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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 2, 2004

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-12203

**Ingram Micro Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**62-1644402**  
(I.R.S. Employer  
Identification No.)

**1600 E. St. Andrew Place, Santa Ana, California 92705-4931**  
(Address, including zip code, of principal executive offices)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

The Registrant had 155,849,733 shares of Class A Common Stock, par value \$0.01 per share, outstanding at October 2, 2004.

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INGRAM MICRO INC.

INDEX

	<u>Pages</u>
<b><u>Part I. Financial Information</u></b>	
<b><u>Item 1. Financial Statements</u></b>	
Consolidated Balance Sheet at October 2, 2004 and January 3, 2004	3
Consolidated Statement of Income for the thirteen and thirty-nine weeks ended October 2, 2004 and September 27, 2003	4
Consolidated Statement of Cash Flows for the thirty-nine weeks ended October 2, 2004 and September 27, 2003	5
Notes to Consolidated Financial Statements	6-18
<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	19-29
<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	30
<b><u>Item 4. Controls and Procedures</u></b>	30
<b><u>Part II. Other Information</u></b>	

<a href="#">Item 1.</a>	<a href="#">Legal Proceedings</a>	31
<a href="#">Item 2.</a>	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	31
<a href="#">Item 3.</a>	<a href="#">Defaults Upon Senior Securities</a>	31
<a href="#">Item 4.</a>	<a href="#">Submission of Matters to a Vote of Security Holders</a>	31
<a href="#">Item 5.</a>	<a href="#">Other Information</a>	31
<a href="#">Item 6.</a>	<a href="#">Exhibits</a>	31
<a href="#">Signatures</a>		32
<a href="#">EXHIBIT 10.54</a>		
<a href="#">EXHIBIT 10.55</a>		
<a href="#">EXHIBIT 10.56</a>		
<a href="#">EXHIBIT 10.57</a>		
<a href="#">EXHIBIT 10.58</a>		
<a href="#">EXHIBIT 10.59</a>		
<a href="#">EXHIBIT 10.60</a>		
<a href="#">EXHIBIT 31.1</a>		
<a href="#">EXHIBIT 31.2</a>		
<a href="#">EXHIBIT 32.1</a>		
<a href="#">EXHIBIT 32.2</a>		

# Part I. Financial Information

## Item 1. Financial Statements

### INGRAM MICRO INC.

#### CONSOLIDATED BALANCE SHEET

(Dollars in 000's, except per share data)

	October 2, 2004	January 3, 2004
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 824,858	\$ 279,587
Accounts receivable:		
Trade receivables	2,296,728	1,955,979
Retained interest in securitized receivables	—	499,923
Total accounts receivable (less allowances of \$88,550 and \$91,613)	2,296,728	2,455,902
Inventories	1,553,665	1,915,403
Other current assets	333,831	317,201
Total current assets	5,009,082	4,968,093
Property and equipment, net	188,696	210,722
Goodwill	245,393	244,174
Other	76,636	51,173
Total assets	<u>\$5,519,807</u>	<u>\$5,474,162</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$2,655,407	\$2,821,518
Accrued expenses	461,068	390,244
Current maturities of long-term debt	105,399	128,346
Total current liabilities	3,221,874	3,340,108
Long-term debt, less current maturities	211,388	239,909
Other liabilities	25,274	21,196
Total liabilities	<u>3,458,536</u>	<u>3,601,213</u>
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred Stock, \$0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding	—	—
Class A Common Stock, \$0.01 par value, 500,000,000 shares authorized; 155,849,733 and 151,963,667 shares issued and outstanding	1,558	1,520
Class B Common Stock, \$0.01 par value, 135,000,000 shares authorized; no shares issued and outstanding	—	—
Additional paid-in capital	775,038	720,810
Retained earnings	1,242,657	1,101,954
Accumulated other comprehensive income	42,164	48,812
Unearned compensation	(146)	(147)
Total stockholders' equity	<u>2,061,271</u>	<u>1,872,949</u>
Total liabilities and stockholders' equity	<u>\$5,519,807</u>	<u>\$5,474,162</u>

See accompanying notes to these consolidated financial statements.

INGRAM MICRO INC.

