from operations of 0.4% in the third quarter of 1998. For geographic regions outside the United States and Europe, income from operations, excluding reorganization costs, as a percentage of net sales decreased to 1.0% in the third quarter of 1999 from 1.2% in the third quarter of 1998. Income from operations, including reorganization costs, as a percentage of net sales decreased to 0.8% in the third quarter of 1999 from 2.1% in the third quarter of 1998.

Other expense, net, which consists primarily of interest expense, foreign currency exchange losses, and miscellaneous non-operating expenses, increased 46.6% to $28.0 million in the third quarter of 1999 from $19.1 million in the third quarter of 1998. However, other expense, net, remained constant as a percentage of net sales at 0.4% for the third quarters of 1999 and 1998.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

Interest expense grew as a result of increased borrowings to finance the ERL acquisition; the fourth quarter 1998 investment in Softbank, Japan's largest distributor of software, peripherals and networking products; and expansion of the Company's business. The increase was partially offset by a decrease in average interest rates in the third quarter of 1999 as compared to the third quarter of 1998. In 1999, the Company expects its interest expense to increase over comparable periods in 1998 primarily due to the factors described above. Foreign exchange losses decreased by $2.0 million in the third quarter of 1999 compared to the third quarter of 1998 primarily due to the strengthening of currencies in Latin America as compared to the U.S. dollar.

The provision for income taxes decreased 77.5% to $8.9 million in the third quarter of 1999 from $39.5 million in the third quarter of 1998, reflecting the 75.1% decrease in the Company's income before income taxes. The Company's effective tax rate was 36.0% in the third quarter of 1999 compared to 39.8% in the third quarter of 1998. The decrease in the effective tax rate was primarily due to tax planning in certain countries as well as the acquisition of ERL, which has a lower effective tax rate compared to the Company's overall effective tax rate.

THIRTY-NINE WEEKS ENDED OCTOBER 2, 1999 COMPARED TO THIRTY-NINE WEEKS ENDED OCTOBER 3, 1998

Consolidated net sales increased 28.0% to $20.24 billion for the thirty-nine weeks ended October 2, 1999 (or "first nine months of 1999") from $15.81 billion for the thirty-nine weeks ended October 3, 1998 (or "first nine months of 1998"). The increase in worldwide net sales was primarily attributable to the same factors summarized in the discussion of net sales for the third quarters of 1999 and 1998 as well as the July 1998 acquisition of Munich, Germany-based Macrotron AG ("Macrotron").

Net sales from U.S. operations increased 16.5% to $12.47 billion in the first nine months of 1999 from $10.70 billion in the first nine months of 1998 primarily due to growth of the Company's ongoing business. Net sales from European operations increased 37.0% to $4.99 billion in the first nine months of 1999 from $3.64 billion in the first nine months of 1998 primarily due to the July 1998 acquisition of Macrotron and the overall growth in the Company's existing European operations. For geographic regions outside the U.S. and Europe, net sales increased 88.9% to $2.79 billion in the first nine months of 1999 from $1.48 billion in the first nine months of 1998 primarily due to the ERL acquisition in January 1999 as well as growth in the Company's Canadian and Latin American operations.

Gross profit, as a percentage of net sales, decreased to 5.2% in the first nine months of 1999 from 6.3% in the first nine months of 1998. The decrease was attributable to the same factors summarized in the discussion of gross profit for the third quarters of 1999 and 1998.

Total SG&A expenses increased 20.4% to $792.1 million in the first nine months of 1999 from $657.8 million in the first nine months of 1998, but decreased as a percentage of net sales to 3.9% in the first nine months of 1999 from 4.1% in the first nine months of 1998. The change in SG&A expenses in dollar terms and as a percentage of net sales was largely attributable to the same factors summarized in the discussion of SG&A expenses for the third quarters of 1999 and 1998.

In February 1999, the Company initiated a plan, primarily in the U.S., but also in Europe, to streamline operations and reorganize resources to increase flexibility and service and maximize cost savings and operational efficiencies. This reorganization plan included instituting several organizational and structural changes, including the closing of the Company's California-based consolidation center and certain other redundant locations, realignment of the Company's sales force and the creation of a product management organization that integrates purchasing, vendor sales, and product marketing functions, as well as a realignment of administrative functions and processes throughout the United States organization.

In connection with the reorganization plan, the Company recorded a charge of approximately $11.0 million in the thirty-nine weeks ended October 2, 1999. This reorganization charge included approximately $8.7 million in employee termination benefits for approximately 586 employees, $1.5 million for closing and consolidation of redundant facilities primarily relating to excess lease costs net of estimated sublease income, and $0.8 million for other costs associated with the reorganization (see Note 7 of Notes to Consolidated Financial Statements). These charges related primarily to the reorganization efforts in the United States operations as well as certain countries within the European operations. Based upon these changes and continued cost control measures, the Company expects its SG&A expenses to remain below 4.0% of consolidated net sales for the foreseeable future. However, any significant decline in future sales growth rates or significant changes in the business or industry in which the Company operates could impact this trend. In addition, see information relating to the Company's Frameworks business under discussion of reorganization costs for the third quarters of 1999 and 1998.

