SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED JANUARY 3, 1998

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 6, 1998 was $1,955,612,055 based on the closing sale price on such date of $36.625.

The Registrant had 38,074,224 shares of Class A Common Stock, par value $.01 per share, and 99,714,672 shares of Class B Common Stock, par value $.01 per share, outstanding at March 6, 1998.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Annual Report to Shareowners for the fiscal year ended January 3, 1998 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 6, 1998 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 computer-based technology products and services worldwide. The Company markets microcomputer hardware, networking equipment, and software products to more than 100,000 reseller customers in more than 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, which in the aggregate on a global basis, consists of more than 145,000 products (as measured by distinct manufacturer's part numbers) from over 1,400 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 outsourcing and value-added programs, such as order fulfillment, tailored financing programs, channel assembly, systems configuration, and marketing programs.

Ingram Micro entered the master reseller business in late 1994 with the launch of Ingram Alliance. The Company further expanded its master reseller business by acquiring Intelligent Electronics, Inc.'s Reseller Network Division ("RND") in July 1997 and integrating RND into Ingram Alliance. The Company's master reseller business 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. The Company's success in its master reseller business has, to a large degree, been attributable to its ability to leverage Ingram Micro's distribution infrastructure and capitalize on strong supplier relationships. In addition, a substantial majority of the Company's master reseller sales are funded by floor plan financing companies whose fees are subsidized by the Company's suppliers. The Company typically receives payment from these financing institutions within three business days from the date of the sale, allowing the Company's master reseller business to operate at much lower relative working capital levels than the Company's wholesale distribution business.

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 substantially 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.

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 were 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 Ingram Industries in a tax-free reorganization (the "Split-Off").

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, value-added resellers or "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 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 certain 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. Competitive pressures 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, all major PC manufacturers have authorized open sourcing, a model under which resellers can purchase the supplier's product from any source on equal terms and conditions. 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 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.

A number of emerging industry trends are providing new opportunities and challenges for microcomputer distributors. Significant changes in the supply chain process have led traditional suppliers to seek ways of outsourcing component procurement and final product assembly, thereby reducing inventory related costs and shortening time-to-market for their products. In turn, certain distributors and large resellers are instituting channel assembly programs wherein the distributor or large reseller, on behalf of suppliers, acquires components and assembles and delivers products to the customer site. This build-to-order model lowers finished goods inventory and the risks associated with it. Another industry trend, the emergence of the Internet, provides distributors an additional means to serve both suppliers and reseller customers through the development and use of effective electronic commerce tools. The growing presence and importance of such electronic commerce capabilities also provides distributors with new business opportunities as new categories of products, customers, and suppliers develop.

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. However, smaller high value-added niche distributors may continue to compete successfully in the consolidated market. 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 realization of open sourcing, the trend towards channel assembly, the increasing utilization of electronic commerce, 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

All of the Company's strategic decisions and activities are guided by the following Vision and Mission statements, which were formalized in January 1997:

OUR VISION. We will always exceed expectations . . . with every partner, every day.

OUR MISSION. To maximize shareowner value by being the best distributor of technology for the world.

In addition, the Company's values encourage teamwork, respect, accountability, integrity and innovation.

The Company believes that it is the leading worldwide wholesale distributor of computer-based technology products and services and 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 broad 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 global 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 global 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. In 1997, the Company made six acquisitions: Intelligent Electronic's RND (U.S.), Computacion Tecnica, S.A. ("Computek") (Miami, Florida, Chile, Brazil, and Peru), Latino Americana de Software Ltda. (Brazil), J & W Computer GmbH (Germany, Switzerland, Austria, and France), TT Microtrading Oy (Finland), and Tallgrass Technologies AS. (Norway). The Company also acquired a 21% interest in Electronic Resources Ltd. ("Electronic Resources"), a leading distributor of electronic components and computer peripherals in Asia. Electronic Resources, in turn, acquired the Company's Singapore and Malaysian operations. The Company has grown its operations outside the United States principally through acquisitions and currently has operations or sales representatives in 23 countries including Argentina, Brazil, Canada, Colombia, Chile, Ecuador, Japan, Mexico, Norway, Peru, Switzerland, and most of the countries of the European Union. Through its equity interest in Electronic Resources, the Company has distribution capabilities in Australia, New Zealand and seven Asian countries: China, India, Indonesia, Malaysia, Singapore, Thailand, and Vietnam. The Company believes that it is the market share leader in the United States, Canada, and Mexico, the third largest full-line distributor in Europe, and the second largest Pan-Latin America distributor, based on publicly available data and management's knowledge of the industry. The Company's objective is to achieve the number one market share position in each of the markets in which it operates. In keeping with this objective, Ingram Micro continues efforts aimed at maintaining a leadership position in providing global technology solutions. The Company entered into an alliance during 1997 with Allied Computing Services Ltd. (ACSL), an international association of computer resellers in North America, Europe, and Japan. This alliance with ACSL offers Ingram Micro's reseller partners a number of strategic services on a global basis, including fulfillment of international information technology bids and purchasing agreements, asset-management consulting, worldwide terms and conditions, and international project coordination with local implementation.

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 substantially all of the Company's 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. The Company's electronic commerce capabilities have expanded to include the Internet-based Electronic Catalog, In-Depth Library, and Auction Block. In the United States, the Company has implemented CTI Technology, which provides onscreen caller identification, abandoned call management capabilities, and speed dialing to telesales associates. Also in the United States, the POWER system provides improved response time to resellers' 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 600,000 square foot state-of-the-art distribution center in Millington, Tennessee was opened in mid-1997. This distribution center is strategically located near several major transportation hubs and benefits from lower regional labor costs. The Company has also implemented formal systems for evaluating and tracking key performance metrics such as responsiveness to customers, processing accuracy, and order fulfillment. Ingram Micro uses these metrics as well as customer satisfaction surveys to measure improvements on all the key elements that are believed to be important to the customer.

Ingram Micro strives to maintain high order fill rates by keeping extensive supplies of product in its 33 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.

A recent example of the Company's ability to provide superior execution for its reseller customers was the Company's ability to respond to a strike against an independent shipping company that the Company uses for delivery of a majority of the Company's products to its customers in the United States. On August 4, 1997, members of the International Brotherhood of Teamsters began a nationwide strike against United Parcel Service ("UPS"). Although this 2 1/2 week strike materially impaired UPS' ability to perform shipping services required by the Company within the United States, the Company was able to successfully shift all of its U.S. shipments to other carriers, although on less favorable terms in some cases. As a result of the successful execution of the Company's contingency plans, and the teamwork among the Company's associates, outside vendors and carriers, the Company was able to maintain outbound shipping at a near 100 percent service level, which the Company believes was a level unmatched by any of the Company's competitors. In addition, the increased volume in U.S. sales experienced by the Company during and immediately after the termination of the strike reflected the Company's ability to meet shipping demands for customers during the strike.

DELIVER WORLD-CLASS OUTSOURCING AND VALUE-ADDED PROGRAMS 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 channel assembly (assembly on behalf of either vendors or resellers and shipment of customized finished systems to reseller customers), product configuration, pre- and post-sale technical support, order fulfillment, financing programs, product demo evaluation and on-site service and support. In the channel assembly area, the Company currently assembles products on behalf of Acer, Compaq Computer, Digital Equipment, IBM, and Hewlett-Packard.

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 assembly and 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 4.2% in 1997 from 5.6% in 1993. 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; (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 (iv) the electronic automation of the ordering and information delivery process through electronic commerce 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 global 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. Recognizing that hiring and retaining top talent hinges, in part, on providing a competitive salary and benefits package, the Company is developing a global salary structure based on a comprehensive review of competitive salaries and benefits by region.

The Company has also implemented a values-based management approach which is guided by and links individual rewards and incentive programs to the Company's values.

CUSTOMERS

Ingram Micro sells to more than 100,000 reseller customers in more than 120 countries worldwide. No single customer accounted for more than 4% of Ingram Micro's net sales in 1997, 1996, or 1995.

The Company conducts business with most of the leading resellers of microcomputer products around the world including, in the United States, CDW Computer Centers, Catalink, CompuCom, CompUSA, Computer City, Connected Resources, Electronic Data Systems, En Pointe Technologies, Entex Information Services, GE Capital Information Technologies Solutions, Insight, Micro Warehouse, Office Max, PC Connection, Staples, and Vanstar. The Company's reseller customers outside the United States include 06-Software Centre Europe, B.V., Complet Data A/S, Compugen Systems Ltd., Consultores en Diagnostico Organizacional y de Sistemas, DSG Retail Ltd., Future Shop, GE Capital Technologies, Jump Ordenadores, London Drugs, Maxima S.A., Norsk Datasenter, Owell Svenska AB, Redes de Micros, SHL Systemhouse, SNI Siemens Nixdorf Infosys AG, Soluciones Integrales, 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 2,000 telesales representatives worldwide, of whom more than 1,050 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 Company's two main United States telesales centers are located in Santa Ana, California and Williamsville (Buffalo), New York and are supported by an extensive national field sales organization. Currently, Ingram Micro has more than 210 field sales representatives worldwide, including more than 75 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, original equipment manufacturers and Internet service providers), Commercial (consisting of corporate resellers, direct marketers, independent dealers and owner-operated chains), Consumer (consisting of consumer electronics stores, computer superstores, mass merchants, office product superstores, software only stores and warehouse clubs), and Telecommunications (consisting of telephone companies, telecommunications contractors and interconnect value-added resellers) market sectors. In addition, the Company utilizes a variety of product-focused groups specializing in specific product types. Specialists in mass storage, memory, networks, processors, telephony, UNIX workstations and servers, 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, on-line marketing, retail programs, sales promotions, training, and assistance with trade shows and other events.

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 145,000 products 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.

Ingram Micro's worldwide supplier list includes almost all of the leading microcomputer hardware manufacturers, networking equipment manufacturers, and software publishers such as Acer, Apple Computer, Cisco Systems, Compaq Computer, Corel, Epson, Hewlett-Packard, IBM, Intel, Iomega, Microsoft, NEC, Novell, Seagate, Sun Microsystems, Symantec, 3Com, Toshiba, Viewsonic, and Western Digital.

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; however, the Company has recently begun to warrant the following: (i) its services with regard to products which it configures for its customers, and (ii) products which it builds to order from components purchased from other sources.

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. However, major PC suppliers have stated that it is their intent to reduce the amount of inventory in the channel, particularly in light of the growth of channel assembly strategies. Consequently, if major PC suppliers substantially decrease the availability of price protection to wholesale distributors, such change in policy could have a material adverse effect on the Company's financial condition and results of operations.

The Company has written distribution agreements with many of its suppliers; however, 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.

OUTSOURCING AND VALUE-ADDED PROGRAMS

Ingram Micro offers a myriad of programs and services to its suppliers 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 pre- and post-sale technical support, order fulfillment, financing programs, product demo evaluation, and on-site service and support.

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 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. See "-- Frameworks Total Integration Services" below. 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.

FRAMEWORKS TOTAL INTEGRATION SERVICES

To better serve both global and regional customers, the Company introduced Frameworks Total Integration Services ("Frameworks"), a worldwide channel assembly and configuration initiative that is anticipated to deliver customized, fully tested computer systems to its reseller customers. Frameworks is designed to provide fast, flexible build-to-order capabilities including custom configuration capabilities, competitive pricing on OEM components to facilitate assembly and configuration efforts by the Company's reseller customers, and drop-ship functionality. In addition, Frameworks' material planning systems and just-in-time procurement are designed to enable Ingram Micro to ship components and finished systems within three to five days of order. The Company plans to sell the assembled systems and products to all customer sectors, including Consumer, Commercial and VAR customers. To support this global initiative, the Company opened a new 488,470 square foot global integration center in Memphis, Tennessee in March 1998.

INFORMATION SYSTEMS

The Company's core 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 substantially all of the Company's worldwide operations. It has been customized as necessary for use in almost all countries 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 34 million on-line transactions, 51,000 orders, and 123,000 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 13,000 user stations (terminals, printers, personal computers, and radio frequency hand held terminals) is less than one second.

Worldwide, Ingram Micro's centralized processing system supports more than 40 operational functions including receiving, customer management, 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, for proactive outbound calling, 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 Sales Adjusted Gross Profit (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 has implemented CTI technology, which provides the telesales 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.

To complement Ingram Micro's telesales, customer service, and technical support capabilities, IMpulse offers a number of different electronic products and services 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 its electronic commerce capabilities are its Internet-based Electronic Catalog, In-Depth Library, and Auction Block. 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 In-Depth Library is a comprehensive multi-manufacturer database of timely and accurate product, sales, marketing, and technical information, which is updated nightly for new information. Auction Block is a real-time, on-line bidding service that allows reseller customers to competitively bid on unopened products that are not returnable to the suppliers (e.g., discontinued products, products with cosmetic damage to their packaging, returned products not conforming to supplier's return policies, etc.).

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.

As is the case with many computer software systems, some of the Company's systems use two digit data fields which recognize dates using the assumption that the first two digits are "19" (i.e., the number 97 is recognized as the year 1997). Therefore, the Company's date critical functions relating to the year 2000 and beyond, such as sales, distribution, purchasing, inventory control, facilities, and financial systems, may be severely affected unless changes are made to these computer systems. With the assistance of an outside consultant, the Company commenced a review of the Company's internal systems in mid-1997 to identify applications that are not Year 2000 ready and to assess the impact of the Year 2000 problem. The Company has developed an overall plan and a systematic process to modify its internal systems to be Year 2000 ready. The Company commenced remediation of its mainframe programs in early 1998 to comply with Year 2000 requirements. The Company anticipates that the other required Year 2000 modifications will be made on a timely basis and does not believe that the cost of such modifications will have a material effect on the Company's operating results. However, the Company faces risks to the extent that suppliers of products (including components for its channel assembly and configuration initiative), services (including services provided by independent shipping companies), and business on a worldwide basis may not have business systems or products that comply with Year 2000 requirements. In the event any such third parties cannot provide the Company with products, services or systems that meet Year 2000 requirements in a timely manner, the Company's operating results could be materially adversely affected. Furthermore, there can be no assurance that these or other factors relating to Year 2000 compliance issues, including litigation, will not have a material adverse effect on the Company's business, operating results or financial condition.

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 Brazil, Canada, Chile, Mexico, Norway, Peru, Switzerland, and most countries of the European Union. In 1997, 1996, and 1995, 30.8%, 33.0%, and 32.3%, respectively, of the Company's net sales were derived from operations outside of the United States. The Company expects its international net sales to increase as a percentage of total net sales in the future, due to organic growth as well as growth from acquisitions such as that of Computek in Latin America. In addition, the Company purchased a minority interest in Electronic Resources, a distributor of information technology products in the Asia-Pacific region. 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 (as occurred in Mexico in December 1994 and more recently in 1997 in Asia and Latin America), the Company may experience significant foreign exchange losses. 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. These risks are more prevalent in regions where the economic and political environments are less stable than in more stable areas such as Canada and Western Europe. 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. The Company's Export operations continue to serve those markets where the Company does not have a stand-alone, in-country presence. The Miami, Florida; Santa Ana, California; and Brussels, Belgium Export operations (which have been reorganized as part of the Latin America, U.S. and European operations, respectively) serve more than 2,500 resellers in over 100 countries. In addition, the Export branch in Latin America has field sales representatives based in Buenos Aires, Argentina; Bogota, Colombia; and Quito, Ecuador. The Export branch in Santa Ana also has field sales representatives based in Tokyo, Japan.

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 outsourcing and value-added capabilities (such as channel assembly, configuration, innovative financing programs, and order fulfillment program) will become more important competitive factors.