CONSOLIDATED STATEMENT OF INCOME

(Dollars in 000's, except per share data)  
(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Net sales	\$6,016,389	\$ 5,207,450	\$18,008,648	\$15,852,299
Cost of sales	5,686,798	4,924,907	17,026,129	14,992,129
Gross profit	329,591	282,543	982,519	860,170
Operating expenses:				
Selling, general and administrative	272,064	260,287	810,342	770,270
Reorganization costs	(2,652)	1,490	(2,456)	14,721
	269,412	261,777	807,886	784,991
Income from operations	60,179	20,766	174,633	75,179
Other expense (income):				
Interest income	(2,255)	(2,110)	(5,963)	(7,744)
Interest expense	8,370	6,128	26,576	22,195
Losses on sales of receivables	665	1,410	3,613	8,095
Net foreign currency exchange loss (gain)	(3,066)	239	(728)	2,614
Other	1,609	712	3,009	2,442
	5,323	6,379	26,507	27,602
Income before income taxes	54,856	14,387	148,126	47,577
Provision for (benefit from) income taxes	(22,424)	(66,852)	7,423	(55,236)
Net income	\$ 77,280	\$ 81,239	\$ 140,703	\$ 102,813
Basic earnings per share	\$ 0.50	\$ 0.54	\$ 0.91	\$ 0.68
Diluted earnings per share	\$ 0.49	\$ 0.53	\$ 0.89	\$ 0.68

See accompanying notes to these consolidated financial statements.

INGRAM MICRO INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in 000's)  
(Unaudited)

	Thirty-nine Weeks Ended	
	October 2, 2004	September 27, 2003
<b>Cash flows from operating activities:</b>		
Net income	\$ 140,703	\$ 102,813
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	43,580	62,164
Noncash gain on forward currency exchange contract	(4,277)	—
Noncash net gain on disposals of property and equipment	—	(1,613)
Noncash charges for interest and compensation	2,733	2,549
Deferred income taxes	(28,264)	(47,829)
Loss on sale of a business	—	5,067
Changes in operating assets and liabilities, net of effects of acquisitions:		
Changes in amounts sold under accounts receivable programs	(60,000)	(5,000)
Accounts receivable	225,755	394,187
Inventories	371,510	140,743
Other current assets	(19,739)	4,199
Accounts payable	(103,041)	(301,693)
Accrued expenses	72,899	(191,335)
Cash provided by operating activities	641,859	164,252
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(26,223)	(25,044)
Proceeds from sale of property and equipment	—	7,826
Acquisitions, net of cash acquired	(9,683)	(9,416)
Other	1,110	3,547
Cash used by investing activities	(34,796)	(23,087)
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of stock options	47,121	5,474
Change in book overdrafts	(72,815)	(19,971)
Net proceeds from (repayment of) debt	(41,777)	4,771
Cash used by financing activities	(67,471)	(9,726)
Effect of exchange rate changes on cash and cash equivalents	5,679	4,229
Increase in cash and cash equivalents	545,271	135,668
Cash and cash equivalents, beginning of period	279,587	387,513
Cash and cash equivalents, end of period	\$ 824,858	\$ 523,181

See accompanying notes to these consolidated financial statements.

**INGRAM MICRO INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollars in 000's, except per share data)**  
**(Unaudited)**

**Note 1 — Organization and Basis of Presentation**

Ingram Micro Inc. ("Ingram Micro") and its subsidiaries are primarily engaged in the distribution of information technology ("IT") products and supply chain management services worldwide. Ingram Micro operates in North America, Europe, Asia-Pacific and Latin America.

The consolidated financial statements include the accounts of Ingram Micro and its subsidiaries (collectively referred to herein as the "Company"). These financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments (consisting of only normal, recurring adjustments) necessary to fairly state the financial position of the Company as of October 2, 2004, and its results of operations for the thirteen and thirty-nine weeks ended October 2, 2004 and September 27, 2003, and cash flows for the thirty-nine weeks ended October 2, 2004 and September 27, 2003. All significant intercompany accounts and transactions have been eliminated in consolidation. As permitted under the applicable rules and regulations of the SEC, these financial statements do not include all disclosures and footnotes normally included with annual consolidated financial statements and, accordingly, should be read in conjunction with the consolidated financial statements and the notes thereto, included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended January 3, 2004. The results of operations for the thirteen and thirty-nine weeks ended October 2, 2004 may not be indicative of the results of operations that can be expected for the full year. Certain prior year amounts have been reclassified to conform to the current year presentation.