Income from operations, excluding reorganization costs, decreased as a percentage of net sales to 1.3% in the first nine months of 1999 from 2.2% in the first nine months of 1998. The decrease in income from operations, excluding reorganization costs, as a percentage of net sales is primarily due to the significant decrease in gross profit as a percentage of net sales as described above. U.S. income from operations, excluding reorganization costs, as a percentage of net sales decreased to 1.7% in the first nine months of 1999 from 2.7% in the first nine months of 1998. European income from operations, excluding reorganization costs, as a percentage of net sales decreased to 0.3% in the first nine months of 1999 from 1.0% in the first nine months of 1998. For geographic regions outside the United States and Europe, income from operations, excluding reorganization costs, as a percentage of net sales decreased to 1.0% in the first nine months of 1999 from 1.2% in the first nine months of 1998. Income from operations, including reorganization costs, as a percentage of net sales decreased to 1.2% in the first nine months of 1999 from 2.2% in the first nine months of 1998.

Other expense, net, which consists primarily of interest expense, foreign currency exchange losses, and miscellaneous non-operating expenses, increased 35.2% to $80.4 million in the first nine months of 1999 from $59.4 million in the first nine months of 1998. Other expense, net, remained constant as a percentage of net sales at 0.4% for the first nine months of 1999 and 1998. Interest expense grew primarily due to the same factors summarized in the discussion of other expense, net, for the third quarters of 1999 and 1998 combined with the acquisition of Macrotron in July 1998. Foreign exchange losses decreased by $4.4 million in the first nine months of 1999 compared to the first nine months of 1998 primarily due to the strengthening of currencies in Latin America as compared to the U.S. dollar.

The provision for income taxes decreased 46.6% to $60.9 million in the first nine months of 1999 from $114.0 million in the first nine months of 1998, reflecting the 42.1% decrease in the Company's income before income taxes. The Company's effective tax rate was 36.8% in the first nine months of 1999 compared to 39.9% in the first nine months of 1998. The decrease in the effective tax rate was primarily due to tax planning in certain countries as well as the acquisition of ERL, which has a lower effective tax rate compared to the Company's overall effective tax rate.

In March 1999, the Company repurchased Zero Coupon Convertible Senior Debentures with a carrying value of $56.5 million as of the repurchase date for approximately $50.3 million in cash. The debenture repurchase resulted in an extraordinary gain of $3.8 million (net of $2.4 million in income taxes).

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, asset valuation 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, particularly on a quarterly basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The Company has financed its growth and cash needs largely through income from operations, borrowings, trade and supplier credit, the public sale of 23,200,000 shares of its Class A Common Stock at $18.00 per share in the initial public offering completed in November 1996, and the issuance of its Zero Coupon Convertible Senior Debentures in June 1998.

Net cash provided by operating activities was $655.3 million in the first nine months of 1999 as compared to $271.8 million in the first nine months of 1998. The increase in cash provided by operating activities was largely attributable to the reduction of trade receivables, excluding acquisitions, for the first nine months of 1999 compared to the first nine months of 1998.

Net cash used by investing activities was $325.9 million in the first nine months of 1999 compared to $191.6 million in the first nine months of 1998. The increase was primarily due to the Company's acquisition of ERL and the expansion of warehouse and other facilities. In the first nine months of 1999, the Company used approximately $241.0 million in cash, net of cash acquired, primarily for the purchase of common stock and warrants of ERL (see Note 5 of Notes to Consolidated Financial Statements).

Net cash used by financing activities was $287.9 million in the first nine months of 1999 compared to $79.8 million in the first nine months of 1998. The increase in cash used by financing activities was due to repayments of debt under the revolving credit facilities through the management of trade debtors and creditors, and repurchases of convertible debentures partially offset by net proceeds from other debt and a reduction in proceeds from stock option exercises.

Acquisitions

In December 1997, the Company completed its purchase of approximately 21% of the outstanding common stock and approximately 19% of an outstanding class of warrants of ERL, a publicly traded electronic components distributor based in Singapore, for approximately $71 million. In January 1999, the Company purchased additional shares from specific shareholders, which brought the Company's total ownership of ERL to approximately 39.6%. In January and February 1999, the Company made open market purchases of ERL shares and warrants, and on February 19, 1999 completed a tender offer for the remaining outstanding shares and warrants of ERL. These additional purchases resulted in ownership of approximately 95% of both the outstanding common stock and warrants of ERL. The total cash paid for these purchases in the first half of 1999 was approximately $232.0 million.

In the third quarter of 1999, the Company commenced a take-over offer for the remaining ERL shares and warrants not already owned by Ingram Micro. As a result of the takeover offer, the Company purchased an additional 12,151,748 shares and 1,337,962 warrants of ERL for approximately $14.9 million in cash, increasing the Company's ownership position to 100% of the outstanding shares of ERL and approximately 99% of the outstanding warrants.