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. Also, as electronic purchases of software become more prevalent in the industry, electronic software distributors may become significant competitors of the Company. 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 U.S. competitors include full-line distributors Tech Data and Merisel, as well as specialty distributors such as Arrow Electronics (a worldwide industrial electronics distributor), Avnet, Access Graphics (a G.E. Capital company), SYNNEX Information Technologies, and SED International. The principal competitors to the Ingram Alliance program include MicroAge, Datago (operated by SYNNEX), 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 Tech Data (Softmart and Macrotron), and several regional and local distributors, including Actebis, Scribona, and Metrologie. In Canada, Ingram Micro competes with Merisel, Globelle, Beamscope, and Tech Data. In Mexico, Ingram Dicom is the leading distributor, competing with such companies as MPS, CHS Electronics, Dataflux and Intertec. In November 1997 Ingram Micro expanded its reach into other Latin American markets by acquiring the distribution firm Computek. As a result, Ingram Micro competes in Latin America with international distributors including CHS Electronics, Computer 2000, Tech Data, and several regional and local distributors including Sonda-Beamscope S.A. In the Asia Pacific market, Ingram Micro (through a minority interest in Electronic Resources) faces both regional and local competitors, of whom the largest are

Tech Pacific, a subsidiary of Hagemeyer, which operates in more than five Asian markets, and SIS Distribution Ltd., a Hong Kong-based distributor of microcomputer products.

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 price 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. However, major PC suppliers have stated that it is their intention to reduce the amount of inventory in the channel, particularly in light of the growth of channel assembly strategies. Consequently, if major PC suppliers substantially decrease the availability of price protection to wholesale distributors, such change in policy could have a material adverse effect on the Company's financial condition and results of operations. 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. In addition, payment terms with inventory suppliers may vary from time to time, and could result in less inventory being financed by vendors and a greater amount of inventory being financed by the Company's debt.

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. However, if the Company's receivables experience a substantial deterioration in their collectibility or the Company cannot obtain credit insurance at reasonable rates, the Company's financial condition and results of operations may be adversely impacted.

EMPLOYEES

As of January 3, 1998, the Company had approximately 12,000 associates located as follows: United States -- 7,526, Europe -- 2,697, all other regions -- 1,788. 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. Certain of the Company's operations in Europe, Latin America and Canada are subject to collective bargaining or similar arrangements. 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).........	55	Chairman of the Board and Chief Executive Officer	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(3).......	44	President; Worldwide 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(4).........	54	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............	48	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.......	45	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
James E. Anderson, Jr.....	50	Senior Vice President, Secretary and General Counsel	Jan. 1996 - Present
		Vice President, Secretary and General Counsel, Ingram Industries	Sept. 1991 - Nov. 1996

NAME	AGE	PRESENT AND PRIOR POSITIONS HELD(1)	YEARS POSITIONS HELD
David M. Carlson..........	57	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 - Jan. 1995
Philip D. Ellett..........	43	Senior Vice President; President, Ingram Micro Europe	May 1997 - Present
		Senior Vice President; Chief Operating Officer, Ingram Micro Europe	Jan. 1997 - April 1997
		Senior Vice President; General Manager, U.S. Consumer Markets Division	Jan. 1996 - Jan. 1997
		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...........	57	Senior Vice President, Human Resources, Worldwide	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
James M. Kelly............	61	Senior Vice President, Management Information Systems	Feb. 1991 - Present
Edward F. Pensel..........	45	Senior Vice President, Global Configuration Operations	Oct. 1997 - Present
		Vice President, Manufacturing, Data General, a manufacturer of servers and high-end storage devices	1990 - Oct. 1997

- ---------------

(1) The first position and any other positions not given a separate corporate identification are with the Company.

(2) Mr. Stead is a director of Armstrong World Industries, Inc., American Precision Industries, Inc., and TJ International, Inc.

(3) Mr. Rodek is a director of Arbor Software and a member of its Compensation Committee (since January 21, 1998).

(4) Mr. Dukes has been a director of Electronic Resources since December 1997. Mr. Dukes recently announced his retirement to be effective at the close of the Company's 1998 Annual Meeting of Shareowners on May 6, 1998.

TRADEMARKS AND SERVICE MARKS

The Company owns or is the licensee of various trademarks and service marks, including, among others, "Ingram Micro," "IMpulse," the Ingram Micro logo, "Partnership America," "Leading the Way in Worldwide Distribution," and "Frameworks Total Integration Services." 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 costs. A number of factors may reduce the Company's margins even further. For example, if the Company's receivables experience a substantial deterioration in their collectibility or the Company cannot obtain credit insurance at reasonable rates, the Company's financial condition and results of operations may be adversely impacted.

(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 (i) is not suited for the Company, (ii) is improperly executed, or (iii) substantially increases the Company's debt.

(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.

(14) The failure of the Company or its vendors, resellers, customers, shipping companies, and other third party systems to achieve substantial Year 2000 compliance may adversely impact the Company's financial condition and results of operations.

(15) If the Company's inventory suppliers terminate or substantially reduce the subsidies relating to floor planning financing for the Company's master reseller business, such change in policy could have a material adverse effect on the Company's financial condition and results of operations.

Reference is made to Exhibit 99.01 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. The Company also maintains an East Coast operations center in Williamsville (Buffalo), New York.

The Company operates seven distribution centers in the continental United States located in Carrollton, Texas, Chicago, Illinois, Fremont, California, Fullerton, California, Harrisburg, Pennsylvania, Millington, Tennessee, and Miami, Florida. The Company also operates 26 international distribution centers located in Brazil, Canada, Chile, Mexico, Norway, Peru, and most countries of the European Union.

The Company opened a new 488,470 square foot global integration center in Memphis, Tennessee in March 1998. The Company also operates a consolidation center in Fremont, California, and three returns centers in North America, two in Santa Ana, California and one in Ontario, Canada.

All of the Company's facilities are leased, with the exception of the Santa Ana campus, the Brussels, Belgium office and the distribution centers in Harrisburg, Pennsylvania and Roncq, France. 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 owns two undeveloped properties in Santa Ana, California totaling approximately 16.27 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.

As a result of an internal review by the Company of export shipments made from its United States distribution facilities, the Company has determined that certain of these shipments and related documentation were not in compliance with U.S. export regulations. The Company has notified the appropriate federal government agencies pursuant to applicable voluntary self disclosure procedures. The reported shipments consisted of modems and other telecommunications products and shrink-wrapped, commercial software readily available through normal retail outlets which contained encryption features controlled under export regulations. These shipments had a total value of approximately $673,240. Violations of export laws and regulations are subject to both civil and criminal penalties, including in appropriate circumstances suspension or loss of export privileges. The Company is not able to estimate at this time the amount or nature of penalties, if any, that might be sought against the Company as a result of the reported violations; however, penalties to which the Company potentially may be subject could be material.

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 6, 1998, there were 509 holders of record of the Class A Common Stock and 169 holders of record of the Class B Common Stock. The Company believes that there are approximately 22,000 beneficial holders of the Class A Common Stock.

Information as to the Company's quarterly stock prices is included on page 44 of the Company's 1997 Annual Report to Shareowners, which is included as part of Exhibit 13.01 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 traded is included on page 44 of the Company's 1997 Annual Report to Shareowners, which is included as part of Exhibit 13.01 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.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial information of Ingram Micro for the five year period ended January 3, 1998 is included on page 14 of the Company's 1997 Annual Report to Shareowners, which is included as part of Exhibit 13.01 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 26 through 43 of the Company's 1997 Annual Report to Shareowners which are also included as part of Exhibit 13.01 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 24 of the Company's 1997 Annual Report to Shareowners, which are also included as part of Exhibit 13.01 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 25 through 43 of the Company's 1997 Annual Report to Shareowners, which are also included as part of Exhibit 13.01 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 21 and 20, 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 accountants or disagreements with such accountants 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 1998 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 17, 1998, all appearing on pages 25 through 43 in the 1997 Annual Report to Shareowners, 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 1997 Annual Report to Shareowners is not deemed filed as part of this Annual Report on Form 10-K.

INGRAM MICRO INC.	PAGE NO. IN ANNUAL REPORT TO SHAREOWNERS
Index to Financial Information	13
Consolidated Balance Sheet at January 3, 1998 and December 28, 1996	26
Consolidated Statement of Income for the years ended January 3, 1998, December 28, 1996, and December 30, 1995	27
Consolidated Statement of Stockholders' Equity for the years ended January 3, 1998, December 28, 1996, and December 30, 1995	28
Consolidated Statement of Cash Flows for the years ended January 3, 1998, December 28, 1996, and December 30, 1995	29
Notes to Consolidated Financial Statements	30-43
Report of Independent Accountants	25

Pages 13 through 44 of the 1997 Annual Report to Shareowners of Ingram Micro Inc. include the Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, the Consolidated Financial Statements and related notes thereto, the Independent Accountants' Report, Shareholder Information and Quarterly Stock Prices. These pages are filed with the Securities and Exchange Commission as Exhibit 13.01 to this Annual Report on Form 10-K.

2. Financial Statement Schedules:

Report of Independent Accountants on Financial Statement Schedule

Schedule II -- Valuation and Qualifying Accounts

3. List of Exhibits:

EXHIBIT NO.		
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	--	Amended and Restated Bylaws of the Registrant
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)

EXHIBIT NO.		
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	--	Amendment No. 1 to the Ingram Micro Inc. Amended and Restated 1996 Equity Incentive Plan
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)

EXHIBIT NO.		
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 Inc. (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)
10.36	--	First Amendment to the Credit Agreement dated as of October 28, 1997 (incorporated by reference to Exhibit 10.36 to the Company's Registration Statement on Form S-3 (File No. 333-39457) (the "Rollover/Thrift Plan S-3"))
10.37	--	European Credit Agreement dated as of October 28, 1997 among the Company and Ingram European Coordination Center N.V., as Borrowers and Guarantors, certain financial institutions, as the Lenders, The Bank of Nova Scotia, as Administrative Agent for the Lenders and NationsBank of Texas, N.A. as Documentation Agent for the Lenders, as arranged by The Bank of Nova Scotia and NationsBanc Capital Markets, Inc., as the Arrangers (incorporated by reference to Exhibit 10.37 to the Rollover/Thrift Plan S-3)

EXHIBIT NO.		
10.38	--	Canadian Credit Agreement dated as of October 28, 1997 among the Company and Ingram Micro Inc. (Canada), as Borrowers and Guarantors, certain financial institutions, as the Lenders, The Bank of Nova Scotia., as Administrative Agent for the Lenders, Royal Bank of Canada as the Syndication Agent for the Lenders, and Bank of Tokyo-Mitsubishi (Canada) as the Co-Agent (incorporated by reference to Exhibit 10.38 to the Rollover/Thrift Plan S-3)
13.01	--	Portions of Annual Report to Shareowners for the year ended January 3, 1998
21.01	--	Subsidiaries of the Registrant
23.01	--	Consent of Independent Accountants regarding certain Registration Statements on Form S-8
23.02	--	Consent of Independent Accountants regarding Registration Statement on Form S-3
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 January 3, 1998.

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of Ingram Micro Inc.

Our audits of the consolidated financial statements referred to in our report dated February 17, 1998 appearing in the 1997 Annual Report to Shareowners 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 Schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this Financial Statement Schedule presents 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 17, 1998

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:					
1997	$38,622	$31,652	$(27,102)	$5,369	$48,541
1996	30,791	28,619	(25,394)	4,606	38,622
1995	25,668	24,168	(19,718)	673	30,791
Inventory obsolescence:					
1997	$13,326	$21,524	$(20,201)	$4,237	$18,886
1996	12,245	13,836	(12,602)	(153)	13,326
1995	10,706	13,199	(11,867)	207	12,245

- ---------------

* Other includes recoveries, acquisitions and the effect of fluctuation 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

April 1, 1998

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	April 1, 1998
/s/ MICHAEL J. GRAINGER Michael J. Grainger	Executive Vice President and Worldwide Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 1, 1998
/s/ MARTHA R. INGRAM Martha R. Ingram	Director	April 1, 1998
/s/ JOHN R. INGRAM John R. Ingram	Director	April 1, 1998
/s/ DAVID B. INGRAM David B. Ingram	Director	April 1, 1998
/s/ PHILIP M. PFEFFER Philip M. Pfeffer	Director	April 1, 1998
/s/ DON H. DAVIS, JR. Don H. Davis, Jr.	Director	April 1, 1998
/s/ J. PHILLIP SAMPER J. Phillip Samper	Director	April 1, 1998
/s/ JOE B. WYATT Joe B. Wyatt	Director	April 1, 1998

EXHIBIT 3.02

AMENDED AND RESTATED BYLAWS OF

INGRAM MICRO INC.

* * * * *

ARTICLE I

OFFICES

SECTION 1. REGISTERED OFFICE. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

SECTION 2. OTHER OFFICES. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

SECTION 3. BOOKS. The books of the Corporation may be kept within or without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. TIME AND PLACE OF MEETINGS. All meetings of stockholders shall be held at such place, either within or without the State of Delaware, on such date and at such time as may be determined from time to time by the Board of Directors (or the chief executive officer in the absence of a designation by the Board of Directors).

SECTION 2. ANNUAL MEETINGS. Annual meetings of stockholders, commencing with the year 1997, shall be held to elect the Board of Directors and transact such other business as may properly be brought before the meeting.

SECTION 3. SPECIAL MEETINGS. Special meetings of stockholders may be called by the Board of Directors or the chairman of the Board of Directors and shall be called by the secretary at the request in writing of stockholders having at least ten percent of the outstanding voting power of the Corporation. Such request shall state the purpose or purposes of the proposed meeting.

SECTION 4. NOTICE OF MEETINGS AND ADJOURNED MEETINGS; WAIVERS OF NOTICE. (a) Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended ("DELAWARE LAW"), such notice shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at such meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice. Unless these Bylaws otherwise require, when a meeting is adjourned to another time or place (whether or not a quorum is present), notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken; provided that if the adjournment is for more than 30 days, or after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

(b) A written waiver of any such notice signed by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 5. QUORUM. Unless otherwise provided under the certificate of incorporation or these Bylaws and subject to Delaware Law, the presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast by the stockholders entitled to vote generally, shall constitute a quorum for the transaction of business at any meeting of the stockholders; provided that in the case of any vote to be taken by classes, the holders of a majority of the votes entitled to be cast by the stockholders of a particular class shall constitute a quorum for the transaction of business by such class.

SECTION 6. VOTING. (a) Unless otherwise provided by Delaware Law or by the certificate of incorporation, each stockholder of record of any class or series of capital stock of the Corporation shall be entitled to such number of votes for each share of such stock as may be fixed in the certificate of incorporation or in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such stock.

(b) Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to a corporate action in writing without a meeting may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

(c) Unless otherwise provided by Delaware Law, the certificate of incorporation or these Bylaws, the affirmative vote of shares of capital stock of the Corporation representing a majority of the outstanding voting power of the Corporation present, in person or by proxy, at a meeting of stockholders and entitled to vote on the subject matter shall be the act of the stockholders.

SECTION 7. ACTION BY CONSENT. (a) Unless otherwise provided in the certificate of incorporation, any action required to be taken at any special meeting of stockholders, or any action which may be taken at any special meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding capital stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

(b) Every written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered to the Corporation in the manner required by this Section 7 of Article II and Delaware Law, written consents signed by a sufficient number of holders to take action are delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

SECTION 8. ORGANIZATION. At each meeting of stockholders, the chairman of the Board of Directors, if one shall have been elected, (or in his absence or if one shall not have been elected, the chief executive officer) shall act as chairman of the meeting. The secretary (or in his absence or inability to act, the person whom the chairman of the meeting shall appoint secretary of the meeting) shall act as secretary of the meeting and keep the minutes thereof.

SECTION 9. ORDER OF BUSINESS. The order of business at all meetings of stockholders shall be as determined by the chairman of the meeting.

ARTICLE III

DIRECTORS

SECTION 1. GENERAL POWERS. Except as otherwise provided in Delaware Law or the certificate of incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. Each member of the Board of Directors, and all committees of the Board of Directors, shall have at all times full access to the books and records of the Corporation and all minutes of stockholder, Board of Directors and committee meetings, proceedings and actions. Each member of the Board of Directors shall have the right to add items to any agenda for a meeting of the Board of Directors.