Due to the significance of the Company's Asia-Pacific region's net sales in 2003, the Company began reporting its Asia-Pacific and Latin America operations as separate segments in the Company's 2003 Annual Report on Form 10-K. Previously, the Asia-Pacific and Latin America regions were combined and reported as its "Other International" segment. Prior year amounts have been disclosed to conform to the current segment reporting structure.

**Note 2 — Earnings Per Share**

The Company reports a dual presentation of Basic Earnings per Share ("Basic EPS") and Diluted Earnings per Share ("Diluted EPS"). Basic EPS excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding during the reported period. Diluted EPS reflects the potential dilution that could occur if stock options, warrants, and other commitments to issue common stock were exercised using the treasury stock method or the if-converted method, where applicable.

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

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Net income	\$ 77,280	\$ 81,239	\$ 140,703	\$ 102,813
Weighted average shares	155,638,665	151,225,624	154,821,559	151,049,516
Basic earnings per share	\$ 0.50	\$ 0.54	\$ 0.91	\$ 0.68
Weighted average shares, including the dilutive effect of stock options and warrants (2,571,948 and 2,232,810 for the thirteen weeks ended October 2, 2004 and September 27, 2003, respectively, and 3,689,348 and 533,380 for the thirty-nine weeks ended October 2, 2004 and September 27, 2003, respectively)	158,210,613	153,458,434	158,510,907	151,582,896
Diluted earnings per share	\$ 0.49	\$ 0.53	\$ 0.89	\$ 0.68

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in 000's, except per share data)  
(Unaudited)

There were approximately 14,012,000 and 17,620,000 stock options for the thirteen weeks ended October 2, 2004 and September 27, 2003, respectively, and 13,535,000 and 24,153,000 stock options for the thirty-nine weeks ended October 2, 2004 and September 27, 2003, respectively, that were not included in the computation of Diluted EPS because the exercise price was greater than the average market price of the Class A Common Stock during the respective periods, thereby resulting in an antidilutive effect.

**Accounting for Stock-Based Compensation**

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 148, "Accounting for Stock Based Compensation - Transition and Disclosure" ("FAS 148"), which amends Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"). As permitted by FAS 148, the Company continues to measure compensation cost in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations, but provides pro forma disclosures of net income and earnings per share as if the fair-value method had been applied. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions to stock-based employee compensation.

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Net income, as reported	\$ 77,280	\$ 81,239	\$ 140,703	\$ 102,813
Compensation expense as determined under FAS 123, net of related tax effects	5,512	7,006	17,762	21,027
Pro forma net income	\$ 71,768	\$ 74,233	\$ 122,941	\$ 81,786
Earnings per share:				
Basic — as reported	\$ 0.50	\$ 0.54	\$ 0.91	\$ 0.68
Basic — pro forma	\$ 0.46	\$ 0.49	\$ 0.79	\$ 0.54
Diluted — as reported	\$ 0.49	\$ 0.53	\$ 0.89	\$ 0.68
Diluted — pro forma	\$ 0.46	\$ 0.49	\$ 0.78	\$ 0.54

The weighted average fair value per option granted was \$4.89 and \$3.68 for the thirteen weeks ended October 2, 2004 and September 27, 2003, respectively, and \$4.78 and \$3.92, for the thirty-nine weeks ended October 2, 2004 and September 27, 2003, respectively. The fair value of options was estimated using the Black-Scholes option-pricing model assuming no dividends and using the following weighted average assumptions:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Risk-free interest rate	2.92%	1.67%	2.71%	1.89%
Expected years until exercise	3.0 years	3.0 years	3.0 years	3.0 years
Expected stock volatility	43.6%	46.9%	41.8%	49.5%



**INGRAM MICRO INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in 000's, except per share data)**  
**(Unaudited)**