Capital Resources

The Company has three credit facilities with bank syndicates providing an aggregate availability of $1.65 billion. Under the credit facilities, the Company is required to comply with certain financial covenants, including minimum tangible net worth, restrictions on funded debt and interest coverage. The credit facilities also restrict the Company's ability to pay dividends. Borrowings are subject to the satisfaction of customary conditions, including the absence of any material adverse change in the Company's business or financial condition. At October 2, 1999, the Company had $536.0 million in outstanding borrowings under these credit facilities.

The Company has an arrangement pursuant to which certain U.S. trade accounts receivable of the Company are transferred to a trust, which in turn has sold certificates representing undivided interests in the total pool of trade receivables without recourse. The trust has issued fixed-rate medium-term certificates (which results in a reduction of trade accounts receivable and debt on the Company's Consolidated Balance Sheet) and a variable rate certificate to support a commercial paper program. At October 2, 1999 and January 2, 1999, the amount of medium-term certificates outstanding totaled $75 million and $100 million, respectively, and the amount of commercial paper outstanding totaled $150 million at both dates. The amortization period for this commercial paper program began October 1, 1999 and will terminate effective December 31, 1999, resulting in increased borrowings under the credit facilities referred to above. In addition, the Company has established certain other facilities relating to accounts receivable in Europe and Canada beginning in 1999. Under these programs, the Company has sold approximately $94 million of trade accounts receivable in the aggregate resulting in a further reduction of trade accounts receivable and debt on the Company's Consolidated Balance Sheet at October 2, 1999. The Company believes that there are sufficient trade accounts receivable to support the outstanding medium-term certificates and commercial paper program as well as the European and Canadian facilities.

On June 9, 1998, the Company sold $1.33 billion aggregate principal amount at maturity of its Zero Coupon Convertible Senior Debentures due 2018 in a private placement. The Company has subsequently registered the resale of these debentures with the SEC. Gross proceeds from the offering were $460.4 million. The debentures were sold at an issue price of $346.18 per $1,000 principal amount at maturity (representing a yield to maturity of 5.375% per annum), and are convertible into shares of the Company's Class A Common Stock at a rate of 5.495 shares per $1,000 principal amount at maturity, subject to adjustment under certain circumstances. In March 1999, the Company repurchased Zero Coupon Convertible Senior Debentures with a carrying value of $56.5 million as of the repurchase date for approximately $50.3 million in cash. The debenture repurchase resulted in an extraordinary gain of $3.8 million (net of $2.4 million in income taxes).

The debentures are currently convertible into approximately 6.4 million shares of the Company's Class A Common Stock. The debentures are redeemable at the option of the Company on or after June 9, 2003 at the issue price plus accrued original issue discount to the date of redemption. Each debenture is subject to repurchase at the option of the holder, as of June 9, 2001, June 9, 2003, June 9, 2008, and June 9, 2013, or if there is a Fundamental Change (as defined), at the issue price plus accrued original issue discount to the date of the redemption. In the event of a repurchase at the option of the holder (other than upon a Fundamental Change), the Company may, at its option, satisfy the redemption in cash or Class A Common Stock, or any combination thereof. In the case of any such repurchase as of June 9, 2001, the Company may elect, in lieu of the payment of cash or Class A Common Stock, to satisfy the redemption in new Zero Coupon Convertible Senior Debentures due 2018.

The Company and its foreign subsidiaries have additional lines of credit, commercial paper, and short-term overdraft facilities with various banks worldwide, which provide for borrowings aggregating $740 million at October 2, 1999. Most of these arrangements are on an uncommitted basis and are reviewed periodically for renewal. At October 2, 1999, the Company had $383 million outstanding under these facilities.

The Company believes that cash provided by operating activities, supplemented as necessary with funds available under credit arrangements (including the $1.65 billion in credit facilities and the June 1998 sale of the Company's convertible debentures), 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 financing may be required.

EURO CONVERSION

On January 1, 1999, a single currency called the euro was introduced in Europe. Eleven of the 15 member countries of the European Union adopted the euro as their common legal currency on that date. Fixed conversion rates between these participating countries' existing currencies (the "legacy currencies") and the euro were established as of that date. The legacy currencies are scheduled to remain legal tender as denominations of the euro until at least January 1, 2002 (but not later than July 1, 2002). During this transition period, parties may settle transactions using either the euro or a participating country's legacy currency. Beginning in January 2002, new euro-denominated bills and coins will be issued and legacy currencies will be withdrawn from circulation. The Company has implemented plans to address the issues raised by the euro currency conversion. These plans include, among others, the need to adapt computer information systems and business processes and equipment to accommodate euro-denominated transactions; the need to analyze the legal and contractual implications on contracts; and the ability of the Company's customers and vendors to accommodate euro-denominated transactions on a timely basis. Since the implementation of the euro on January 1, 1999, the Company has experienced improved efficiencies in its cash management program in Europe as all intracompany transactions within participating countries are conducted in euros. In addition, the Company has reduced hedging activities in Europe for transactions conducted between euro participating countries. Since the Company's information systems and processes generally accommodate multiple currencies, the Company anticipates that modifications to its information systems, equipment and processes will be made on a timely basis and does not expect any failures which would have a material adverse effect on the Company's financial position or results of operations or that the costs of such modifications will have a material effect on the Company's financial position or results of operations. The Company has not experienced any material adverse effects on its financial position or results of operations in connection with the January 1, 1999 first stage conversion.