SECTION 2. NUMBER, ELECTION AND TERM OF OFFICE. The number of directors which shall constitute the whole Board of Directors shall be fixed from time to time by resolution of the Board of Directors but shall in no event be less than seven nor more than nine; provided, however, that once the Board of Directors is expanded to eight directors, it shall not be contracted to a smaller size. At a time when seven or eight directors comprise the Board of Directors, the Board of Directors may be expanded up to nine members by the affirmative vote of a majority of the seven or eight directors, as the case may be. Such eighth or ninth director shall be Independent, as provided in Section 3(a)(iii) of this Article III and shall be nominated by a majority of the Nominating Committee. After the initial qualification and election of such eighth or ninth director as set forth in this Section 2 of Article III, any vacancy created by the death, disability, resignation or removal of such director shall be filled pursuant to Section 13 of this Article III. The directors shall be elected at the annual meeting of the stockholders, except as provided in this Section 2 or Section 13 of this Article III, and each director so elected (including any such director elected pursuant to Section 13 of this Article III) shall hold office for a term commencing with the election of such director and ending at such time after the next annual meeting of stockholders as such director's successor is elected and qualified or until such director's earlier death, disability, resignation or removal in accordance with these Bylaws or as provided under Delaware Law.

SECTION 3. QUALIFICATIONS. (a) Directors shall possess the following qualifications: (i) three individuals who are designated by the Family Stockholders, as hereinafter defined, and who need not be Independent, as hereinafter defined, and may be Family Stockholders (the "FAMILY DIRECTORS"); (ii) one individual who is designated by the chief executive officer of the Corporation, who need not be Independent and who may be the chief executive officer of the Corporation (the "MANAGEMENT DIRECTOR"); and (iii) three (in the case of a Board of Directors consisting of seven directors), four (in the case of a Board of Directors consisting of eight directors) or five (in the case of a Board of Directors consisting of nine directors) individuals, as the case may be from time to time, who shall be Independent (the "INDEPENDENT DIRECTORS"). Directors need not be stockholders.

(b)(i) As used in these Bylaws, "INDEPENDENT" means an individual other than an executive officer or other employee of the Corporation or Martha R. Ingram, her descendants (including adopted persons and their descendants) and their respective spouses.

(ii) As used in these Bylaws, "FAMILY STOCKHOLDERS" means the following and all of their Permitted Transferees (as hereinafter defined):

- QTIP Marital Trust created under the E. Bronson Ingram Revocable Trust Agreement dated January 4, 1995
- Martha R. Ingram
- Orrin H. Ingram, II
- John R. Ingram
- David B. Ingram
- Robin B. Ingram Patton
- E. Bronson Ingram 1995 Charitable Remainder 5% Unitrust

- E. Bronson Ingram 1994 Charitable Lead Annuity Trust
- Martha and Bronson Ingram Foundation
- Trust for Orrin Henry Ingram, II, under Agreement with E. Bronson Ingram dated October 27, 1967
- Trust for Orrin Henry Ingram, II, under Agreement with E. Bronson Ingram dated June 14, 1968
- Trust for Orrin Henry Ingram, II, under Agreement with Hortense B. Ingram dated December 22, 1975
- The Orrin H. Ingram Irrevocable Trust dated July 9, 1992
- Trust for the Benefit of Orrin H. Ingram established by Martha R. Rivers under Agreement of Trust originally dated April 30, 1982, as amended
- Trust for John Rivers Ingram, under Agreement with E. Bronson Ingram dated October 27, 1967
- Trust for John Rivers Ingram, under Agreement with E. Bronson Ingram dated June 14, 1968
- Trust for John Rivers Ingram, under Agreement with Hortense B. Ingram dated December 22, 1975
- The John R. Ingram Irrevocable Trust dated July 9, 1992
- Trust for the Benefit of John R. Ingram established by Martha R. Rivers under Agreement of Trust originally dated April 30, 1982, as amended
- The John and Stephanie Ingram Family 1996 Generation Skipping Trust
- Trust for David B. Ingram, under Agreement with E. Bronson Ingram dated October 27, 1967
- Trust for David B. Ingram, under Agreement with E. Bronson Ingram dated June 14, 1968
- Trust for David B. Ingram, under Agreement with Hortense B. Ingram dated December 22, 1975
- The David B. Ingram Irrevocable Trust dated July 9, 1992
- Trust for the Benefit of David B. Ingram established by Martha R. Rivers under Agreement of Trust originally dated April 30, 1982, as amended
- David and Sarah Ingram Family 1996 Generation Skipping Trust
- Trust for Robin Bigelow Ingram, under Agreement with E. Bronson Ingram dated

October 27, 1967

- Trust for Robin Bigelow Ingram, under Agreement with E. Bronson Ingram dated June 14, 1968

- Trust for Robin Bigelow Ingram, under Agreement with Hortense B. Ingram dated December 22, 1975

- The Robin Ingram Patton Irrevocable Trust dated July 9, 1992

- Trust for the Benefit of Robin B. Ingram established by Martha R. Rivers under Agreement of Trust originally dated April 30, 1982, as amended

(iii) As used in these Bylaws, "PERMITTED TRANSFEREE" means, with respect to any Family Stockholder, including any Approving Family Stockholder, as hereinafter defined, any of the other Family Stockholders or any of their respective spouses, descendants (including adopted persons and their descendants), estates, affiliates or any trust or other entities for the benefit of any of the foregoing persons, and beneficiaries of the QTIP Marital Trust created under the E. Bronson Ingram Revocable Trust Agreement dated January 4, 1995 upon the death of Martha R. Ingram, whether the transfer occurs voluntarily during life or at death, whether by appointment, will or intestate descent or distribution. Without limiting the generality of the foregoing, transfers from the QTIP Marital Trust created under the E. Bronson Ingram Revocable Trust Agreement dated January 4, 1995 to the Martha and Bronson Ingram Foundation, the Ingram Charitable Fund or any of the other beneficiaries thereof shall be deemed to be transfers to Permitted Transferees.

SECTION 4. QUORUM AND MANNER OF ACTING. (a) Unless the certificate of incorporation or these Bylaws require a greater number, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business, and the affirmative vote of a majority of the entire Board of Directors shall be the act of the Board of Directors.

(b) When a meeting is adjourned to another time or place (whether or not a quorum is present), notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Board of Directors may transact any business which might have been transacted at the original meeting. If a quorum shall not be present at any meeting of the Board of Directors the directors present thereat may adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 5. TIME AND PLACE OF MEETINGS. The Board of Directors shall hold its meetings at such place, either within or without the State of Delaware, and at such time as may be determined from time to time by the Board of Directors (or the chief executive officer in the absence of a determination by the Board of Directors).

SECTION 6. ANNUAL MEETING. The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual meeting of stockholders, on the same day and at the same place where such annual meeting shall be held. Notice of such meeting need not be given. In the event such annual meeting is not so held, the annual meeting of the Board of Directors may be held at such place either within or without the State of Delaware, on such date and at such time as shall be specified in a notice thereof given as hereinafter provided in Section 8 of this Article III or in a waiver of notice thereof signed by any director who chooses to waive the requirement of notice.

SECTION 7. REGULAR MEETINGS. After the place and time of regular meetings of the Board of Directors shall have been determined and notice thereof shall have been once given to each member of the Board of Directors, regular meetings may be held without further notice being given.

SECTION 8. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the chief executive officer and shall be called by the secretary on the written request of three directors. Notice of special meetings of the Board of Directors shall be given to each director at least three days before the date of the meeting in such manner as is determined by the Board of Directors.

SECTION 9. COMMITTEES. (a) The Board of Directors shall have at least four committees with the designations, qualifications, powers and composition set forth in this Section 9 of Article III, which four committees shall be: (i) an Executive Committee, (ii) a Nominating Committee, (iii) a Human Resources Committee, and (iv) an Audit Committee. All committees of the Board of Directors shall act by a majority vote of the entire number of directors which constitute any such committee.

(b) The Executive Committee shall consist of three directors, one of whom shall be a Family Director, one of whom shall be the Management Director and one of whom shall be an Independent Director. During the period of time between each regularly scheduled meeting of the Board of Directors, management decisions requiring the immediate attention of the Board of Directors may be made with the approval of a majority of the members of the Executive Committee; provided, however, that the Executive Committee shall not have the authority to approve any of the following items, all of which require the approval of the Board of Directors: (i) any action that would require approval pursuant to Article V of these Bylaws or that would require approval of a majority of the outstanding voting power held by the stockholders entitled to vote thereon at any annual or special meeting under applicable law or under the certificate of incorporation or Bylaws of the Corporation (provided, however, that subject to applicable law, the Board of Directors shall be entitled to delegate to the Executive Committee the authority to negotiate and finalize actions, the general terms of which have been approved by the Board of Directors); (ii) any acquisition with a total aggregate consideration in excess of 2% of the Corporation's stockholders' equity calculated in accordance with generally accepted accounting principles for the most recent fiscal quarter for which financial information is available (after taking into account the amount of any indebtedness to be assumed or discharged by the Corporation or any of its subsidiaries and any amounts required to be contributed, invested or borrowed by the Corporation or any of its subsidiaries); (iii) any action outside of the ordinary course of business of the Corporation; or (iv) any other action involving a material shift in policy or business strategy for the Corporation.

(c) The Nominating Committee shall consist of three directors, two of whom shall be Family Directors, and one of whom shall be the Management Director. All nominations of persons for election to the Board of Directors shall be made by the Nominating Committee, and the Nominating Committee shall name the directors to serve on the Board committees, pursuant to the qualification requirements set forth in Section 3 of this Article III. Subject to the provisions of this Section 9(c), the Nominating Committee shall be appointed by the Board of Directors. The Nominating Committee shall fulfill such other roles, with respect to the filling of vacancies and otherwise, as are set forth in these Bylaws.

(d) The Human Resources Committee shall consist of three directors, one of whom shall be a Family Director, and two of whom shall be Independent Directors. The Human Resources Committee shall establish the compensation of all executive officers of the Corporation and shall administer all stock option, purchase and equity incentive plans.

(e) The Audit Committee shall consist of at least three directors, at least a majority of whom shall be Independent Directors. The Audit Committee shall have the primary responsibility to: (i) recommend to the Board of Directors the firm to be employed by the Corporation as its independent auditor, (ii) consult with the independent auditors with regard to the plan of audit, (iii) review (in consultation with the independent auditors) the report of audit or proposed report and the accompanying management letter of the independent auditors, and (iv) consult with the independent auditors periodically, as appropriate, out of the presence of management, with regard to the adequacy of the internal controls and, if need be, to consult also with the internal auditors.

(f) No committee of the Board of Directors shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, amending the Bylaws of the Corporation, or authorizing any action required pursuant to these Bylaws to be authorized or approved by a majority of the entire Board of Directors; and unless the resolution of the Board of Directors, the certificate of incorporation or these Bylaws expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of capital stock by the Corporation. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

(g) The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more additional committees, each such committee to consist of one or more directors of the Corporation. Any such additional committee, to the extent provided in the resolution of the Board of Directors and subject to Section 9(f) of this Article III, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. Notwithstanding the foregoing, no committee designated by the Board of Directors pursuant to this Section 9(g) shall have powers or authority which conflict with or impinge or encroach upon the powers and authority granted to the committees designated in Sections 9(b), 9(c), 9(d) or 9(e) of this Article III.

SECTION 10. ACTION BY CONSENT. Unless otherwise restricted by the certificate of incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

SECTION 11. TELEPHONIC MEETINGS. Unless otherwise restricted by the certificate of incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

SECTION 12. RESIGNATION. Any director may resign at any time by giving written notice to the Board of Directors or to the secretary of the Corporation. The resignation of any director shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 13. VACANCIES. Unless otherwise provided in the certificate of incorporation, if, as a result of the death, disability, resignation or removal of a director, a vacancy is created on the Board of Directors, the vacancy shall be filled in the following manner with individuals with the following qualifications: (a) if the vacancy resulted from the death, disability, resignation or removal of a Family Director, the vacancy shall be filled by a person qualifying to be a Family Director as designated by a majority of the remaining Family Directors; (b) if the vacancy resulted from the death, disability, resignation or removal of the Management Director, the vacancy shall be filled by a person qualifying to be a Management Director as designated by the chief executive officer of the Corporation; and (c) if the vacancy resulted from the death, disability, resignation or removal of an Independent Director, the vacancy shall be filled by a person qualifying to be an Independent Director nominated by the Nominating Committee and approved by a majority of the entire Board of Directors then in office. If such vacancy on the Board of Directors also creates a vacancy on any committee thereof, the Nominating Committee shall appoint such replacement director elected in accordance with Sections 9 and 13 of this Article III to fill the committee position or positions held by his or her predecessor. If there are no Family Directors in office (in the case of filling a vacancy previously held by a Family Director), then an election of directors may be held in accordance with these Bylaws and Delaware Law.

Unless otherwise provided in the certificate of incorporation, a vacancy created on the Board of Directors as a result of the increase in the number of directors to seven, eight or nine as provided in Section 2 of this Article III may be filled in each case in a manner consistent with the provisions of Sections 2, 3 and 13 of this Article III.

SECTION 14. REMOVAL. Any director or the entire Board of Directors may be removed, with or without cause, at any time by the affirmative vote of the holders of a majority of the outstanding voting power of all of the shares of capital stock of the Corporation then entitled to vote generally for the election of directors, voting together as a single class, and the vacancies thus created shall be filled in accordance with Section 13 of this Article III. A Committee member shall be subject to removal from his or her position as a Committee member by the affirmative vote of a majority of the members of the Nominating Committee, and the vacancies thus created shall be filled in accordance with Sections 9 and 13 of this Article III.

SECTION 15. COMPENSATION. Unless otherwise restricted by the certificate of incorporation or these Bylaws, the Board of Directors shall have authority to fix the compensation of directors, including fees and reimbursement of expenses.

ARTICLE IV

OFFICERS

SECTION 1. PRINCIPAL OFFICERS. The principal officers of the Corporation shall be a chief executive officer, who shall have the power, among other things, to appoint regional officers of the Corporation, a president, one or more vice presidents, a treasurer and a secretary who shall have the duty, among other things, to record the proceedings of the meetings of stockholders and directors in a book kept for that purpose. The Corporation may also have such other principal officers, including a chairman, a vice chairman or one or more controllers, as the Board of Directors may in its discretion appoint. One person may hold offices and perform the duties of any two or more of said officers, except that no person shall hold the offices and perform the duties of president and secretary.

SECTION 2. ELECTION, TERM OF OFFICE AND REMUNERATION. The principal officers of the Corporation shall be elected annually by the Board of Directors at the annual meeting thereof. Each such officer shall hold office until his successor is elected and qualified, or until his earlier death, disability, resignation or removal. The remuneration of all officers of the Corporation shall be fixed by the Board of Directors. Any vacancy in any office shall be filled in such manner as the Board of Directors shall determine.

SECTION 3. SUBORDINATE OFFICERS. In addition to the principal officers enumerated in Section 1 of this Article IV, the Corporation may have one or more assistant treasurers, assistant secretaries and assistant controllers and such other subordinate officers, agents and employees as the Board of Directors may deem necessary, each of whom shall hold office for such period as the Board of Directors may from time to time determine. The Board of Directors may delegate to any principal officer the power to appoint and to remove any such subordinate officers, agents or employees.

SECTION 4. REMOVAL. Except as otherwise permitted with respect to subordinate officers, any officer may be removed, with or without cause, at any time, by the Board of Directors.