**Note 3 — Comprehensive Income**

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS 130") establishes standards for reporting and displaying comprehensive income and its components in the Company's consolidated financial statements. Comprehensive income is defined in FAS 130 as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from nonowner sources and was comprised of net income and other comprehensive income, which consists solely of changes in foreign currency translation adjustments, for the thirteen weeks and for the thirty-nine weeks ended October 2, 2004 and September 27, 2003 as summarized below:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Net income	\$ 77,280	\$ 81,239	\$ 140,703	\$ 102,813
Changes in foreign currency translation adjustments	14,593	1,348	(6,648)	36,236
Comprehensive income	<u>\$ 91,873</u>	<u>\$ 82,587</u>	<u>\$ 134,055</u>	<u>\$ 139,049</u>

Accumulated other comprehensive income included in stockholders' equity totaled \$42,164 and \$48,812 at October 2, 2004 and January 3, 2004, respectively, and consisted solely of foreign currency translation adjustments.

**Note 4 — Goodwill**

The changes in the carrying amount of goodwill for the thirty-nine weeks ended October 2, 2004 and September 27, 2003 are as follows:

	North America	Europe	Asia- Pacific	Latin America	Total
Balance at January 3, 2004	\$ 78,444	\$ 9,308	\$ 156,422	\$ —	\$ 244,174
Acquisitions	426	1,078	—	—	1,504
Foreign currency translation	15	(151)	(149)	—	(285)
Balance at October 2, 2004	<u>\$ 78,885</u>	<u>\$ 10,235</u>	<u>\$ 156,273</u>	<u>\$ —</u>	<u>\$ 245,393</u>
Balance at December 28, 2002	\$ 78,310	\$ 2,111	\$ 153,501	\$ —	\$ 233,922
Acquisitions	—	4,552	2,017	—	6,569
Foreign currency translation	99	1,327	263	—	1,689
Balance at September 27, 2003	<u>\$ 78,409</u>	<u>\$ 7,990</u>	<u>\$ 155,781</u>	<u>\$ —</u>	<u>\$ 242,180</u>

In July 2004, the Company acquired substantially all of the assets and assumed certain liabilities of Nimax, Inc., a privately held distributor of automatic identification and data capture/point-of-sale, barcode and wireless products, as well as enterprise mobility solutions. The purchase price, consisting of a cash payment of \$8,605 on July 30, 2004 and \$1,500 payable on or before October 31, 2006, was allocated to the assets acquired and liabilities assumed based on estimated fair values on the transaction date, resulting in the recording of \$426 of goodwill and \$1,103 of other amortizable intangible assets. In addition to the cash payment, the purchase agreement requires the Company to pay the seller up to \$6,000 at the end of two years, based on a specified earn-out formula.

In October 2002, the Company acquired an IT distributor in Belgium. In addition to the initial cash payment, the purchase agreement requires the Company to pay the seller up to Euro 1.13 million for each of the next three years based on an earn-out formula. The addition to goodwill of \$1,078 for the thirty-nine weeks ended October 2, 2004 represents the amount paid to the seller for the first year's achievement of the earn-out.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in 000's, except per share data)  
(Unaudited)

In April 2003, the Company increased its ownership in an India-based subsidiary by acquiring approximately 37% of the subsidiary held by minority shareholders. The total purchase price for this acquisition consisted of a cash payment of \$3,145, resulting in the recording of approximately \$2,017 of goodwill.

In February 2003, the Company increased its ownership in Ingram Macrotron AG, a German-based distribution company, by acquiring the remaining interest of approximately 3% held by minority shareholders. The purchase price of this acquisition consisted of a cash payment of \$6,271, resulting in the recording of \$4,552 of goodwill. Court actions have been filed by several minority shareholders contesting the adequacy of the purchase price paid for the shares and various other actions, which could affect the purchase price. Depending upon the outcome of these actions, additional payments for such shares may be required.

**Note 5 — Reorganization and Profit Enhancement Program Costs**

In September 2002, the Company announced a comprehensive profit enhancement program, which was designed to improve operating income through enhancements in gross margins and reduction of selling, general and administrative expenses, or SG&A expenses. Key components of these initiatives included enhancement and/or rationalization of vendor and customer programs, optimization of facilities and systems, outsourcing of certain IT infrastructure functions, geographic consolidations and administrative restructuring. In addition, the Company has implemented other actions outside the scope of the comprehensive profit enhancement program, which are designed to further improve operating results. The implementation of the actions associated with the comprehensive profit enhancement program and other actions taken resulted in restructuring costs and other major-program costs, which are more fully described below.