YEAR 2000 MATTERS

Introduction. The Company's Year 2000 ("Y2K") readiness issues are broad and complex. As is the case with many computer software systems, some of the Company's systems use two-digit data fields that recognize dates using the assumption that the first two digits are "19" (i.e., the number "99" is recognized as the year "1999"). Therefore, the Company's date-critical functions relating to the year 2000 and beyond, such as sales, distribution, purchasing, inventory control, merchandise planning and replenishment, facilities, and financial systems, may be severely affected unless changes are made to these systems.

State of Readiness. With the assistance of an outside consultant, the Company commenced a review of its internal information technology ("IT") systems to identify applications that are not Y2K ready and to assess the impact of the Y2K problem. The Company has developed an overall plan to modify its internal systems to be Y2K ready. In addition, the Company formed a Y2K Global Project Team to provide global oversight to the Company's Y2K readiness activities in the IT and non-IT areas, the assessment of Y2K risks in connection with third-party relationships and the development of contingency plans. The Company's Y2K plan is divided into three major sections: IT systems, non-IT systems ("Non-IT Systems"), and Y2K interfaces with material third parties. The broad phases of the plan are generally common to all three sections. The phases consist of: (1) inventorying potential Y2K sensitive items, (2) assigning priorities to identified items, (3) assessing the Y2K readiness of items determined to be material to the Company, (4) repairing or replacing material items that are determined not to be Y2K ready ("remediation"), (5) testing material items and/or certification of Y2K readiness, i.e., validation and written confirmation that the process, activity or component can properly process a date beyond December 31, 1999 as it does earlier dates and (6) designing and implementing contingency and business continuation plans for the Company. The Company applies these phases of the Y2K plan when it integrates new acquisitions into existing Y2K ready systems and operations and strives to incorporate newly acquired operations into such existing Y2K ready environment as soon as possible.

Information Technology Systems. The Company has completed an inventory and technical assessment (with the exception of personal computers, which are assessed and remediated in a single step) of all of its global hardware, operating systems, software (including business applications, but excluding desktop software such as office tools) and electronic interfaces that were in operation by the end of December 1998 ("IT Systems") for Y2K remediation. With the exception of (1) certain personal computers deemed not mission-critical to the operations of the Company located at a few locations in Asia and (2) certain systems and personal computers that are not fully Y2K remediated at the Company's recently acquired Hungary operations, which will be remediated and certified Y2K ready before the end of 1999, the Company has completed remediation and unit testing or upgrading/replacement of its IT systems and has also completed system and century testing and certification of Y2K readiness of all of its IT Systems. All systems or systems enhancements implemented since December 1998 have been developed as Y2K ready and do not require remediation. However, all are subjected to Y2K unit and century testing.

The Company uses different test methodologies for different phases: (1) unit testing is used to verify that the individually changed components function properly at the unit level, (2) system/integration testing is used to verify that all changed components function as a complete system, (3) regression testing is used to verify that changes made for Y2K readiness do not impact any other functions within the IT system, and (4) century testing, i.e., simulating the transition to January 1, 2000, is used to validate that the entire IT system will function on or after such date.

With respect to desktop software on the Company's personal computers, the Company provided to its associates before the end of 1998 a list of Y2K ready versions of software. Associates were advised that if they have non-Y2K ready versions of software on their personal computers, they must request upgrades to Y2K ready versions of software. The Company has provided the necessary IT support to upgrade associates' personal computers and is periodically reminding associates to assure that the necessary upgrades occur and to make appropriate adjustments to date-sensitive databases or programs.

Non-Information Technology Systems. The Non-IT Systems consist of any device which is able to store and report date-related information, such as access control systems, elevators, escalators, conveyors and sensors; building systems; and other items containing a microprocessor or an internal clock such as hand-held computers used to assist with inventory control, electric power distribution systems and vaults. The Company has completed a global inventory and assessment of its Non-IT Systems. All Non-IT Systems that are deemed business-critical either (a) have written certifications that they are Y2K ready (e.g., confirmations from manufacturers that the product is not impacted by the Y2K date transition or will continue to operate on and after January 1, 2000 just as it did prior to such date) or (b) were replaced and/or modified to be Y2K ready.

Y2K Interfaces with Material Third Parties. The Company has completed an inventory of third parties (including, among other things, domestic and international suppliers and vendors, financial service providers and transportation and other logistics providers) whose Y2K noncompliance could have a material adverse effect on the Company's business, financial condition or results of operations. In addition, the Company has sent questionnaires to all such third parties in order to determine their current Y2K status, tracking responses to these questionnaires and using such responses in developing contingency plans. The Company has completed such assessment and inquiry. Follow up inquiries, where appropriate, are planned throughout the remainder of 1999.