SECTION 5. RESIGNATIONS. Any officer may resign at any time by giving written notice to the Board of Directors (or to a principal officer if the Board of Directors has delegated to such principal officer the power to appoint and to remove such officer). The resignation of any officer shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 6. POWERS AND DUTIES. The officers of the Corporation shall have such powers and perform such duties incident to each of their respective offices and such other duties as may from time to time be conferred upon or assigned to them by the Board of Directors.

ARTICLE V

ACTIONS REQUIRING CONSENT OF APPROVING FAMILY STOCKHOLDERS

SECTION 1. DEFINITIONS. As used in these Bylaws, the following terms shall have the meanings specified below:

(a) "APPROVING FAMILY STOCKHOLDERS" means the following and all of their Permitted Transferees:

- QTIP Marital Trust created under the E. Bronson Ingram Revocable Trust Agreement dated January 4, 1995
- Martha R. Ingram
- Orrin H. Ingram, II
- John R. Ingram
- David B. Ingram
- Robin B. Ingram Patton
- E. Bronson Ingram 1995 Charitable Remainder 5% Unitrust
- Martha and Bronson Ingram Foundation
- Trust for Orrin Henry Ingram, II, under Agreement with E. Bronson Ingram dated October 27, 1967
- Trust for Orrin Henry Ingram, II, under Agreement with E. Bronson Ingram dated June 14, 1968
- Trust for Orrin Henry Ingram, II, under Agreement with Hortense B. Ingram dated December 22, 1975
- The Orrin H. Ingram Irrevocable Trust dated July 9, 1992
- Trust for the Benefit of Orrin H. Ingram established by Martha R. Rivers under Agreement of Trust originally dated April 30, 1982, as amended
- Trust for John Rivers Ingram, under Agreement with E. Bronson Ingram dated October 27, 1967
- Trust for John Rivers Ingram, under Agreement with Hortense B. Ingram dated December 22, 1975
- The John R. Ingram Irrevocable Trust dated July 9, 1992

- Trust for the Benefit of John R. Ingram established by Martha R. Rivers under Agreement of Trust originally dated April 30, 1982, as amended

- The John and Stephanie Ingram Family 1996 Generation Skipping Trust

- Trust for David B. Ingram, under Agreement with Hortense B. Ingram dated December 22, 1975

- The David B. Ingram Irrevocable Trust dated July 9, 1992

- Trust for the Benefit of David B. Ingram established by Martha R. Rivers under Agreement of Trust originally dated April 30, 1982, as amended

- David and Sarah Ingram Family 1996 Generation Skipping Trust

- Trust for Robin Bigelow Ingram, under Agreement with E. Bronson Ingram dated October 27, 1967

- Trust for Robin Bigelow Ingram, under Agreement with Hortense B. Ingram dated December 22, 1975

- The Robin Ingram Patton Irrevocable Trust, dated July 9, 1992

- Trust for the Benefit of Robin B. Ingram established by Martha R. Rivers under Agreement of Trust originally dated April 30, 1982, as amended.

(b) "APPROVING VOTING POWER" means, as of any date, the number of votes able to be cast pursuant to this Article V by the Approving Family Stockholders. With respect to any vote pursuant to this Article V, and as of any given date, each Approving Family Stockholder shall be entitled to cast a number of votes equal to (i) the Outstanding Voting Power, as hereinafter defined, of all capital stock of the Corporation owned of record by such Approving Family Stockholder, plus (ii) the attributed voting power set forth in Section 1(c) of this Article V.

(c)(i) Martha R. Ingram shall be attributed and entitled to cast a number of votes equal to the Outstanding Voting Power of all capital stock of the Corporation owned by the Trust for John Rivers Ingram, under an Agreement with E. Bronson Ingram dated June 14, 1968, plus the Outstanding Voting Power of all capital stock of the Corporation owned by the Trust for David B. Ingram, under an Agreement with E. Bronson Ingram dated October 27, 1967, plus the Outstanding Voting Power of all capital stock of the Corporation owned by the Trust for the Benefit of David Bronson Ingram, dated June 14, 1968, plus the Outstanding Voting Power of all capital stock of the Corporation owned by the Trust for Robin Bigelow Ingram, under an Agreement with E. Bronson Ingram dated June 14, 1968;

(ii) Orrin H. Ingram, II shall be attributed and entitled to cast a number of votes equal to twenty-five percent (25%) of the Outstanding Voting Power of all capital stock of the Corporation owned by the E. Bronson Ingram 1994 Charitable Lead Annuity Trust;

(iii) John R. Ingram shall be attributed and entitled to cast a number of votes equal to twenty-five percent (25%) of the Outstanding Voting Power of all capital stock of the Corporation owned by the E. Bronson Ingram 1994 Charitable Lead Annuity Trust;

(iv) David B. Ingram shall be attributed and entitled to cast a number of votes equal to twenty-five percent (25%) of the Outstanding Voting Power of all capital stock of the Corporation owned by the E. Bronson Ingram 1994 Charitable Lead Annuity Trust; and

(v) Robin B. Ingram Patton shall be attributed and entitled to cast a number of votes equal to twenty-five percent (25%) of the Outstanding Voting Power of all capital stock of the Corporation owned by the E. Bronson Ingram 1994 Charitable Lead Annuity Trust.

(d) "OUTSTANDING VOTING POWER" means, as of any date, the number of votes able to be cast for the election of directors represented by all the shares of common stock of the Corporation, including the Class A common stock and the Class B common stock, par value $0.01 per share, of the Corporation.

SECTION 2. SIGNIFICANT ACTIONS. (a) In addition to any vote required by applicable law or the certificate of incorporation, the following actions ("SIGNIFICANT ACTIONS") will not be taken by or on behalf of the Corporation without the written approval of Approving Family Stockholders, acting in their sole discretion, holding at least a majority of the Approving Voting Power held by all of the Approving Family Stockholders:

(i) any sale or other disposition or transfer of all or substantially all of the assets of the Corporation (considered together with its subsidiaries);

(ii) any merger, consolidation or share exchange involving the Corporation, other than mergers effected for administrative reasons of subsidiaries owned at least 90% by the Corporation which under applicable law can be effected without stockholder approval;

(iii) any issuance (or transfer from treasury) of additional equity, convertible securities, warrants or options with respect to the capital stock of the Corporation, or any of its subsidiaries, or the adoption of any additional equity plans by or on behalf of the Corporation or any of its subsidiaries except for (A) options granted or stock sold in the ordinary course of business pursuant to plans approved by the Approving Family Stockholders or adopted prior to the initial public offering of the Corporation's capital stock, and (B) the issuance of capital stock of the Corporation valued at Fair Market Value, as hereinafter defined, in acquisitions as to which no approval is required under subsection (iv) of this Section 2 of Article V or as to which approval has been obtained under subsection (iv) of this Section 2 of Article V;

(iv) any acquisition by or on behalf of the Corporation or one of its subsidiaries involving a total aggregate consideration in excess of 10% of the Corporation's stockholders' equity calculated in accordance with generally accepted accounting principles for the most recent fiscal quarter for which financial information is available (after taking into account the amount of any indebtedness for borrowed money to be assumed or discharged by the Corporation or any of its subsidiaries and any amounts required to be contributed, invested or borrowed by the Corporation or any of its subsidiaries if such contribution, investment or borrowing is reasonably contemplated by the Corporation to be necessary within 12 months after the date of the acquisition);

(v) any guarantee of indebtedness of an entity other than a subsidiary of the Corporation exceeding 5% of the Corporation's stockholders' equity calculated in accordance with generally accepted accounting principles for the most recent fiscal quarter for which financial information is available;

(vi) incurrence of indebtedness by the Corporation after the consummation of the initial public offering of the Corporation's capital stock (other than indebtedness incurred after the initial public offering of the Corporation which renews or replaces a previously existing facility so long as the aggregate amount of indebtedness is not increased) in a transaction which could be reasonably expected to reduce the Corporation's investment rating lower than one grade below the ratings of the Corporation by Moody's Investors Service ("Moody's"), Fitch Investors Service, L.P. ("Fitch") or Standard & Poor's Rating Group ("Standard & Poor's") immediately following the initial public offering, but in any event incurrence of indebtedness by the Corporation after the consummation of the initial public offering which could be reasonably expected to reduce such investment rating lower than Baa by Moody's; BBB- by Fitch; or BBB- by Standard & Poor's; and

(vii) any other transaction having substantially the same effect as a transaction described in clauses (i) through (vi) of this Section 2(a) of Article V.

(b) As used in Section 2(a)(iii) of this Article V, "FAIR MARKET VALUE" means with respect to the capital stock of the Corporation, as of any given date or dates, the reported closing price of a share of such class of capital stock on such exchange or market as is the principal trading market for such class of capital stock. If such class of capital stock is not traded on an exchange or principal trading market on such date, the Fair Market Value of a share of the capital stock of the Corporation shall be determined by the Board of Directors in good faith taking into account as appropriate the recent sales of the capital stock of the Corporation, recent valuations of the capital stock of the Corporation, the lack of liquidity of the capital stock of the Corporation, the fact that certain shares of the capital stock of the Corporation may represent a minority interest and such other factors as the Board of Directors shall in its discretion deem relevant or appropriate.

ARTICLE VI

GENERAL PROVISIONS

SECTION 1. FIXING THE RECORD DATE. (a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by Delaware Law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by Delaware Law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 2. DIVIDENDS. Subject to limitations contained in Delaware Law and the certificate of incorporation, the Board of Directors may declare and pay dividends upon the shares of capital stock of the Corporation, which dividends may be paid either in cash, in property or in shares of the capital stock of the Corporation.

SECTION 3. FISCAL YEAR. The fiscal year of the Corporation shall commence on the day following the end of the preceding fiscal year of the Corporation and end on the Saturday nearest December 31 of each year.

SECTION 4. CORPORATE SEAL. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

SECTION 5. VOTING OF STOCK OWNED BY THE CORPORATION. The Board of Directors may authorize any person, on behalf of the Corporation, to attend, vote at and grant proxies to be used at any meeting of stockholders of any corporation (except this Corporation) in which the Corporation may hold stock.

SECTION 6. AMENDMENTS. (a) So long as the Family Stockholders and their Permitted Transferees together hold beneficially at least 25,000,000 shares of the capital stock of the Corporation (as such number is equitably adjusted to reflect stock splits, stock dividends, recapitalizations or other transactions in the capital stock of the Corporation) (i) the stockholders may alter, amend, restate or repeal these Bylaws or any of them, or make new bylaws, only by the affirmative vote of 75 % of the votes entitled to be cast thereon at any annual or special meeting and (ii) the Board of Directors may alter, amend, restate or repeal these Bylaws or any of them, or make new bylaws, only by the affirmative vote of three-quarters (3/4) of the members of the entire Board of Directors.

(b) Beginning on the first date on which the Family Stockholders and their Permitted Transferees together hold beneficially less than 25,000,000 shares of the capital stock of the Corporation (as such number is equitably adjusted to reflect stock splits, stock dividends, recapitalizations or other transactions in the capital stock of the Corporation) (i) the stockholders may alter, amend, restate or repeal these Bylaws or any of them, or make new bylaws, by the affirmative vote of a majority of the votes entitled to be cast thereon at any annual or special meeting and (b) the Board of Directors may alter, amend, restate or repeal these Bylaws or any of them, or make new bylaws, by the affirmative vote of a majority of the members of the entire Board of Directors.

(c) Notwithstanding sections (a) and (b) of this Section 6 of Article VI, if the Board Representation Agreement between the Corporation and certain other persons signatory thereto dated November 6, 1996, shall be adjudicated to be void or terminated and of no further force and effect by the final, non-appealable order of a court of competent jurisdiction or shall be terminated and made to be of no further force and effect by the unanimous, written consent of the Family Stockholders and their Permitted Transferees then holding stock of the Corporation, beginning on the date such final order becomes non-appealable or the date such unanimous, written consent is delivered to the Secretary of the Corporation, as the case may be, (i) the stockholders may alter, amend, restate or repeal these Bylaws or any of them, or make new bylaws, by the affirmative vote of a majority of the votes entitled to be cast thereon at any annual or special meeting and (ii) the Board of Directors may alter, amend, restate or repeal these Bylaws or any of them, or make new bylaws, by the affirmative vote of a majority of the members of the entire Board of Directors.

Amended 5/7/97

EXHIBIT 10.6

FIRST AMENDMENT TO INGRAM MICRO INC. AMENDED AND RESTATED 1996 EQUITY INCENTIVE PLAN

This First Amendment to Ingram Micro Inc. Amended and Restated 1996 Equity Incentive Plan is made by Ingram Micro Inc. (the "Company") with reference to the following facts:

The Company has established the Ingram Micro Inc. Amended and Restated 1996 Equity Incentive Plan (hereinafter the "Plan"). The Plan provides that it may be amended from time to time in accordance with the procedures provided therein. The Company has executed this First Amendment for the purpose of amending the Plan in the manner hereinafter provided.

NOW, THEREFORE, the Plan is hereby amended as follows:

Effective January 1, 1997, Section 14(b) of the Plan is hereby amended and replaced in its entirety by the following:

"(b) Nontransferability. (i) Except as provided in subsection (ii) below, no Award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant, except by will or the laws of descent and distribution.

(ii) Notwithstanding subsection (i) above, the Committee may determine that an Award may be transferred by a Participant to one or more members of the Participant's immediate family, to a partnership of which the only partners are members of the Participant's immediate family, or to a trust established by the Participant for the benefit of one or more members of the Participant's immediate family. For this purpose, immediate family means the Participant's spouse, parents, children, grandchildren and the spouses of such parents, children and grandchildren. A transferee described in this subsection (ii) may not further transfer an Award. An Award transferred pursuant to this subsection shall remain subject to the provisions of the Plan, including, but not limited to, the provisions of Section 11 relating to the effect on the Award of the death, retirement or termination of employment of the Participant, and shall be subject to such other rules as the Committee shall determine."

IN WITNESS WHEREOF, this First Amendment is executed effective as of the date set forth herein.

INGRAM MICRO INC.

By:

James E. Anderson, Jr.
Senior Vice President,
Secretary and General Counsel

EXHIBIT 13.01

INDEX TO FINANCIAL INFORMATION

SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents selected consolidated financial data of Ingram Micro Inc. ("Ingram Micro" and 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 Shareowners.

The fiscal year of the Company is a 52- or 53-week period ending on the Saturday nearest to December 31. References below to 1993, 1994, 1995, 1996 and 1997 represent the fiscal years ended January 1, 1994 (52 weeks), December 31, 1994 (52 weeks), December 30, 1995 (52 weeks), December 28, 1996 (52 weeks), and January 3, 1998 (53 weeks), respectively.

	FISCAL YEAR				
(in 000s, except per share data)	1997	1996	1995	1994	1993
Selected Operating Information					
Net sales	$ 16,581,539	$ 12,023,451	$ 8,616,867	$ 5,830,199	$ 4,044,169
Gross profit	1,085,689	812,384	605,686	438,975	329,642
Income from operations (1)	376,579	247,508	186,881	140,290	103,028
Income before income taxes and minority interest (1)	326,489	196,757	134,616	100,705	82,855
Net income (1)	193,640	110,679	84,307	63,344	50,355
Basic earnings per share (1) (2) .	1.43	0.99	0.79	0.59	0.47
Diluted earnings per share (1) (2)	1.32	0.88	0.74	0.57	0.47
Weighted average common shares outstanding (2)	135,764,053	112,285,058	107,251,362	107,251,362	107,251,362
Diluted weighted average common shares outstanding (2)	146,307,532	125,436,376	114,517,371	110,641,131	107,913,865
Selected Balance Sheet Information					
Cash	$ 92,212	$ 48,279	$ 56,916	$ 58,369	$ 44,391
Total assets	4,932,151	3,366,947	2,940,898	1,974,289	1,296,363
Total debt (3)	1,141,131	304,033	850,548	552,283	398,929
Stockholders' equity	1,038,206	825,150	310,795	221,344	155,459

(1) Reflects a noncash compensation charge in 1997 and 1996 of $7.2 million ($5.9 million, or $0.04 per share, net of tax) and $23.4 million ($19.5 million, or $0.16 per share, net of tax), respectively, in connection with the granting of Rollover Stock Options. See Note 12 of Notes to Consolidated Financial Statements.