The Company has realized significant benefits from the reduction in certain SG&A expenses and gross margin improvements as a result of its comprehensive profit enhancement program, which was completed in December 2003. This program delivered approximately \$176,000 in annualized operating income improvements, exceeding the Company's original expectation of \$160,000 and maintained its major-program costs within the Company's original estimate of \$140,000, when it announced the program in September 2002.

**Reorganization Costs**

The Company has developed and implemented detailed plans for restructuring actions in connection with the comprehensive profit enhancement program and other actions it has taken. The following table summarizes the components of the Company's reorganization costs by region for each of the quarters in the nine months ended October 2, 2004, and for each of the quarters in the year ended January 3, 2004 resulting from the detailed actions initiated:

Quarter ended	Headcount Reduction	Employee Termination Benefits	Facility Costs	Other Costs	Total Cost
<b>October 2, 2004</b>					
North America	—	\$ —	\$ (2,585)	\$ —	\$ (2,585)
Europe	—	—	(67)	—	(67)
Asia-Pacific	—	—	—	—	—
Latin America	—	—	—	—	—
<b>Subtotal</b>	—	—	(2,652)	—	(2,652)
<b>July 3, 2004</b>					
North America	—	(40)	323	—	283
Europe	—	(59)	(153)	—	(212)
Asia-Pacific	—	—	—	—	—
Latin America	—	—	—	—	—
<b>Subtotal</b>	—	(99)	170	—	71

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in 000's, except per share data)  
(Unaudited)

Quarter ended	Headcount Reduction	Employee Termination Benefits	Facility Costs	Other Costs	Total Cost
<b>April 3, 2004</b>					
North America	—	(94)	(97)	—	(191)
Europe	—	—	—	—	—
Asia-Pacific	30	316	—	—	316
Latin America	—	—	—	—	—
<b>Subtotal</b>	30	222	(97)	—	125
<b>Thirty-nine weeks ended October 2, 2004</b>	30	\$ 123	\$ (2,579)	\$ —	\$ (2,456)
<b>January 3, 2004</b>					
North America	135	\$ 773	\$ 3,287	\$ —	\$ 4,060
Europe	60	1,285	694	—	1,979
Asia-Pacific	10	41	—	—	41
Latin America	90	631	125	13	769
<b>Subtotal</b>	295	2,730	4,106	13	6,849
<b>September 27, 2003</b>					
North America	20	422	253	—	675
Europe	45	591	158	(24)	725
Asia-Pacific	5	20	—	—	20
Latin America	45	70	—	—	70
<b>Subtotal</b>	115	1,103	411	(24)	1,490
<b>June 28, 2003</b>					
North America	245	1,658	(242)	48	1,464
Europe	—	(82)	141	(293)	(234)
Asia-Pacific	—	1	—	—	1
Latin America	20	61	—	—	61
<b>Subtotal</b>	265	1,638	(101)	(245)	1,292
<b>March 29, 2003</b>					
North America	280	3,564	—	1,471	5,035
Europe	60	864	5,787	81	6,732
Asia-Pacific	10	12	—	—	12
Latin America	15	160	—	—	160
<b>Subtotal</b>	365	4,600	5,787	1,552	11,939
<b>Full year 2003</b>	1,040	\$ 10,071	\$ 10,203	\$ 1,296	\$ 21,570

## INGRAM MICRO INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in 000's, except per share data)  
(Unaudited)

The credit to reorganization costs of \$2,652 for the third quarter of 2004 represents lower than expected costs associated with facility consolidations (\$503 and \$2,082 related to actions taken in the second quarter of 2003 and the fourth quarter of 2002 in North America, respectively; and credits of \$67 related to actions taken in the fourth quarter of 2001 for Europe).

The reorganization charge of \$71 for the second quarter of 2004 included net charges of \$170 for higher than expected costs associated with facility consolidations (\$63 and \$260 related to actions taken in the third quarter of 2002 and second quarter of 2001 in North America, respectively; partially offset by credits of \$153 related to actions taken in the fourth quarter of 2003 for Europe) and credits of \$40 and \$59 related to actions taken in the third and fourth quarters of 2003 for lower than expected costs associated with employee termination benefits in North America and Europe, respectively.