Costs to Address Y2K Readiness. The Company has incurred expenses of approximately $7.1 million to date on Y2K readiness efforts (excluding compensation and benefit costs for associates who do not work full time on the Y2K project and costs of systems upgrades that would normally have been made on a similar timetable) with respect to IT Systems and anticipates that its total expenditures will not exceed $10.0 million. However, such amount does not reflect costs for upgrades to servers, personal computers, communications equipment and Non-IT Systems on a global basis as a result of potential new acquisitions and/or business relationships throughout the remainder of 1999 as the scope of this cost will not be known until the Company has completed technical assessment of all of these areas. Although there are opportunity costs and some diversion of human resources to the Company's Y2K readiness efforts, management believes that no significant IT projects have been deferred or accelerated due to this effort.

Contingency Planning and Risks. The Y2K Global Project Team is responsible for the development of a global contingency plan to address the Company's at-risk business functions as a result of Y2K issues. The Company completed its global contingency plan in the second quarter of 1999. In the normal course of business, the Company maintains and deploys contingency plans designed to address various other potential business interruptions. For example, the Company has the capability in the United States to automatically reroute incoming telephone calls, such as from its Santa Ana (West Coast sales) facility to its Buffalo (East Coast sales) facility, and the ability to reroute warehouse shipping from one U.S. location to another location. Although these plans are not Y2K-specific, they may be applicable to address limited Y2K failures or interruption of support provided by some third parties resulting from their failure to be Y2K ready.

The Company's global IT and Non-IT operations are highly centralized in the United States. The Company's strategy with respect to Y2K readiness is to resolve its Y2K issues from a global perspective first through its U.S. operations. For example, the Company's core enterprise system, IMpulse, is based in the U.S. but operates globally. Remediation of this system is effective across the Company's entire operations. However, the Company may continue to experience risks with respect to new acquisitions where new management may not be as familiar with the Company's computer systems (although the Company strives to convert newly acquired operations to IMpulse as soon as possible), or the existing associates may not be familiar with the Company's Y2K plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

The failure to correct a material Y2K problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failure could materially and adversely affect the Company's results of operations, liquidity and financial condition. In addition, the Company's operating results could be materially adversely affected if it were to be held responsible for the failure of any products sold by the Company to be Y2K ready despite the Company's disclaimer of product warranties and the limitation of liability contained in its sales terms and conditions.

NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), which will become effective for the Company in fiscal year 2001. FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. The Company does not expect the adoption of FAS 133 to have a material impact on its reported consolidated financial condition or results of operations.

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

The matters in this Form 10-Q that are forward-looking statements are based on current management expectations that involve certain risks, including without limitation: the potential decline as well as seasonal variations in demand for the Company's products; the potential termination of a supply agreement with a major supplier; continued pricing and margin pressures; product supply shortages; rapid product improvement and technological changes, and resulting obsolescence risks; unavailability of adequate capital; the impact on management of growth and acquisitions; foreign currency fluctuations; the failure to achieve substantial Y2K readiness; and reliability of information systems. For further discussion of these and other significant factors to consider in connection with forward-looking statements concerning the Company, reference is made to Exhibit 99.01 of the Company's Annual Report on Form 10-K for fiscal year ended January 2, 1999. Other risks or uncertainties may be detailed from time to time in the Company's future SEC filings.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

ITEM 5. OTHER INFORMATION

The Company announced on September 8, 1999 that Ingram Micro has initiated a search for its next chief executive officer to succeed Jerre L. Stead, that Mr. Stead will remain chairman of the board and chief executive officer until his successor is in place, and then will continue to serve as chairman of the board.

Also, during the third quarter of 1999, the Company added two new directors -- Orrin H. Ingram II and Gerhard Schulmeyer -- bringing the board to nine members.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

No.	Description
10.46	Agreement with Philip D. Ellett dated September 9, 1999
27	Financial Data Schedule

b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the thirteen weeks ended October 2, 1999.

SIGNATURES

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

INGRAM MICRO INC.

By: /s/ Michael J. Grainger

Name: Michael J. Grainger
Title: Executive Vice President and Worldwide Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

November 16, 1999

EXHIBIT 10.46

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT is entered into between Philip D. Ellett ("Associate") and Ingram Micro Inc., a Delaware corporation ("Ingram"), in recognition of Associate's service to Ingram and in order to induce Associate to continue to provide limited services to Ingram after his resignation. In consideration of the mutual promises and agreements contained in this document, intending to be legally bound, Associate and Ingram contract and agree as follows:

1. Resignation. Associate has resigned as an officer of Ingram effective as of September 2, 1999 (the "Resignation Date"). After the Resignation Date, Associate will continue as a part-time employee of Ingram in accordance with the terms and conditions of this Agreement through November 12, 1999 (the "Separation Date"), at which time his employment with Ingram will terminate. During this period Associate will report to the Office of the Chairman and undertake such projects as members of the Office of the Chairman may request. Ingram will maintain Associate's present extension on its telephone system, but Associate will not be provided an office or administrative support except as Ingram determines is necessary to enable him to accomplish the projects assigned to him hereunder. Associate understands and agrees that after the Resignation Date he no longer will be an agent of Ingram or any of its Affiliates, and he will no longer have any authority to bind Ingram or any Affiliate or act on behalf of Ingram or any such Affiliate.