(2) Earnings per share has been restated based on the adoption of FAS 128 for all periods. See Note 2 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 computer-based technology products and services worldwide. The Company's net sales have grown to $16.6 billion in 1997 from $4.0 billion in 1993. 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 sixteen acquisitions worldwide. Net income has grown to $193.6 million in 1997 from $50.4 million in 1993.

In November 1996, the Company was split-off (the "Split-Off") from Ingram Industries Inc. ("Ingram Industries"), the company's former parent company, and Ingram Entertainment Inc. ("Ingram Entertainment"), and the Company 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 6.5% in 1997 from 8.2% in 1993. 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 4.2% in 1997 from 5.6% in 1993. As a result, the Company's operating margins have declined less than gross margins while net margins have remained constant. Operating margins declined from 2.6% in 1993 to 2.1% in 1996, before rebounding to 2.3% in 1997. Net margins declined from 1.2% in 1993 to 0.9% in 1996, before returning to 1.2% in 1997. Operating margins and net margins were impacted in 1996 and 1997 by the noncash compensation charges described below. 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 business in late 1994 with the launch of Ingram Alliance. The Company further expanded its master reseller business by acquiring Intelligent Electronics, Inc.'s Reseller Network Division ("RND") in July 1997 and integrating RND into Ingram Alliance. The Company's master reseller business 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. The Company's success in its master reseller business has, to a large degree, been attributable to its ability to leverage Ingram Micro's distribution infrastructure and capitalize on strong supplier relationships. In addition, a substantial majority of the Company's master reseller sales are funded by floor plan financing companies whose fees are subsidized by the Company's suppliers. The Company typically receives payment from these financing institutions within three business days from the date of the sale, allowing the Company's master reseller business to operate at much lower relative working capital levels than the Company's wholesale distribution business.

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 accounts receivable and product inventory 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) and $7.2 million ($5.9 million net of tax) in 1996 and 1997, respectively, 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 certain 1996 restricted stock grants, are expected to be approximately $4.8 million ($3.7 million net of tax) for 1998, $2.7 million ($1.9 million net of tax) for 1999 and $1.1 million ($0.7 million net of tax) for 2000.

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 1997		1996		1995	
	(dollars in millions)					
NET SALES BY GEOGRAPHIC REGION:						
UNITED STATES	$11,478	69.2%	$ 8,058	67.0%	$ 5,834	67.7%
EUROPE	3,353	20.2%	2,590	21.6%	1,849	21.5%
OTHER INTERNATIONAL	1,751	10.6%	1,375	11.4%	934	10.8%
TOTAL	$16,582	100.0%	$12,023	100.0%	$ 8,617	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 FISCAL YEAR 1997	1996	1995
NET SALES	100.0%	100.0%	100.0%
COST OF SALES	93.5%	93.2%	93.0%
GROSS PROFIT	6.5%	6.8%	7.0%
EXPENSES:			
SG&A EXPENSES AND CHARGES ALLOCATED FROM INGRAM INDUSTRIES	4.2%	4.5%	4.8%
NONCASH COMPENSATION CHARGE	0.0%	0.2%	0.0%
INCOME FROM OPERATIONS	2.3%	2.1%	2.2%
OTHER EXPENSE, NET	0.3%	0.5%	0.6%
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	2.0%	1.6%	1.6%
PROVISION FOR INCOME TAXES	0.8%	0.7%	0.6%
MINORITY INTEREST	0.0%	0.0%	0.0%
NET INCOME	1.2%	0.9%	1.0%

1997 COMPARED TO 1996

Consolidated net sales increased 37.9% to $16.6 billion in 1997 from $12.0 billion in 1996. 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, expansion of the Company's product offerings, and the acquisition of several companies in 1997.

Net sales from U.S. operations increased 42.4% to $11.5 billion in 1997 from $8.1 billion in 1996. U.S. net sales were positively impacted by the acquisition of RND, which was completed on July 18, 1997. Concurrent with the RND acquisition, the Company more fully integrated its master reseller business into its wholesale distribution business. Net sales from European operations increased 29.4% to $3.4 billion in 1997 from $2.6 billion in 1996. Other international net sales increased 27.4% to $1.8 billion in 1997 from $1.4 billion in 1996, principally due to the growth in net sales from the Company's Mexican, Canadian and Export Division operations.

Cost of sales as a percentage of net sales increased to 93.5% in 1997 from 93.2% in 1996. This increase was largely attributable to the increase as a percentage of net sales of the master reseller business, which has lower margins, as well as competitive pricing pressures, while partially offset by improved margins in Europe.

Total SG&A expenses, including charges allocated from Ingram Industries in 1996, increased 29.6% to $702.0 million in 1997 from $541.5 million in 1996, but decreased as a percentage of net sales to 4.2% in 1997 from 4.5% in 1996. 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 SG&A expenses as a percentage of sales is attributable to the growth of the Company's master reseller business, which utilizes a lower cost business model, and economies of scale from higher sales volumes.

During 1997, the Company recorded a noncash compensation charge of $7.2 million ($5.9 million, net of tax) in connection with the Rollover Stock Options. In 1996, the Company recorded a noncash compensation charge of $23.4 million ($19.5 million, net of tax) in connection with the Rollover Stock Options.

Excluding the noncash compensation charges, total income from operations remained constant as a percentage of net sales at 2.3% in 1997 and 1996. Income from operations in the United States, excluding the noncash compensation charge remained constant as a percentage of net sales at 2.7% in 1997 and 1996. Income from operations in Europe, excluding the noncash compensation charge, increased as a percentage of net sales to 1.2% in 1997 from 0.8% in 1996. This increase was partially offset by a decrease 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 1.8% in 1997 from 2.2% in 1996.

Income from operations, including the noncash compensation charges, increased 52.1% to $376.6 million in 1997 from $247.5 million in 1996, and, as a percentage of net sales, increased to 2.3% in 1997 from 2.1% in 1996.

Other expense, net, which consists primarily of net interest expense (including interest expense charged by Ingram Industries), foreign currency exchange losses, and miscellaneous nonoperating expenses, decreased 1.3% to $50.1 million in 1997 from $50.8 million in 1996, and decreased as a percentage of net sales to 0.3% in 1997 from 0.5% in 1996. Although other expense, net, remained relatively constant overall, the Company experienced lower interest expense in 1997, primarily due to the reduction in average outstanding borrowings (including amounts due to Ingram Industries) following the IPO. The Company's interest expense increased toward the end of 1997 as a result of increased borrowings to finance acquisitions and the expansion of the Company's business. The Company expects its interest expense in 1998 to increase.

The provision for income taxes increased 54.9% to $131.5 million in 1997 from $84.9 million in 1996, reflecting the 65.9% increase in the Company's income before income taxes and minority interest. The Company's effective tax rate was 40.3% in 1997 compared to 43.1% in 1996. The decrease in the effective tax rate was primarily due to the reduction in the noncash compensation charge, much of which is not deductible for tax purposes, as well as the effect of certain international taxes in 1997.

Excluding the noncash compensation charges, net income increased 53.3% to $199.6 million in 1997 from $130.2 million in 1996 and, as a percentage of net sales, increased to 1.2% in 1997 from 1.1% in 1996. Pro forma diluted earnings per share, excluding the noncash compensation charges, increased 30.8% to $1.36 in 1997 from $1.04 in 1996. Net income, including the noncash compensation charges, increased 75.0% to $193.6 million in 1997 from $110.7 million in 1996. Diluted earnings per share, including the noncash compensation charge, increased 50.0% to $1.32 in 1997 from $0.88 in 1996.

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 38.1% to $8.1 billion in 1996 from $5.8 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 40.1% to $2.6 billion in 1996 from $1.8 billion in 1995. Other international net sales increased 47.2% to $1.4 billion in 1996 from $934 million in 1995, principally due to the growth in net sales from the Company's Canadian operations and growth in the Export Division.

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 2.2% in 1996 from 1.5% 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 nonoperating 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, increased to 1.1% in 1996 from 1.0% in 1995. Pro forma earnings per share, excluding the noncash compensation charge, increased 40.5% to $1.04 in 1996 from $0.74 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. Diluted earnings per share, including the noncash compensation charge, increased 18.9% to $0.88 in 1996 from $0.74 in 1995.

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.

The following table sets forth certain unaudited quarterly historical financial data for each of the twelve quarters up to the period ended January 3, 1998. 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 Shareowners. 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	BASIC EARNINGS PER SHARE(4)	DILUTED EARNINGS PER SHARE(4)
	(In millions, except per share data.)						
FISCAL YEAR ENDED DECEMBER 30, 1995							
THIRTEEN WEEKS ENDED:							
APRIL 1, 1995	$ 1,879.5	$ 132.4	$ 38.5	$ 24.3	$ 17.1	$ 0.16	$ 0.15
JULY 1, 1995	1,859.6	138.9	40.2	30.0	18.4	0.17	0.16
SEPTEMBER 30, 1995	2,331.6	151.2	45.2	33.8	20.8	0.19	0.18
DECEMBER 30, 1995	2,546.2	183.2	63.0	46.5	28.0	0.27	0.25
FISCAL YEAR ENDED DECEMBER 28, 1996							
THIRTEEN WEEKS ENDED(1):							
MARCH 30, 1996	$ 2,752.7	$ 186.6	$ 54.9	$ 39.6	$ 23.8	$ 0.22	$ 0.20
JUNE 29, 1996	2,790.4	190.5	59.5	44.9	26.8	0.25	0.22
SEPTEMBER 28, 1996	2,931.6	197.4	61.5	48.9	27.0	0.25	0.22
DECEMBER 28, 1996	3,548.8	237.9	71.6	63.4	33.1	0.27	0.24
FISCAL YEAR ENDED JANUARY 3, 1998							
THIRTEEN WEEKS ENDED(2):							
MARCH 29, 1997	$ 3,650.0	$ 234.7	$ 78.8	$ 69.0	$ 40.4	$ 0.30	$ 0.28
JUNE 28, 1997	3,716.8	242.1	79.2	68.0	40.0	0.30	0.27
SEPTEMBER 27, 1997	4,087.3	264.0	85.6	75.7	44.3	0.32	0.30
JANUARY 3, 1998(3)	5,127.4	344.9	133.0	113.8	68.9	0.51	0.47

(1) Reflects a noncash compensation charge of $6.7 million, $1.1 million, $1.1 million, and $14.5 million for the first, second, third and fourth quarters of 1996, respectively, in connection with the granting of the Rollover Stock Options.

(2) Reflects a noncash compensation charge of $1.8 million, $1.7 million, $1.8 million, and $1.9 million for the first, second, third and fourth quarters of 1997, respectively, in connection with the granting of the Rollover Stock Options.

(3) Fourteen weeks ended January 3, 1998.

(4) Earnings per share has been restated based on the adoption of FAS 128 for all periods. See Note 2 of Notes to Consolidated Financial Statements.

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 to the Company.

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 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 used by operating activities was $647.7 million in 1997 as compared to cash provided by operating activities of $78.0 million in 1996 and cash used by operating activities of $251.3 million in 1995. The significant decrease in cash provided by operating activities in 1997 compared to 1996 was primarily attributable to increases in accounts receivable and product inventory that was not financed by trade creditors resulting from the continued growth of the Company. The significant increase in cash provided by operating activities in 1996 compared to cash used by operating activities in 1995 was partially attributable to the increase in net income and the difference between accounts receivable, inventory levels, and accounts payable in 1996 as compared to 1995 attributable to the launch of Microsoft Windows 95 in the third quarter of 1995.

Net cash used by investing activities was $193.3 million, $107.2 million, and $48.8 million in 1997, 1996, and 1995, respectively. These increases were due in part to the Company's expansion of warehouse and other facilities in each year. In 1997, acquisitions, net of cash acquired, were approximately $34 million relating primarily to the acquisition of RND, Computacion Tecnica, S.A. ("Computek"), Latino Americana de Software Ltda. ("LASoft"), J & W Computer GmbH, Tallgrass Technologies AS, and TT Microtrading Oy. Additionally, the Company acquired 21% of the outstanding common stock as well as approximately 19% of outstanding warrants and an option to acquire additional common stock of Electronic Resources Ltd. ("ERL") for $71.2 million. 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 provided by financing activities was $888.4 million, $21.3 million, and $298.3 million in 1997, 1996 and 1995, respectively. Net cash provided by financing activities in 1997 was due primarily to the increase in revolving credit of $770.4 million. 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 was partially offset by proceeds from debt totaling $49.7 million and net borrowings under the revolving credit facility of $80.6 million.

On July 18, 1997, the Company completed its acquisition of RND. The purchase price was $73 million, payable by the assumption of liabilities in excess of current assets (including $30 million in cash acquired), based on the balance sheet of RND at closing. This acquisition was accounted for using the purchase method and the results of RND's operations have been combined with those of the Company since the date of acquisition. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of purchase price over net assets acquired of approximately $81 million is being amortized on a straight-line basis over 20 years.

In April 1997, the Company acquired Tallgrass Technologies A.S., a distributor of computer products based in Norway. In August 1997, the Company acquired J&W Computer GmbH, a distributor of computer products with operations in Germany, France, Switzerland, and Austria. In November 1997, the Company acquired Computek, a distributor of computer products with operations in Chile, Brazil, Peru, Miami, and Florida and TT Microtrading Oy, a software distribution company based in Finland. In December 1997, the Company also acquired certain assets of LASoft, a distributor of primarily software products with operations in Brazil. The combined consideration paid for these companies was approximately $75 million. The acquisitions were accounted for using the purchase method of accounting, and the results of operations of the acquired companies have been combined with those of the Company since the dates of acquisition. The purchase price was allocated to the assets acquired and the liabilities assumed based upon their estimated fair values at the dates of acquisition. The excess of purchase price over net assets acquired for all five acquisitions totaled approximately $40 million and is being amortized on a straight-line basis over 20 years.

In December 1997, the Company completed its purchase of 49,606,000 shares, or approximately 21% of the outstanding common stock of ERL, a publicly-traded electronic components distributor based in Singapore and operating in Australia, New Zealand, and seven Asian countries. In addition, the Company purchased approximately 19% of an outstanding class of warrants to acquire 8,443,195 shares of ERL and obtained an option, which expires April 30, 1999, to purchase an additional 8.4% of the common shares outstanding. The aggregate purchase price was approximately $71 million. The Company is accounting for the investment under the equity method. The Company's investment in ERL has been recorded in other assets at January 3, 1998, and includes the unamortized excess of the Company's investment over its equity in the net assets of ERL. The excess of approximately $40 million is being amortized on a straight-line basis over the estimated useful life of up to 20 years. At January 3, 1998, the aggregate market value of the Company's shares of ERL common stock and warrants, as quoted on the Stock Exchange of Singapore, was approximately $59 million.

Prior to the Split-Off in 1996, the Company's sources of capital were primarily 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 with a syndicate of banks for which NationsBank of Texas N.A. and The Bank of Nova Scotia acted as agents. In 1997, the Company entered into two additional credit facilities which together provide an additional $650 million, bringing the total amount available to the Company under these facilities to $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, current ratio 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. Borrowings under the $1 billion 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. Borrowings under these facilities also have partially financed the increase in accounts receivable and inventories at January 3, 1998 as compared to December 28, 1996, and December 28, 1996, as compared to December 30, 1995. At January 3, 1998, the Company had $938.6 million in outstanding borrowings under the credit facilities.

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 were used to repay certain existing indebtedness to Ingram Industries.