The reorganization charge of \$125 for the first quarter of 2004 included \$316 related to detailed actions taken during the quarter, partially offset by credits of \$8 and \$86 related to detailed actions taken in the second and fourth quarters of 2003 for lower than anticipated costs associated with employee termination benefits in North America and a credit of \$97 related to actions taken in third quarter of 2002 for lower than expected costs associated with facility consolidations in North America.

*Quarter ended April 3, 2004*

Reorganization costs for the first quarter of 2004 were primarily comprised of employee termination benefits for workforce reductions of approximately 30 associates in Asia-Pacific. These termination benefits were fully paid during 2004.

*Quarter ended January 3, 2004*

Reorganization costs for the fourth quarter of 2003 were primarily comprised of employee termination benefits for workforce reductions worldwide and lease exit costs for facility consolidations in North America, Europe and Latin America. These restructuring actions are complete; however, future cash outlays will be required primarily due to severance payment terms and future lease payments related to exited facilities.

The payment activities and adjustments for the thirty-nine weeks ended October 2, 2004 and the remaining liability at October 2, 2004 related to these detailed actions are summarized as follows:

	Outstanding Liability at January 3, 2004	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at October 2, 2004
Employee termination benefits	\$ 889	\$ 741	\$ (145)	\$ 3
Facility costs	1,816	127	(153)	1,536
Total	<u>\$ 2,705</u>	<u>\$ 868</u>	<u>\$ (298)</u>	<u>\$ 1,539</u>

The adjustments reflect credits of \$86 in North America and \$59 in Europe recorded in the first quarter of 2004 and in the second quarter of 2004, respectively, for lower than expected costs of employee termination benefits and a credit of \$153 in Europe recorded in the second quarter of 2004 for lower lease exit costs for facility consolidations.

**INGRAM MICRO INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Dollars in 000's, except per share data)**  
**(Unaudited)**

*Quarter ended September 27, 2003*

Reorganization costs for the third quarter of 2003 were primarily comprised of employee termination benefits for workforce reductions worldwide and, to a lesser extent, lease exit costs for facility consolidations in Europe.

The payment activities and adjustments for the thirty-nine weeks ended October 2, 2004 and the remaining liability at October 2, 2004 related to these detailed actions are summarized as follows:

	Outstanding Liability at January 3, 2004	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at October 2, 2004
Employee termination benefits	\$ 41	\$ 1	\$ (40)	\$ —

The adjustment reflects lower costs of termination benefits in North America totaling \$40 in the second quarter of 2004.

*Quarter ended June 28, 2003*

Reorganization costs for the second quarter of 2003 were primarily comprised of employee termination benefits for workforce reductions in North America and lease exit costs for facility consolidations in the Company's North American headquarters in Santa Ana, California. These restructuring actions are complete; however, future cash outlays will be required primarily due to future lease payments related to exited facilities.

The payment activities and adjustments for the thirty-nine weeks ended October 2, 2004 and the remaining liability at October 2, 2004 related to these detailed actions are summarized as follows:

	Outstanding Liability at January 3, 2004	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at October 2, 2004
Employee termination benefits	\$ 20	\$ 12	\$ (8)	\$ —
Facility costs	880	377	(503)	—
Other costs	48	48	—	—
Total	\$ 948	\$ 437	\$ (511)	\$ —

The adjustments reflect lower costs of employee termination benefits totaling \$8 recorded in the first quarter of 2004 and lower than expected costs associated with facility consolidations totaling \$503 recorded in the third quarter of 2004 in North America.

*Quarter ended March 29, 2003*

Reorganization costs for the first quarter of 2003 were primarily comprised of employee termination benefits for workforce reductions worldwide; facility exit costs, principally comprised of lease exit costs associated with the downsizing of an office facility and exit of a warehouse in Europe; and other costs, primarily comprised of contract termination expenses associated with outsourcing certain IT infrastructure functions. These restructuring actions are complete; however, future cash outlays will be required primarily due to severance payment terms and future lease payments related to exited facilities.