2. Salary Continuation. As compensation for all sums and benefits owed to and/or earned by Associate based on his employment with Ingram and any and all of its Affiliates, and in consideration of Associate's continuing obligations under this Agreement, Ingram will continue to pay Associate his current base salary from the Resignation Date through March 31, 2000 (the "Salary Continuation Period"). Such amount shall be payable through Ingram's normal payroll procedures, and will be subject to applicable withholding requirements.

3. COBRA Coverage. Associate acknowledges that, effective as of the Separation Date, he will cease to be qualified to participate in the employee benefit plans to which he was entitled as an associate or employee of Ingram. Associate will, however, have the rights of a terminated employee to convert and/or continue certain benefit coverages as provided in the respective benefit plans, including COBRA continuation rights for medical and dental coverages. Ingram will provide under separate cover further information to Associate regarding COBRA continuation coverage and other conversion and/or continuation rights. Notwithstanding the foregoing, during the Salary Continuation Period, Ingram will pay directly or reimburse Associate for the amount by which the premiums for COBRA continuation coverage exceeds the cost for the equivalent coverage which Ingram charges its employees at that time.

4. Key Employee Stock Purchase Plan. Notwithstanding the provisions of Section 6(b)(i) of the Acquisition Agreement dated July 1, 1996 between Ingram and Associate relating to Associate's purchase of 75,000 shares of Ingram Class B Common Stock under the Ingram Key Employee Stock Purchase Plan (the "Acquisition Agreement"), Ingram shall not exercise its right to repurchase the Shares (as such term is defined in the Acquisition Agreement) for so long as Associate performs his obligations under this Agreement and will be permitted to exercise its repurchase rights only with respect to the Restricted Shares (as such term is defined in the Acquisition Agreement), owned by Associate, if any, as of the date of any failure by Associate to perform his obligations. Except as modified hereby, the Acquisition Agreement shall continue in full force and effect in accordance with its terms.

5. Non-disclosure. Associate acknowledges his obligation not to disclose, during or after employment, any trade secrets or proprietary and/or confidential data or records of Ingram or its Affiliates or to utilize any such information for private profit. Each of the parties hereto agrees that such party will not release, publish, announce or otherwise make available to the public in any manner whatsoever any information or announcement regarding this Agreement or the transactions contemplated hereby without the prior written consent of the other party hereto, except as required by law or legal process, including, in the case of Ingram, filings with the Securities and Exchange Commission. Associate agrees not to communicate with, including responding to questions or inquiries presented by, the media, employees or investors of Ingram, its Affiliates or any third party relating to the terms of this Agreement, without first obtaining the prior written consent of Ingram. Notwithstanding the foregoing, Associate may make disclosure to his spouse, attorneys and financial advisors of the existence and terms of this Agreement provided that they agree to be bound by the provisions of this Paragraph 5. Each party agrees not to make statements or take any action to disparage, dissipate or negatively affect the reputation of the other with employees, customers, suppliers, competitors, vendors, stockholders or lenders of Ingram, its Affiliates or any third party.

6. Return of Property. Associate acknowledges his obligation to promptly return to Ingram all property of Ingram and its Affiliates in his possession, including without limitation all keys, credit cards, computers, office equipment, documents, files and instruction manuals. Notwithstanding the foregoing, Associate will be permitted to purchase the equipment presently in his possession listed on Exhibit A to this Agreement for a price of $250.00.

7. Associate's Obligations. In consideration of the benefits and stock ownership rights to be received by Associate hereunder, Associate and Ingram have further agreed as follows:

   a. Associate will not directly or indirectly make known to any person, firm, corporation, partnership or other entity any list, listing or other compilation, whether prepared or maintained by Associate, Ingram or any of Ingram's Affiliates, which contains information that is confidential to Ingram or any of its Affiliates about their customers ("Ingram Customers"), including but not limited to names and addresses, or, at any time on or before April 1, 2000, call on or solicit, or attempt to call on or solicit, in either case with the intent to divert business or potential business from Ingram or any of its Affiliates, any of the Ingram Customers with whom he has become acquainted during his employment with Ingram or any of its Affiliates, either for his own benefit or for the benefit of any other person, firm, corporation, partnership or other entity.

b. Through April 1, 2000, Associate will not, and will not permit any person, firm, corporation, partnership or other entity of which he is an officer or control person to, (i) knowingly solicit, entice, or persuade any individual who is an associate of Ingram or any of its Affiliates at any time during the period from the date of this Agreement through April 1, 2000 (each such individual, an "Ingram Associate") to leave the services of Ingram or any of its Associates for any reason, or (ii) solicit for employment, hire, or engage any present or future Ingram Associate as an employee, independent contractor or consultant.