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 medium-term certificates with various commencement dates between June 1, 1998, and February 1, 2004. In addition approximately $13 million of trust certificate-backed commercial paper was outstanding on the Split-Off date. 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. Assumption of the securitization program resulted in a $160 million reduction of trade accounts receivable and long-term debt on the Company's subsequent consolidated balance sheets. 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 under a variable rate certificate which supports the commercial paper program. At January 3, 1998, and December 28, 1996, the amount of commercial paper outstanding totaled $150 million and $50 million, respectively. The commercial paper program arrangement with the trust extends to December 31, 1999, renews biannually, subject to certain conditions, and has a final termination date of February 10, 2013.

The Company and its foreign subsidiaries have uncommitted lines of credit and short-term overdraft facilities in various currencies which aggregated $119 million and $92 million at the end of 1997 and 1996, respectively. 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 1997 and 1996, respectively, cash proceeds from the exercise of stock options, including applicable tax benefits, totaled $28.4 million and $11.3 million, respectively. 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), will provide sufficient resources to meet its present and future working capital and cash requirements for at least the next 12 months.

The Company presently expects to spend approximately $100 million in 1998 for capital expenditures due to continued expansion of its business.

MARKET RISK

The Company is exposed to the impact of foreign currency fluctuations and interest rate changes due to its international sales and global funding. In the normal course of business, the Company employs established policies and procedures to manage its exposure to fluctuations in the value of foreign currencies and interest rates using a variety of financial instruments. It is the Company's policy to utilize financial instruments to reduce risks where internal netting cannot be effectively employed. The Company does not enter into foreign currency or interest rate transactions for speculative purposes.

In addition to product sales and costs the Company has foreign currency risk related to debt that is denominated in currencies other than the U.S. dollar and cross-currency swaps hedging inter-company debt. The Company's foreign currency risk management objective is to protect its earnings and cash flows resulting from sales, purchases and other transactions from the adverse impact of exchange rate movements. Foreign exchange risk is managed by using forward and option contracts to hedge receivables and payables. By policy, the Company maintains hedge coverage between minimum and maximum percentages. Cross-currency swaps are used to hedge foreign currency denominated payments related to intercompany and third party loans. Hedged transactions are denominated primarily in British pounds, Canadian dollars, French francs, German marks, Italian lira, Spanish pesetas, and Swedish krona.

The Company is exposed to changes in interest rates primarily as a result of its long-term debt used to maintain liquidity and finance inventory, capital expenditures and business expansion. Interest rate risk is also present in the cross-currency swaps hedging intercompany and third party loans. The Company's interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives the Company uses a combination of fixed and variable rate debt. The Company finances working capital needs through various bank loans and commercial paper programs.

MARKET RISK MANAGEMENT

Foreign exchange and interest rate risk and related derivatives use is monitored using a variety of techniques including a review of market value, sensitivity analysis and Value-at-Risk (VaR). The VaR model determines the maximum potential loss in the fair value of foreign exchange rate-sensitive financial instruments assuming a one day holding period. The VaR model estimates were made assuming normal market conditions and a 95% confidence level. There are various modeling techniques that can be used in the VaR computation. The Company's computations are based on interrelationships between currencies and interest rates (a "variance/co-variance" technique). These interrelationships were determined by observing foreign currency market changes and interest rate changes over the preceding 90 days. The value of foreign currency options does not change on a one-to-one basis with changes in the underlying currency rate. The potential loss in option value was adjusted for the estimated sensitivity (the "delta" and "gamma") to changes in the underlying currency rate. The model includes all of the Company's forwards, options, cross-currency swaps and nonfunctional currency denominated debt (i.e., the Company's market-sensitive derivative and other financial instruments as defined by the Securities and Exchange Commission). The accounts receivable and accounts payable denominated in foreign currencies, which certain of these instruments are intended to hedge, were excluded from the model.

The VaR model is a risk analysis tool and does not purport to represent actual losses in fair value that will be incurred by the Company, nor does it consider the potential effect of favorable changes in market rates. It also does not represent the maximum possible loss that may occur. Actual future gains and losses will differ from those estimated because of changes or differences in market rates and interrelationships, hedging instruments and hedge percentages, timing and other factors.

The estimated maximum loss in fair value on the Company's foreign currency sensitive financial instruments and interest rate sensitive financial instruments, derived using the VaR model and a one day holding period, was $1.6 million and $0.1 million, respectively, at January 3, 1998. The Company believes that this hypothetical loss in fair value of its derivatives would be offset by increases in the value of the underlying transactions being hedged.

YEAR 2000

As is the case with many computer software systems, some of the Company's systems use two digit data fields which recognize dates using the assumption that the first two digits are "19" (i.e., the number 97 is recognized as the year 1997). 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 computer systems. With the assistance of an outside consultant, the Company commenced a review of the Company's internal systems in mid-1997 to identify applications that are not Year 2000 ready and to assess the impact of the Year 2000 problem. The Company has developed an overall plan and a systematic process to modify its internal systems to be Year 2000 ready. The Company commenced remediation of its main frame programs in early 1998 to comply with Year 2000 requirements. The Company anticipates that the other required Year 2000 modifications will be made on a timely basis and does not believe that the cost of such modifications will have a material effect on the Company's operating results. If the Company does not modify successfully and in a timely manner all of its internal services and systems to comply with Year 2000 requirements, it could have a material adverse effect on the Company's operating results. There can be no assurance, however, that the Company will be able to modify successfully and in a timely manner all of its internal services and systems to comply with Year 2000 requirements, which could have a material adverse effect on the Company's operating results. In addition, the Company faces risks to the extent that suppliers of products (including components for its channel assembly and configuration initiative), services (including services provided by independent shipping companies), and business on a worldwide basis may not have business systems or products that comply with the Year 2000 requirements. In the event any such third parties cannot provide the Company with products, services or systems that meet Year 2000 requirements in a timely manner, the Company's operating results could be materially adversely affected. The Company's operating results also could be materially adversely affected if it were to be held responsible for the failure of any products sold by the Company to be Year 2000-compliant despite its disclaimer of product warranties and the limitation of liability contained in its sales terms and conditions.

NEW ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS 130") which will become effective in fiscal 1998. The Company does not expect the adoption of FAS 130 to have a material impact on its reported financial condition or results of operation.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information" ("FAS 131") which will become effective in fiscal 1998. FAS 131 establishes standards for the way publicly-held companies report information about operating segments as well as disclosures about products and services, geographic area and major customers. However, the company does not expect the adoption of FAS 131 to have a material impact on its reported consolidated financial condition or results of operations.

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

The matters in this Annual Report 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 Year 2000 compliance; and reliability of information systems. For a further discussion of these and other significant factors to consider in connection with forward-looking statements concerning the Company, reference is made to Exhibit 99.1 of the Company's Annual Report on Form 10-K for fiscal year ended January 3, 1998; other risks or uncertainties may be detailed from time to time in the Company's future Securities and Exchange Commission filings.

MANAGEMENT'S STATEMENT OF FINANCIAL RESPONSIBILITY

Management is responsible for the integrity of the financial information contained in this annual report, including the Company's consolidated financial statements, which have been prepared in conformity with generally accepted accounting principles and include amounts based upon management's informed estimates and judgments.

Management maintains an effective system of internal accounting controls, including an internal audit program, that is designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that accounting records provide a reliable basis for the preparation of financial statements. This system is continuously reviewed, improved and modified in response to changing business conditions and operations and recommendations made by the independent accountants and internal auditors. Management believes that the accounting and control systems provide reasonable assurance that assets are safeguarded and financial information is reliable.

The Company's Bylaws provide that a majority of the members of the Audit Committee of the Board of Directors shall be Independent Directors who are not employees of the Company. The Audit Committee represents the shareowners and the Board of Directors on matters relating to corporate accounting, financial reporting, internal accounting control and auditing including the ongoing assessment of the activities of the independent accountants and internal auditors. The independent accountants and internal auditors advise the Audit Committee of significant findings and recommendations arising from their activities and have free access to the Audit Committee, with or without the presence of management.

/s/ JERRE L. STEAD	/s/ MICHAEL J. GRAINGER
Jerre L. Stead	Michael J. Grainger
Chairman of the Board and	Executive Vice President and
Chief Executive Officer	Worldwide Chief Financial Officer

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 January 3, 1998 and December 28, 1996, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 3, 1998, 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.

/s/ PRICE WATERHOUSE LLP

PRICE WATERHOUSE LLP
Costa Mesa, California
February 17, 1998

CONSOLIDATED BALANCE SHEET
(Dollars in 000s, except per share data.)

	FISCAL YEAR END 1997	1996
ASSETS		
CURRENT ASSETS:		
CASH	$ 92,212	$ 48,279
TRADE ACCOUNTS RECEIVABLE (LESS ALLOWANCES OF $48,541 IN 1997 AND $38,622 IN 1996)	1,635,728	1,143,028
INVENTORIES	2,492,646	1,818,047
OTHER CURRENT ASSETS	225,408	145,964
TOTAL CURRENT ASSETS	4,445,994	3,155,318
PROPERTY AND EQUIPMENT, NET	215,148	161,172
GOODWILL, NET	142,478	25,918
OTHER	128,531	24,539
TOTAL ASSETS	$ 4,932,151	$ 3,366,947
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	$ 2,415,001	$ 2,047,988
ACCRUED EXPENSES	292,515	162,887
CURRENT MATURITIES OF LONG-TERM DEBT	21,869	23,899
TOTAL CURRENT LIABILITIES	2,729,385	2,234,774
LONG-TERM DEBT	1,119,262	280,134
OTHER	23,843	6,190
TOTAL LIABILITIES	3,872,490	2,521,098
MINORITY INTEREST	4,862	3,476
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
REDEEMABLE CLASS B COMMON STOCK	16,593	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; 37,366,389 AND 25,047,696 SHARES ISSUED AND OUTSTANDING IN 1997 AND 1996, RESPECTIVELY	374	250
CLASS B COMMON STOCK, $0.01 PAR VALUE, 135,000,000 SHARES AUTHORIZED; 99,714,672 AND 109,043,762 SHARES ISSUED AND OUTSTANDING IN 1997 AND 1996 (INCLUDING 2,370,400 AND 2,460,400 REDEEMABLE SHARES IN 1997 AND 1996), RESPECTIVELY	973	1,066
ADDITIONAL PAID IN CAPITAL	484,912	449,657
RETAINED EARNINGS	566,441	372,801
CUMULATIVE TRANSLATION ADJUSTMENT	(14,236)	1,910
UNEARNED COMPENSATION	(258)	(534)
TOTAL STOCKHOLDERS' EQUITY	1,038,206	825,150
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,932,151	$ 3,366,947

See accompanying notes to these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME
(Dollars in 000s, except per share data.)

	FISCAL YEAR		
	1997	1996	1995
NET SALES	$ 16,581,539	$ 12,023,451	$ 8,616,867
COST OF SALES	15,495,850	11,211,067	8,011,181
GROSS PROFIT	1,085,689	812,384	605,686
EXPENSES:			
SELLING, GENERAL AND ADMINISTRATIVE	701,958	537,893	415,344
CHARGES ALLOCATED FROM INGRAM INDUSTRIES	--	3,633	3,461
NONCASH COMPENSATION CHARGE (NOTE 12)	7,152	23,350	--
	709,110	564,876	418,805
INCOME FROM OPERATIONS	376,579	247,508	186,881
OTHER (INCOME) EXPENSE:			
INTEREST INCOME	(3,924)	(2,060)	(3,479)
INTEREST EXPENSE	37,940	14,812	13,451
INTEREST EXPENSE CHARGED BY INGRAM INDUSTRIES	--	35,123	32,606
NET FOREIGN CURRENCY EXCHANGE LOSS	2,430	701	7,751
OTHER	13,644	2,175	1,936
	50,090	50,751	52,265
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	326,489	196,757	134,616
PROVISION FOR INCOME TAXES	131,463	84,889	53,143
INCOME BEFORE MINORITY INTEREST	195,026	111,868	81,473
MINORITY INTEREST	1,386	1,189	(2,834)
NET INCOME	$ 193,640	$ 110,679	$ 84,307
BASIC EARNINGS PER SHARE	$ 1.43	$ 0.99	$ 0.79
DILUTED EARNINGS PER SHARE	$ 1.32	$ 0.88	$ 0.74

See accompanying notes to these consolidated financial statements.

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
DECEMBER 31, 1994	$ --	$ 1,073	$ 22,427	$ 197,815	$ 29	$ -
TRANSLATION ADJUSTMENT					5,144	
NET INCOME				84,307		
DECEMBER 30, 1995	--	1,073	22,427	282,122	5,173	--
NONCASH COMPENSATION CHARGE RELATED TO STOCK OPTIONS			23,170			
DISTRIBUTION TO INGRAM INDUSTRIES				(20,000)		
GRANT OF RESTRICTED CLASS B COMMON STOCK		1	713			(714)
NET PROCEEDS FROM SALE OF CLASS A COMMON STOCK	232		393,612			
STOCK OPTIONS EXERCISED	10		1,612			
INCOME TAX BENEFIT FROM EXERCISE OF STOCK OPTIONS			8,123			
CONVERSION OF CLASS B COMMON STOCK TO CLASS A COMMON STOCK	8	(8)				
AMORTIZATION OF UNEARNED COMPENSATION						180
TRANSLATION ADJUSTMENT					(3,263)	
NET INCOME				110,679		
DECEMBER 28, 1996	250	1,066	449,657	372,801	1,910	(534)
NONCASH COMPENSATION CHARGE RELATED TO STOCK OPTIONS			6,876			
STOCK OPTIONS EXERCISED	31		6,546			
INCOME TAX BENEFIT FROM EXERCISE OF STOCK OPTIONS			21,833			
CONVERSION OF CLASS B COMMON STOCK TO CLASS A COMMON STOCK	93	(93)				
AMORTIZATION OF UNEARNED COMPENSATION						276
TRANSLATION ADJUSTMENT					(16,146)	
NET INCOME				193,640		
JANUARY 3, 1998	$ 374	$ 973	$ 484,912	$ 566,441	$ (14,236)	$ (258)

	TOTAL
DECEMBER 31, 1994	$ 221,344
TRANSLATION ADJUSTMENT	5,144
NET INCOME	84,307
DECEMBER 30, 1995	310,795
NONCASH COMPENSATION CHARGE RELATED TO STOCK OPTIONS	23,170
DISTRIBUTION TO INGRAM INDUSTRIES	(20,000)
GRANT OF RESTRICTED CLASS B COMMON STOCK	--
NET PROCEEDS FROM SALE OF CLASS A COMMON STOCK	393,844
STOCK OPTIONS EXERCISED	1,622
INCOME TAX BENEFIT FROM EXERCISE OF STOCK OPTIONS	8,123
CONVERSION OF CLASS B COMMON STOCK TO CLASS A COMMON STOCK	--
AMORTIZATION OF	

UNEARNED COMPENSATION	180
TRANSLATION ADJUSTMENT	(3,263)
NET INCOME	110,679
DECEMBER 28, 1996	825,150
NONCASH COMPENSATION CHARGE RELATED TO STOCK OPTIONS	6,876
STOCK OPTIONS EXERCISED	6,577
INCOME TAX BENEFIT FROM EXERCISE OF STOCK OPTIONS	21,833
CONVERSION OF CLASS B COMMON STOCK TO CLASS A COMMON STOCK	--
AMORTIZATION OF UNEARNED COMPENSATION	276
TRANSLATION ADJUSTMENT	(16,146)
NET INCOME	193,640
JANUARY 3, 1998	$1,038,206

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in 000s.)