The payment activities and adjustments for the thirty-nine weeks ended October 2, 2004 and the remaining liability at October 2, 2004 related to these detailed actions are summarized as follows:

	<sup>12</sup> Outstanding Liability at January 3, 2004	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at October 2, 2004
Employee termination benefits	\$ 630	\$ 473	\$ —	\$ 157
Facility costs	2,102	821	—	1,281
Other costs	529	529	—	—
Total	\$ 3,261	\$ 1,823	\$ —	\$ 1,438

**INGRAM MICRO INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollars in 000's, except per share data)  
(Unaudited)**

*Quarter ended December 28, 2002*

Reorganization costs for the fourth quarter of 2002 were primarily comprised of employee termination benefits for workforce reductions primarily in North America and Europe; facility exit costs primarily comprised of lease exit costs for the downsizing of the Williamsville, New York office facility, and consolidating the Mississauga, Canada office facility; and other costs primarily comprised of contract termination expenses associated with outsourcing certain IT infrastructure functions as well as other costs associated with the reorganization activities. These restructuring actions are complete; however, future cash outlays will be required due to severance payment terms and future lease payments related to exited facilities.

The payment activities and adjustments for the thirty-nine weeks ended October 2, 2004 and the remaining liability at October 2, 2004 related to these detailed actions are summarized as follows:

	<b>Outstanding Liability at January 3, 2004</b>	<b>Amounts Paid and Charged Against the Liability</b>	<b>Adjustments</b>	<b>Remaining Liability at October 2, 2004</b>
Employee termination benefits	\$ 265	\$ 202	\$ —	\$ 63
Facility costs	10,300	2,132	(2,082)	6,086
<b>Total</b>	<b>\$ 10,565</b>	<b>\$ 2,334</b>	<b>\$ (2,082)</b>	<b>\$ 6,149</b>

The adjustment reflects lower than expected costs associated with facility consolidations totaling \$2,082 recorded in the third quarter of 2004 in North America.

*Quarter ended September 28, 2002*

Reorganization costs for the third quarter of 2002 were primarily comprised of employee termination benefits for workforce reductions worldwide; facility exit costs primarily comprised of lease exit costs for the closure of the Memphis, Tennessee configuration center and Harrisburg, Pennsylvania returns center, downsizing the Carol Stream, Illinois and Jonestown, Pennsylvania distribution centers, closing the European assembly facility and the consolidation of operations in Australia; and other costs associated with the reorganization activities. These restructuring actions are complete; however, future cash outlays will be required due to future lease payments related to exited facilities.

The payment activities and adjustments for the thirty-nine weeks ended October 2, 2004 and the remaining liability at October 2, 2004 related to these detailed actions are summarized as follows:

	<b>Outstanding Liability at January 3, 2004</b>	<b>Amounts Paid and Charged Against the Liability</b>	<b>Adjustments</b>	<b>Remaining Liability at October 2, 2004</b>
Facility costs	\$ 6,386	\$ 2,536	\$ (34)	\$ 3,816

The adjustment reflects lower than expected lease obligations associated with the closure of the Harrisburg, Pennsylvania returns center totaling \$97 recorded in the first quarter of 2004; partially offset by higher than expected lease obligations associated with the closure of the Memphis, Tennessee configuration center totaling \$63 recorded in the second quarter of 2004.

*Actions prior to June 30, 2002*

Prior to June 30, 2002, detailed actions under the Company's reorganization plan included workforce reductions and facility consolidations worldwide. Facility consolidations primarily included consolidation of the Company's North American headquarters in Santa Ana, California, closing the Newark and Fullerton, California distribution centers, downsizing the Miami, Florida distribution center, closing the returns processing centers in Santa Ana and Rancho Cucamonga, California, centralizing returns in the Harrisburg, Pennsylvania returns center, and consolidation and/or exit of warehouse and office facilities in Europe, Latin America and Asia-Pacific. These restructuring actions are completed; however, future cash outlays will be required due to severance payment terms and future lease payments related to exited facilities.