c. Associate acknowledges that he has unique knowledge of Ingram and its Affiliates and unique knowledge of the computer and software sales and distribution industry. Based on his unique status, he agrees that through April 1, 2000, he will not be employed or hired as an employee or consultant by, or otherwise directly or indirectly provide services for, any of Tech Data, Merisel, Inacom, Pinacor, Gates Arrow, Marshall, Hallmark, Hamilton Avnet, Daisytek, Azerti, Azlan, Northamber, Tech Pacific, Synnex, and/or GE Capital Information Technology Solutions-North America, Inc., and any subsidiary or affiliate of these entities in a business or line of business conducted by any such entity which competes with any line of business conducted by Ingram or any of its Affiliates. Notwithstanding the foregoing, should Associate be employed by an entity that is not a subsidiary or affiliate of one of these entities at the time he commences such employment, but subsequently becomes a subsidiary or affiliate of, or becomes merged into, one of these entities on or before April 1, 2000, he shall not be deemed to be in breach of the provisions of this Paragraph 7.c due to such employment provided that at the time he commenced his employment there had been no public announcement of an agreement pursuant to which his employer would become a subsidiary or affiliate of, or merged into, one of these entities or discussions that could lead to such an agreement and Associate had no knowledge of the existence of any such agreement or discussions. Associate further agrees that he will not own any interest in, provide financing to, be connected with, or be a principal, partner or agent of any such competitive distributor or aggregator; provided, however, he may own less than 1% of the outstanding shares of any such entity whose shares are traded in the public market.

d. Upon request of Ingram or any of its Affiliates, Associate will make himself available to provide reasonable assistance to Ingram or any such Affiliate up to a maximum of (i) 60 hours during the period from the Resignation Date through September 30, 1999, (ii) 40 hours during the month of October 1999, and (iii) 20 hours in each of the five months from November 1999 through March 2000, and will use reasonable efforts to arrange his commitments so as to make himself available for such assistance on a basis which is consistent with the requests of Ingram or any of its Affiliates. Such assistance may include telephone conversations, correspondence, attendance and participation in meetings, transfer of knowledge or information regarding operational or other issues, litigation preparation and trials. During such period, Ingram shall reimburse Associate for any out-of-pocket expenses he may incur in connection with such assistance in accordance with Ingram's reimbursement policies. After April 1, 2000, Associate shall continue to provide such assistance as requested by Ingram and, in such event, shall be compensated at a rate per day (minimum charge, one half day) commensurate with the daily rate he was earning based on his current base salary immediately prior to the Resignation Date.

The running of the periods prescribed in this Paragraph shall be tolled and suspended by the length of time Associate works in circumstances that a court of competent jurisdiction subsequently finds to violate the terms of this partial restraint.

8. Rights in Event of Breach. In the event of Associate's breach of this Agreement (excluding breach of this Agreement due to death or total disability and provided that in the event of a breach of Paragraph 7.c or 7.d, such breach shall have continued for 15 days after the sooner of Associate's discovery thereof or receipt of notice from Ingram thereof), in addition to all other rights and remedies to which Ingram may be entitled by law or in equity, Ingram shall have no obligation to make any further payments hereunder and may purchase any remaining Restricted Shares under the Acquisition Agreement. If Ingram exercises such right, Associate's obligations under Paragraph 7.c and 7.d will terminate.

9. Confidential Information. This Agreement will in no way void or diminish Associate's obligation to protect and keep confidential any and all proprietary and/or confidential information of Ingram and its Affiliates which Associate may have or acquire in the future.

10. Injunctive Relief. Irreparable harm will be presumed if Associate breaches any covenant in this Agreement and damages may be very difficult to ascertain. In light of these facts, Associate agrees that any court of competent jurisdiction should immediately enjoin any breach of this Agreement upon the request of Ingram, and Associate specifically releases Ingram from the requirement of posting any bond in connection with temporary or interlocutory injunctive relief, to the extent permitted by law. The granting of injunctive relief by any court shall not limit Ingram's right to recover any amounts previously paid to Associate under this Agreement or any damages incurred by it due to a breach of this Agreement by Associate.

11. Release by Associate. Effective immediately, Associate hereby fully, finally and irrevocably discharges Ingram and each of its Affiliates, and each present, former and future director, officer and employee of Ingram and its Affiliates and any parent, subsidiary, affiliate or shareholder thereof (the "Ingram Released Parties") from all manner of claims, actions, causes of action or suits, in law or in equity, which Associate has or may have, known or unknown, against the Ingram Released Parties, or any of them, by reason of any matter, cause or thing whatsoever, including any action arising from or during his employment with Ingram and any of its Affiliates, resulting from or relating to his employment or the termination thereof, or relating to his status as an officer, director, employee or participant in any employee benefit plan of Ingram or any of its Affiliates; provided, however, that the foregoing (a) is not intended to be, and shall not constitute, a release of any right of Associate to obtain indemnification and reimbursement of expenses from Ingram or any of its Affiliates with respect to claims based upon or arising from alleged or actual acts or omissions of Associate as an officer, director or employee of Ingram or any of its Affiliates to the fullest extent provided by law or in any applicable certificate of incorporation, bylaw or contract, and (b) shall not release Ingram from liability for violations of this Agreement after the date hereof. From and after the date hereof, Associate agrees and covenants not to sue, or threaten suit against, or make any claim against, any Ingram Released Party for or alleging any of the claims, actions, causes of action or suits described above. Associate acknowledges that this release includes, but is not limited to, all claims arising under federal, state, local or foreign laws prohibiting employer discrimination and all claims growing out of any legal restrictions on the right of Ingram or any of its Affiliates to terminate its employees. Associate also specifically waives and releases all claims of employment discrimination and all rights available to him under Title VII of the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act (ADEA), as well as all claims or rights under the California Fair Employment and Housing Act, or any similar law of any jurisdiction. Associate specifically agrees that he will not institute litigation in any forum, including any filing with any regulatory commission or agency, against any Ingram Released Party based on any allegations or circumstances that are in any way connected with his employment or the termination of his employment with Ingram and its Affiliates.