	FISCAL YEAR		
	1997	1996	1995
Cash provided (used) by operating activities:			
Net income	$ 193,640	$ 110,679	$ 84,307
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	47,835	36,170	25,394
Deferred income taxes	8,226	(1,635)	(8,632)
Minority interest	1,387	1,189	(2,834)
Noncash compensation charge	7,152	23,350	--
Changes in operating assets and liabilities, net of effects of acquisitions:			
Trade accounts receivable	(485,711)	(237,747)	(320,177)
Inventories	(542,886)	(239,054)	(580,116)
Other current assets	(61,642)	(46,291)	(15,877)
Accounts payable	92,396	399,995	543,822
Accrued expenses	91,912	31,372	22,828
Cash (used) provided by operating activities	(647,691)	78,028	(251,285)
Cash provided (used) by investing activities:			
Purchase of property & equipment	(101,458)	(105,584)	(52,985)
Acquisitions, net of cash acquired	(33,960)	--	--
Investment in Electronic Resources Ltd.	(71,212)	--	--
Proceeds of sale of property & equipment	12,963	--	--
Other	320	(1,596)	4,188
Cash used by investing activities	(193,347)	(107,180)	(48,797)
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	(630)	17,223	--
Exercise of stock options including tax benefits	28,410	11,331	--
(Decrease) increase in borrowings from Ingram Industries	--	(513,792)	224,437
Proceeds (repayment) of debt	90,219	49,717	(838)
Net borrowings under revolving credit facility	770,367	80,618	74,666
Distribution to Ingram Industries	--	(20,000)	--
Minority interest investment	--	2,400	--
Cash provided by financing activities	888,366	21,341	298,265
Effect of exchange rate changes on cash	(3,395)	(826)	364
Increase (decrease) in cash	43,933	(8,637)	(1,453)
Cash, beginning of year	48,279	56,916	58,369
Cash, end of year	$ 92,212	$ 48,279	$ 56,916
Supplemental disclosure of cash flow information:			
Cash payments during the year:			
Interest	$ 36,185	$ 50,071	$ 45,164
Income taxes	107,129	101,091	54,506

CASH PAYMENTS INCLUDE PAYMENTS MADE TO INGRAM INDUSTRIES FOR INTEREST AND U.S. INCOME TAXES.

See accompanying notes to these consolidated financial statements.

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 of computer-based technology products and services worldwide. The Company conducts the majority of its operations in North America, Europe, and Latin America. 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.

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 to 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. Investments in affiliates, owned more than 20 percent but not in excess of 50 percent, are recorded on the equity method.

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 "1997" represent the 53 week fiscal year ended January 3, 1998. All references herein to "1996" and "1995" represent the 52 week fiscal years ended December 28, 1996, and December 30, 1995, 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

Book overdrafts of $108,399 in 1997 and $128,233 in 1996 are included in accounts payable. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

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, 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 38% of its net sales in fiscal 1997, 35% in 1996, and 32% in 1995 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:

Buildings	40 years
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 on a regular basis.

Goodwill

Goodwill is amortized on a straight-line basis over periods ranging from five to twenty years. Accumulated amortization was $21,638 at January 3, 1998, and $16,566 at December 28, 1996. Amortization expense totaled $4,955, $2,990, and $3,642 for fiscal years 1997, 1996, and 1995, respectively. The Company evaluates the recoverability of goodwill and reviews the amortization periods on a regular basis. Recoverability is measured on the basis of anticipated undiscounted cash flows from operations. At January 3, 1998, and December 28, 1996, 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 Latin America.

Fair Value of 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 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 Latin America. 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. Historically, such losses have been within management's expectations.

(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

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.

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:

	1997		1996	
	NOTIONAL AMOUNTS	ESTIMATED FAIR VALUE	NOTIONAL AMOUNTS	ESTIMATED FAIR VALUE
Foreign exchange forward contracts	$279,911	$ 2,197	$178,873	$ 1,498
Purchased foreign currency options	37,966	320	30,857	146
Written foreign currency options	49,214	(185)	44,017	(112)
Currency interest rate swaps	15,832	1,492	25,655	410

Employee Benefits

Prior to the Split-Off, 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 $2,678 in 1997, $1,642 in 1996, and $1,399 in 1995.

Accounting for Stock-Based Compensation

The Company adopted the disclosure requirements of 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

Effective in the fourth quarter of fiscal year 1997, the Company adopted 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, after giving retroactive effect to the Split-Off (Notes 1 and 3). 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. Earnings per share for all prior periods have been restated to reflect the adoption of FAS 128.

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

	1997	1996	1995
Net income	$ 193,640	$ 110,679	$ 84,307
Weighted average shares	135,764,053	112,285,058	107,251,362
Basic earnings per share	$ 1.43	$ 0.99	$ 0.79
Weighted average shares including the dilutive effect of stock options (10,543,479, 13,151,318 and 7,266,009 for fiscal 1997, 1996, and 1995, respectively)	146,307,532	125,436,376	114,517,371
Diluted earnings per share	$ 1.32	$ 0.88	$ 0.74

New Accounting Standards

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS 130"), which will become effective in fiscal 1998. The Company does not expect the adoption of FAS 130 to have a material impact on its reported consolidated financial condition or results of operations.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information" ("FAS 131"), which will become effective in fiscal 1998. FAS 131 establishes standards for the way publicly-held companies report information about operating segments as well as disclosures about products and services, geographic areas and major customers. However, the Company does not expect the adoption of FAS 131 to have a material impact on its reported consolidated financial condition or results of operations.

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 7).

(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

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

On July 18, 1997, the Company completed the acquisition of the Intelligent Electronics Inc. ("IE") indirect distribution business, its Reseller Network Division ("RND"). The purchase price was $73,000, payable by the assumption of liabilities in excess of current assets (including $30,000 in cash acquired), based on the balance sheet of RND at closing. This acquisition was accounted for using the purchase method, and the results of RND's operations have been combined with those of the Company since the date of acquisition. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of purchase price over net assets acquired of approximately $81,000 is being amortized on a straight-line basis over 20 years.

The following table reflects unaudited pro forma combined results of operations of the Company and RND as if the acquisition had occurred at the beginning of fiscal 1996. These unaudited pro forma results have been prepared for comparative purposes only and include certain pro forma adjustments. Such pro forma amounts are not necessarily indicative of what actual consolidated results of operations might have been or will be in the future.

	FISCAL YEAR	
	1997	1996
Net sales	$17,630,842	$15,109,451
Net income	177,119	106,223
Diluted earnings per share	1.21	0.85

Pro forma combined results of operations for the year ended December 28, 1996, exclude a nonrecurring charge of approximately $61,600 taken by RND in fiscal 1996 primarily relating to the write-off of previously recorded goodwill. If this nonrecurring charge were included, pro forma combined results of operations for the year ended December 28, 1996, would reflect net income of $44,623 and diluted earnings per share of $0.36.

In April 1997, the Company acquired Tallgrass Technologies AS., a distributor of computer products based in Norway. In August 1997, the Company acquired J&W Computer GmbH, a distributor of computer products with operations in Germany, France, Switzerland, and Austria. In November 1997, the Company acquired Computacion Tecnica, S.A., a distributor of computer products with operations in Chile, Brazil, Peru, Miami, and Florida and TT Microtrading Oy, a software distribution company based in Finland. In December 1997, the Company acquired Latino Americana de Software, a distributor of primarily software products with operations in Brazil. The combined consideration paid was approximately $75,053. The acquisitions were accounted for using the purchase method of accounting and the results of operations of the acquired companies have been combined with those of the Company since the respective dates of acquisition. The purchase price was allocated to the assets acquired and the liabilities assumed based upon their estimated fair values at the respective dates of acquisition. The excess of purchase price over net assets acquired for all five acquisitions totaled approximately $40,000 and is being amortized on a straight-line basis over 20 years. Pro forma results of operations have not been presented because the effect of these five acquisitions was not significant.

In December 1997, the Company completed its purchase of 49,606,000 shares, or approximately 21% of the outstanding common stock, of ERL, a publicly-traded electronic components distributor based in Singapore and operating in Australia, New Zealand, and seven Asian countries. In addition, the Company purchased approximately 19% of an outstanding class of warrants to acquire 8,443,195 shares of Electronic Resources and obtained an option, which expires April 30, 1999, to purchase an additional 8.4% of the shares outstanding. The aggregate purchase price for this transaction was approximately $71,000. The Company is accounting for the investment under the equity method. The Company's investment in ERL has been recorded in other assets at January 3, 1998, and includes the unamortized excess of the Company's investment over its equity in the net assets of ERL. This excess of approximately $40,000 is being amortized on a straight-line basis over the estimated useful life of up to 20 years. At January 3, 1998, the aggregate market value of the Company's share of ERL common stock and warrants, as quoted on the Stock Exchange of Singapore, was approximately $59,000.

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.

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. As of the Split-Off, the trust had sold $160,000 of medium-term certificates with various amortization commencement dates between June 1, 1998, and February 1, 2004. In addition, approximately $13,000 of trust certificate-backed commercial paper was outstanding on the Split-Off date. Assumption of the securitization program resulted in a $160,000 reduction of trade accounts receivable and long-term debt on the Company's subsequent consolidated balance sheets. Amounts outstanding under the commercial paper program totaling $150,000 and $50,000 are included in accounts receivable and long-term debt in the consolidated balance sheet at January 3, 1998, and December 28, 1996, respectively. The commercial paper program arrangement with the trust extends to December 31, 1999, renews biannually, subject to certain conditions, and has a final termination date of February 10, 2013.

Fees in the amount of $11,102 and $1,537 in 1997 and 1996, respectively, 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 1997	FISCAL YEAR END 1996
Land	$ 19,414	$ 18,746
Buildings and leasehold improvements	93,529	67,765
Distribution equipment	120,879	83,242
Computer equipment	109,570	83,594
	343,392	253,347
Accumulated depreciation	(128,244)	(92,175)
	$ 215,148	$ 161,172

Depreciation expense was $42,880 in 1997, $33,180 in 1996, and $21,785 in 1995.

NOTE 7 - LONG-TERM DEBT

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.

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 1996 and 7.38% in 1995.

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 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 "U.S. Credit Facility") with a syndicate of banks. The U.S. Credit Facility is unsecured and matures on October 30, 2001. In October 1997, the Company entered into two additional multi-currency revolving credit agreements of $500,000 (the "European Credit Facility") and $150,000 (the "Canadian Credit Facility") with two bank syndicates. The European Credit Facility and the Canadian Credit Facility are unsecured and mature on October 28, 2002 and October 28, 2001, respectively. The Company intends to exercise its option to extend its U.S. and Canadian credit facilities to match the European Credit Facility term. Collectively, the U.S. Credit Facility, the European Credit Facility, and the Canadian Credit Facility are referred to as the "Credit Facilities."

Revolving loan rate and competitive bid interest rate options are available under the Credit Facilities. The spread over LIBOR for revolving rate loans and associated facility fees are determined by reference to certain financial ratios or credit ratings by recognized rating agencies on the Company's senior unsecured debt. At January 3, 1998, and December 28, 1996, the Company had $938,638 and $201,475, respectively, of outstanding borrowings under the Credit Facilities. The weighted average interest rate on outstanding borrowings under the Credit Facilities at January 3, 1998, and December 28, 1996, was 5.76% and 5.44%, respectively.

The Company is required to comply with certain financial covenants, including minimum tangible 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 January 3, 1998, the Company was in compliance with these covenants.

At January 3, 1998, and December 28, 1996, commercial paper in the amount of $150,000 and $50,000, respectively, 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 the commercial paper portion of the Company's accounts securitization program was 5.76% and 5.70% at January 3, 1998, and December 28, 1996, respectively.

The Company has additional lines of credit and short-term overdraft facilities with various banks worldwide which provide for borrowings aggregating $119,043 and $91,877 in 1997 and 1996, respectively. Most of these arrangements are on an uncommitted basis and are reviewed periodically for renewal. At January 3, 1998, and December 28, 1996, the Company had $52,493 and $52,558, respectively, outstanding under these facilities.

Long-term debt consists of the following:

	FISCAL YEAR END 1997	1996
CREDIT FACILITIES	$ 938,638	$ 201,475
OVERDRAFT FACILITIES	21,869	22,752
COMMERCIAL PAPER	150,000	50,000
OTHER	30,624	29,806
	1,141,131	304,033
LESS CURRENT MATURITIES OF LONG-TERM DEBT	(21,869)	(23,899)
	$ 1,119,262	$ 280,134

Annual maturities of long-term debt as of January 3, 1998, are as follows:

1998	$ 21,869
1999	--
2000	--
2001	--
2002 AND THEREAFTER	1,119,262
	$ 1,141,131

NOTE 8 - INCOME TAXES

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

	FISCAL YEAR 1997	1996	1995
UNITED STATES	$279,762	$165,576	$124,277
FOREIGN	46,727	31,181	10,339
TOTAL	$326,489	$196,757	$134,616

The provision for income taxes consists of the following:

	FISCAL YEAR 1997	1996	1995
CURRENT:			
FEDERAL	$ 87,156	$ 64,252	$ 44,615
STATE	16,697	9,952	9,544
FOREIGN	19,384	13,076	7,616
	123,237	87,280	61,775
DEFERRED:			
FEDERAL	7,355	(5,241)	(4,082)
STATE	1,582	462	(949)
FOREIGN	(711)	2,388	(3,601)
	8,226	(2,391)	(8,632)
TOTAL INCOME TAX PROVISION	$ 131,463	$ 84,889	$ 53,143

(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 1997	FISCAL YEAR 1996
NET DEFERRED TAX ASSETS AND LIABILITIES:		
TAX IN EXCESS OF BOOK BASIS OF FOREIGN OPERATIONS	$ 23,838	$ 18,511
ITEMS NOT CURRENTLY DEDUCTIBLE	216	20,296
DEPRECIATION	(1,618)	(881)
OTHER	7,590	758
TOTAL	$ 30,026	$ 38,684

Net current deferred tax assets of $12,856 and $22,038 are included in other current assets and other current liabilities at January 3, 1998, and December 28, 1996, respectively. Net noncurrent deferred tax assets of $17,170 and $16,646 are included in other assets and other liabilities at January 3, 1998, and December 28, 1996, respectively.

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

	FISCAL YEAR 1997	FISCAL YEAR 1996	FISCAL YEAR 1995
U.S. STATUTORY RATE	35%	35%	35%
STATE INCOME TAXES, NET OF FEDERAL INCOME TAX BENEFIT	4%	4%	4%
NONCASH COMPENSATION	0%	2%	--
FOREIGN RATES IN EXCESS OF STATUTORY RATE	1%	2%	1%
EFFECTIVE TAX RATE	40%	43%	40%

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 $0 and $10,521 at January 3, 1998, and December 28, 1996, respectively, are included in accrued expenses.

At January 3, 1998, the Company had foreign net operating loss carryforwards of $62,478 of which approximately one-half have no expiration date. The remaining foreign net operating loss carryforwards expire through the year 2007.

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.

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. 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 January 3, 1998, December 28, 1996, and December 30, 1995, was $42,321, $34,784, and $28,367, respectively.

Future minimum rental commitments on operating leases that have remaining noncancelable lease terms in excess of one year as of January 3, 1998, are as follows:

1998	$ 32,143
1999	30,569
2000	24,562
2001	19,436
2002	15,147
Later years	47,803

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, Europe (Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, and the United Kingdom) and Other (Brazil, Canada, Chile, Malaysia, Mexico, Peru, 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:

	FISCAL YEAR 1997	1996	1995
NET SALES			
UNITED STATES			
SALES TO UNAFFILIATED CUSTOMERS	$ 11,478,262	$ 8,058,578	$ 5,833,641
TRANSFERS BETWEEN GEOGRAPHIC AREAS	190,765	140,721	86,961
EUROPE	3,352,451	2,590,120	1,849,129
OTHER	1,750,826	1,374,753	934,097
ELIMINATIONS	(190,765)	(140,721)	(86,961)
TOTAL	$ 16,581,539	$ 12,023,451	$ 8,616,867
INCOME FROM OPERATIONS:			
UNITED STATES	$ 303,958	$ 195,298	$ 152,995
EUROPE	41,046	21,593	19,576
OTHER	31,575	30,617	14,310
TOTAL	$ 376,579	$ 247,508	$ 186,881
IDENTIFIABLE ASSETS:			
UNITED STATES	$ 3,139,114	$ 2,227,997	$ 1,996,642
EUROPE	1,180,792	800,755	669,309
OTHER	612,245	338,195	274,947
TOTAL	$ 4,932,151	$ 3,366,947	$ 2,940,898

Products sold through the U.S. Export Division are classified as other international results. This change in presentation was implemented in the second quarter of 1997. Prior to the change, the Company classified U.S. Export Division as U.S. Prior periods have been reclassified to conform to the 1997 presentation. Additionally, U.S. includes all noncash compensation charges.

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

(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

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 were 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 Agreements 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 prorata 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 consolidated financial statements for such guarantees. Such guarantees ceased concurrently with the Split-Off.

The Company leases warehouse and office space from certain of its shareowners. Total rental payments were $1,645 in fiscal 1997, 1996, and 1995, respectively.

Other transactions with Ingram Industries affiliates include sales of $4,482, $3,464, and $5,281 in 1997, 1996, and 1995, respectively.

NOTE 12 - STOCK OPTIONS AND INCENTIVE PLANS

The Company adopted the disclosure requirements of 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:

		1997	1996
NET INCOME	AS REPORTED	$ 193,640	$110,679
	PRO FORMA	182,977	106,825
DILUTED EARNINGS PER SHARE	AS REPORTED	1.32	0.88
	PRO FORMA	1.25	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 for 1996: 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. The following are the weighted average assumptions for 1997: dividend yield of 0%, expected volatility of 47.0%, risk free interest rates ranging from 5.9% to 7.0%, and expected lives for each plan to be 4.0 years.

Rollover Stock Option Plan

Certain of the Company's employees participated in Ingram Industries' qualified and nonqualified 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 $7,152 ($5,915 net of tax) in 1997 and $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 in 1996.

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.

In 1997, the Company issued options under the Plan at exercise prices ranging from $20.12 to $30.18 to purchase approximately 1,900,000 shares of Class A Common Stock to certain executive officers, employees, and directors of the Company. The grant price is determined by the market price at the date of grant. The options to purchase 1,900,000 shares vest over five years and expire eight years from issue date.

The weighted average fair value of options granted in 1997 and 1996 for pro forma disclosure was $11.34 and $3.87, respectively.

A summary of the status of the Company's stock option plans as of January 3, 1998, December 28, 1996 and December 28, 1995 is presented below:

	SHARES (000'S)	WEIGHTED-AVERAGE EXERCISE PRICE
OUTSTANDING AT DECEMBER 30, 1995	--	$ --
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 DECEMBER 28, 1996	19,647	7.30
STOCK OPTIONS GRANTED DURING THE YEAR	1,888	23.22
STOCK OPTIONS EXERCISED	(3,085)	2.13
FORFEITURES	(417)	5.67
OUTSTANDING AT JANUARY 3, 1998	18,033	$ 7.46

(DOLLARS IN 000S, EXCEPT PER SHARE DATA)

The following table summarizes information about stock options outstanding and exercisable at January 3, 1998:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT 1/3/98 (000'S)	WEIGHTED-AVERAGE REMAINING LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 1/3/98 (000'S)	WEIGHTED-AVERAGE EXERCISE PRICE
$0.66 - $ 3.32	7,023	4.6	$ 1.52	2,422	$1.58
$7.00	3,987	6.5	7.00	347	7.00
$18.00	5,135	6.8	18.00	235	18.00
$20.12 -$ 30.18	1,888	7.5	23.22	--	--
	18,033		$ 7.46	3,004	$ 3.49

Stock options exercisable totaled 3,004 and 1,948 at January 3, 1998 and December 28, 1996, respectively, at weighted average exercise prices of $3.49 and $3.18, respectively.

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. The ESPP will terminate on December 31, 1998.

A second offering ("ESPP2") pursuant to the ESPP commenced on June 29, 1997, and will end on the last market trading day on or before December 31, 1998. The ESPP2 has the same rights and restrictions as the ESPP except the purchase price under the ESPP2 is the lower of $24.06 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. A third offering ("ESPP3") commenced on December 31, 1997, and will end on the last trading day on or before December 31, 1998. The ESPP3 has the same rights and restrictions as the ESPP except the purchase price under the ESPP3 is the lower of $29.12 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.

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 140,000 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 January 3, 1998, 10,000 of such shares have been forfeited to the Company. Unearned compensation in the amount of $679 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 1997 and 1996 was $241 and $180, respectively.

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 January 3, 1998, is as follows:

	COMMON STOCK		
	CLASS A	CLASS B	REDEEMABLE CLASS B
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		107,000	
FORFEITURE OF RESTRICTED CLASS B COMMON STOCK		(5,000)	
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
STOCK OPTIONS EXERCISED	3,084,603		
REPURCHASE OF REDEEMABLE CLASS B COMMON STOCK			(90,000)
FORFEITURE OF RESTRICTED CLASS B COMMON STOCK		(5,000)	
CONVERSION OF CLASS B COMMON STOCK TO CLASS A COMMON STOCK	9,234,090	(9,234,090)	
JANUARY 3, 1998	37,366,389	97,344,272	2,370,400

COMPANY INFORMATION

BOARD OF DIRECTORS

JERRE L. STEAD
Chairman of the Board and Chief Executive Officer,
Ingram Micro Inc.

DON H. DAVIS, JR.
Chairman and Chief Executive Officer,
Rockwell International Corp.

DAVID B. INGRAM
Chairman and President, Ingram Entertainment Inc.

JOHN R. INGRAM
Co-President, Ingram Industries Inc.

MARTHA R. INGRAM
Chairman of the Board, Ingram Industries Inc.

PHILIP M. PFEFFER
President and Chief Operating Officer, Random House, Inc.

J. PHILLIP SAMPER
Chief Executive Officer, AVISTAR Systems Corp.

JOE B. WYATT
Chancellor, Vanderbilt University

CORPORATE OFFICES

Ingram Micro Inc.
1600 E. St. Andrew Place
Santa Ana, CA 92705
Phone: (714) 566-1000

ANNUAL MEETING

The 1998 Annual Meeting of Shareowners will be held at 11 a.m. (EDT) Wednesday, May 6, 1998, at 1740 Wehrle Drive in Williamsville, New York. Shareowners are cordially invited to attend.

SHAREOWNER INQUIRIES

Requests for information may be sent to the
Investor Relations Department at our corporate offices.
Investor Relations' telephone information line:
(714) 566-1000 ext. 28282.
Investor Relations' electronic mail address:
investor.relations@ingrammicro.com.
Additional information also is available on our web site
at www.ingrammicro.com.

TRANSFER AGENT AND REGISTRAR

First Chicago Trust Company of New York
Post Office Box 2500
Jersey City, NJ 07303-2500
(201) 324-1644

COMMON STOCK

The Class A 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.

Price Range of Class A Common Stock

		HIGH	LOW
FISCAL 1996	FOURTH QUARTER	$ 28.13	$ 20.00
FISCAL 1997	FIRST QUARTER	$ 25.88	$ 19.00
	SECOND QUARTER	25.25	20.75
	THIRD QUARTER	30.13	23.63
	FOURTH QUARTER	34.75	23.50

EXHIBIT 21.01

INGRAM MICRO INC.

SUBSIDIARIES
AS OF MARCH 14, 1998

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

		JURISDICTION
X.	Ingram Micro Latin America..................................	Cayman Islands
	1. Ingram Micro Caribbean...................................	Cayman Islands
	2. Computacion Tecnica, S.A.................................	Chile
	3. Ingram Micro do Brazil...................................	Brazil
	(a) Systems & Solutions Information Ltda....................	Brazil
	4. Computacion Tecnica Peruana S.A..........................	Peru
Y.	RND, Inc..	Colorado
Z.	Intelligent Advanced Systems, Inc...........................	Delaware
AA.	Intelligent Distribution Services, Inc......................	Delaware
BB.	Intelligent Express, Inc....................................	Pennsylvania
CC.	Intelligent SP, Inc...	Colorado
DD.	Ingram Micro OY...	Finland
EE.	Computek Enterprises (U.S.A.) Inc...........................	Florida
FF.	Ingram Micro Compania de Servicios S.A de C.V.(1)...........	Mexico
GG.	Ingram Micro Taiwan Inc.....................................	Delaware

- ---------------

(1) 70% owned by Ingram Micro Inc.

(2) Dormant

(3) Under liquidation

EXHIBIT 23.01

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-23821, 333-23823, 333-23825, 333-23827 and 333-43447) of Ingram Micro Inc. of our report dated February 17, 1998 appearing on page 25 of the 1997 Annual Report to Shareowners of Ingram Micro Inc., which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears in such Annual Report on Form 10-K.

PRICE WATERHOUSE LLP

Costa Mesa, California
March 31, 1998

EXHIBIT 23.02

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (No. 333-39457) of Ingram Micro Inc. of our report dated February 17, 1998 appearing on page 25 of the 1997 Annual Report to Shareowners of Ingram Micro Inc., which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears in such Annual Report on Form 10-K.

PRICE WATERHOUSE LLP

Costa Mesa, California
March 31, 1998

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS OF INGRAM MICRO INC. FOR THE FIFTY-THREE WEEKS ENDED JANUARY 3, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

1,000

12-MOS
JAN-03-1998
DEC-29-1996
JAN-3-1998
92,212
0
1,684,269
48,541
2,492,646
4,445,994
343,393
128,245
4,932,151
2,729,385
0
0
0
1,347
1,036,859
4,932,151
16,581,539
16,581,539
15,495,850
16,204,960
16,074
0
37,940
326,489
131,463
193,640
0
0
0
193,640
1.43
1.32

For Purposes of This Exhibit, Primary means Basic.

5

1,000

YEAR	YEAR	3-MOS	6-MOS	9-MOS
DEC-30-1995	DEC-28-1996	JAN-03-1998	JAN-03-1998	JAN-03-1998
JAN-01-1995	DEC-31-1995	DEC-29-1996	DEC-29-1996	DEC-29-1996
DEC-30-1995	DEC-28-1996	MAR-29-1997	JUN-28-1997	SEP-27-1997
56,916	48,279	62,138	71,316	60,211
0	0	0	0	0
1,102,066	1,181,650	1,237,388	1,234,939	1,356,719
30,791	38,622	42,896	45,398	52,243
1,582,922	1,818,047	2,117,410	1,825,520	2,251,663
2,799,616	3,155,318	3,522,787	3,228,867	3,786,507
150,363	253,347	266,810	275,910	305,724
61,237	92,175	97,329	106,805	118,241
2,940,898	3,366,947	3,744,005	3,450,722	4,129,927
1,779,977	2,234,774	2,346,162	2,018,724	2,728,499
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
1,073	1,316	1,324	1,327	1,344
309,722	823,834	863,812	905,660	965,917
2,940,898	3,366,947	3,744,005	3,450,722	4,129,927
8,616,867	12,023,451	3,649,978	7,366,805	11,454,139
8,616,867	12,023,451	3,649,978	7,366,805	11,454,139
8,011,181	11,211,067	3,415,270	6,889,972	10,713,183
8,429,986	11,775,943	3,571,228	7,208,885	11,210,506
9,687	2,876	3,211	6,568	10,326
0	0	0	0	0
13,451	14,812	7,308	16,404	23,348
134,616	196,757	69,045	137,000	212,669
53,143	84,889	28,453	56,028	87,101
84,307	110,679	40,377	80,345	124,637
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
84,307	110,679	40,377	80,345	124,637
0.79	0.99	0.30	0.60	0.92
0.74	0.88	0.28	0.55	0.85

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 January 3, 1998 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 channel assembly business during 1997. Certain of the Company's competitors in channel assembly may be more experienced and may have more established contacts with suppliers and other types of partners, providing those competitors with a competitive advantage over the Company. Success in the channel assembly business requires a significant infrastructure investment, and there can be no assurance that product can be assembled and delivered in a cost effective manner sufficient to adequately cover the Company's investment. As the Company initiates other business models, such as electronic software distribution, it faces competition from companies with more experience in this arena. There also exists a risk that, after investing in the new distribution method, this form of software delivery may not generate the volume adequate to cover the Company's investment. In addition, as the Company enters new business areas, it may also 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, which has lower gross margins than the Company's traditional wholesale distribution business. In addition, as a result of the Company's narrow margins, if the Company's receivables experience a substantial deterioration in their collectibility or the Company cannot obtain credit insurance at reasonable rates, the Company's financial condition and results of operations may be adversely impacted.

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, including acquisitions, 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," "-- Acquisitions" and "-- Risk of Termination of Subsidized Floor Plan Financing for the Company's Master Reseller Business" below.

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.

The Company believes that customer information systems are becoming increasingly important in the wholesale distribution of technology products. As a result, the Company has recently enriched its customer information systems by adding new features, including on-line ordering through the Internet. However, there can be no assurance that competitors will not develop customer information systems that are superior to those offered by the Company. The inability of the Company to develop competitive customer information systems could adversely affect the Company's business, financial condition, and results of operations.

As is the case with many computer software systems, some of the Company's systems use two digit data fields which recognize dates using the assumption that the first two digits are "19" (i.e., the number 97 is recognized as the year 1997). 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 computer systems. With the assistance of an outside consultant, the Company commenced a review of the Company's internal systems in mid-1997 to identify applications that are not Year 2000 ready and to assess the impact of the Year 2000 problem. The Company has developed an overall plan and a systematic process to modify its internal systems to be Year 2000 ready. The Company commenced remediation of its main frame programs in early 1998 to comply with Year 2000 requirements. The Company anticipates that the other required Year 2000 modifications will be made on a timely basis and does not believe that the cost of such modifications will have a material effect on the Company's operating results. There can be no assurance, however, that the Company will be able to modify successfully and in a timely manner all of its internal services and systems to comply with Year 2000 requirements, which could have a material adverse effect on the Company's operating results. In addition, the Company faces risks to the extent that suppliers of products (including components for its channel assembly and configuration initiative), services (including services provided by independent shipping companies), and business on a worldwide basis may not have business systems or products that comply with Year 2000 requirements. In the event any such third parties cannot provide the Company with products, services or systems that meet Year 2000 requirements in a timely manner, the Company's operating results could be materially adversely affected. The Company's operating results also could be materially adversely affected if it were to be held responsible for the failure of any products sold by the Company to be Year 2000 compliant despite its disclaimer of product warranties and the limitation of liability contained in its sales terms and conditions.

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. Through its recent acquisitions in Latin America and joint venture in Asia, the Company now has operations in certain countries which may be viewed as having greater risk 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 and more recently in 1997 in Asia and Latin America), 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 key management, sales, and operational personnel. The Company's continued success is also dependent upon its ability to retain and attract other qualified employees, including highly skilled technical, managerial, and marketing personnel, to meet the Company's needs. Competition for qualified personnel is intense, particularly in the area of technical support. The Company may not be successful in attracting and retaining the personnel it requires, which could have a material adverse effect on the financial condition and results of operations of the Company.

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 possibility that the Company could incur or acquire substantial debt in connection with the acquisitions, 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. For those suppliers participating in the Company's channel assembly program, the extent to which the amount of inventory in the channel is reduced may directly impact the amount of price protection which will be provided by those suppliers. If major PC suppliers substantially decrease the availability of price protection to wholesale distributors, such change in policy could have a material adverse effect on the Company's financial condition and results of operations.

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.

Risk of Termination of Subsidized Floor Plan Financing for the Company's Master Reseller Business. The master reseller business is characterized by gross margins and operating margins that are even narrower than those of the U.S. microcomputer products wholesale distribution business and by competition based almost exclusively on price, programs, and execution. A substantial majority of the Company's master reseller sales are 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 the Company's master reseller business to operate at much lower relative working capital levels than the Company's wholesale distribution business. Such floor plan financing is typically subsidized for the Company's reseller customers by its suppliers. If the arrangements for such subsidies are terminated or substantially reduced, such change in policy could have a material adverse effect on the Company's financial condition and results of operations.