12. Waiver. Associate expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code which provides:

> "Section 1542. General Release--Claim extinguished. A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by his must have materially affected his settlement with the debtor."

Associate understands and acknowledges that the significance and consequence of this waiver of Section 1542 of the Civil Code is that even if Associate should eventually suffer damages arising out of his employment relationship with Ingram and its

Affiliates, or termination of such employment, Associate will not be permitted to make any claim for those damages except as expressly permitted by this Agreement. Furthermore, Associate acknowledges that he intends these consequences even as to claims for injuries and/or damages that may exist as of the date of this Agreement but which he does not know exist, and which, if known, would materially affect his decision to execute this Agreement.

13. Right to Revoke. Associate acknowledges that he has the right to seek legal counsel, and was advised to seek such counsel, before entering into this Agreement. Associate shall have 21 days from the date on which this Agreement was delivered to him in which to execute and return this Agreement to Ingram. In the event that Associate does not execute and return this Agreement within such 21 day period, the offer contained in this Agreement shall be revoked and Ingram shall not be bound by any terms or conditions contained herein. Associate further understands he has the right to revoke this Agreement at any time within seven days of execution of this Agreement by written notice sent by certified mail and received by Ingram prior to expiration of the seventh day, whereupon this Agreement shall be null and void as of its inception.

14. Sole Remedy. Associate agrees that, in the event Ingram breaches any provision of this Agreement, his sole remedy for such breach shall be enforcement of the terms of this Agreement or, in the case of a breach of Paragraph 4 hereof, at Associate's election, recovery of any provable damages as a result of such breach.

15. Attorney Fees. In the event that either party hereto files suit to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees and costs incurred therewith.

16. Definition of Affiliate. An "Affiliate" of Ingram for purposes of this Agreement shall include any corporation or business entity in which Ingram owns, directly or indirectly, at least 15% of the outstanding equity interest.

17. Enforceability. If any provision of this Agreement shall be held invalid or unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect. If any provision is held invalid or unenforceable with respect to a particular circumstance, it shall nevertheless remain in full force and effect in all other circumstances.

18. Notices. Any notices, requests, demands and other communications required or permitted to be given or made hereunder shall be in writing and shall be deemed to have been duly given (a) on the date delivered if personally delivered, (b) on the third day after deposit in the U.S. mail or with a reputable air courier service, properly addressed with postage or charges prepaid, or (c) on the date transmitted by telefax if the sender receives electronic confirmation of receipt of such telefax, to the address or

telefax number of Ingram or Associate, as the case may be, set forth on the signature page of this Agreement.

19. Entire Agreement. This instrument contains and accurately recites the complete and entire agreement among the parties, and it expressly terminates, cancels, and supersedes any and all prior agreements or understandings, if any, among the parties, except for Ingram's agreement to make certain tax equalization payments to Associate and provide certain tax return preparation services to Associate with respect to the period of Associate's European assignment on behalf of Ingram, as set forth in paragraphs 14 and 15 of that certain letter dated November 18, 1996 from Ingram to Associate, which shall remain in effect. This Agreement may not be modified except in writing signed by the parties.

20. Governing Law. This Agreement shall be governed by California law, without regard to the choice or conflict of law provisions thereof.

21. Paragraph Titles. The paragraph titles used in this Agreement are for convenience only and do not define or limit the contents of any paragraph.

22. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, the heirs of Associate and the successors and assigns of Ingram.

Executed and delivered to Associate by Ingram on September 9, 1999 and executed by Associate on the date set out below.

Notice Information:

Ingram Micro Inc.
1600 E. St. Andrew Place
Santa Ana, California 92705
Attention: Cyndy McGuire
Telephone: (714) 566-1000, ext. 22500
Facsimile: (714) 566-7733

"Ingram"

INGRAM MICRO INC.

By: /s/ JAMES E. ANDERSON, JR.

Title: Senior Vice President

"Associate"

/s/ PHILIP D. ELLETT

Philip D. Ellett

Address:_____________________________

____

____

Facsimile:___________________________

9/9/99
- ------------------------------
Date

EXHIBIT A

Equipment to be Purchased

1. IBM laptop computer

2. Palm Pilot

3. Cellular telephone

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9-MOS
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JAN-03-1999
OCT-02-1999
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