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in 000's, except per share data)  
(Unaudited)

The payment activities and adjustments for the thirty-nine weeks ended October 2, 2004 and the remaining liability at October 2, 2004 related to these detailed actions are summarized as follows:

	Outstanding Liability at January 3, 2004	Amounts Paid and Charged Against the Liability	Adjustments	Remaining Liability at October 2, 2004
Employee termination benefits	\$ 232	\$ 53	\$ —	\$ 179
Facility costs and other	1,443	1,219	193	417
Total	\$ 1,675	\$ 1,272	\$ 193	\$ 596

The adjustment reflects higher than expected lease obligations associated with the closure of the Fullerton, California distribution center totaling \$260 recorded in the second quarter of 2004 and lower than expected costs associated with facility consolidations totaling \$67 recorded in the third quarter of 2004 in Europe.

**Other Profit Enhancement Program Implementation Costs**

For the thirteen weeks ended September 27, 2003, net other costs recorded in SG&A expenses related to the implementation of the Company's profit enhancement initiatives announced September 18, 2002 totaled \$2,556, comprised of \$3,589 in incremental accelerated depreciation of fixed assets associated with software replaced by a more efficient solution, the planned exit of facilities and the outsourcing of certain IT infrastructure functions in North America; and \$1,904 in retention and other transition costs associated with the relocation of major functions and outsourcing of certain IT infrastructure functions in North America; partially offset by a gain of \$2,937 on the sale of excess land near the Company's corporate headquarters in Southern California.

For the thirty-nine weeks ended September 27, 2003, other costs recorded in SG&A expenses related to the implementation of the Company's profit enhancement initiatives totaled \$21,537, of which \$15,573 related to actions contemplated under the original profit enhancement program announced September 18, 2002 and \$5,964 related to new profit improvement opportunities primarily consisting of the sale of the non-core German semiconductor equipment distribution business and further consolidation of the Company's operations in the Nordic areas of Europe. The \$21,537 in other major-program costs was comprised of \$10,984 of incremental accelerated depreciation (\$10,077 in North America and \$907 in Europe) of fixed assets associated with software replaced by a more efficient solution, the planned exit of facilities and the outsourcing of certain IT infrastructure functions in North America; \$8,433 in recruiting, retention, training and other transition costs associated with the relocation of major functions and outsourcing of certain IT infrastructure functions in North America; and \$5,057 related to a loss on the sale of a non-core German semiconductor equipment distribution business; partially offset by a gain of \$2,937 on the sale of excess land near the Company's corporate headquarters in Southern California. In addition, for the thirty-nine weeks ended September 27, 2003, other major-program costs of \$443 were recorded in cost of sales, primarily comprised of incremental inventory losses caused by the decision to further consolidate Nordic areas in Europe.

**Note 6 — Accounts Receivable**

The Company has trade accounts receivable-based facilities in Europe, which provide up to approximately \$211,000 of additional financing capacity, depending upon the level of trade accounts receivable eligible to be transferred or sold. At October 2, 2004 and January 3, 2004, there were no trade accounts receivable sold to and held by third parties under the European program.

Effective July 29, 2004, the Company terminated its \$700,000 revolving accounts receivable securitization program in the U.S., which was scheduled to expire in March 2005. On the same day, the Company entered into a new revolving accounts receivable-based financing program, which provides for up to \$500,000 in borrowing capacity secured by substantially all U.S. based receivables (see Note 7 to the consolidated financial statements for a detailed discussion of the new program). In connection with the former program, most of the Company's U.S. trade accounts receivable were transferred without recourse to a trust in exchange for a beneficial interest in the total pool of trade receivables. Sales of undivided interests to third parties under this program resulted in a reduction of total accounts receivable in the Company's consolidated balance sheet. The excess of the trade accounts receivable transferred over amounts sold to and held by third parties at any one point in time represented the Company's retained interest in the transferred accounts receivable and is shown in the Company's consolidated balance sheet as a separate caption under accounts receivable. Retained interests were carried at their fair value, estimated as the net

# INGRAM MICRO INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in 000's, except per share data)  
(Unaudited)

realizable value, which considered the relatively short liquidation period and included an estimated provision for credit losses. At January 3, 2004, the amount of undivided interests sold to and held by third parties under the former securitization program totaled \$60,000.

On July 26, 2004, the Company amended its existing accounts receivable-based facility in Canada of 150 million Canadian dollars (originally scheduled to expire in August 2004) and extended the maturity to August 31, 2008 (see Note 7 to the consolidated financial statements for a detailed discussion of this new facility). At January 3, 2004, there were no trade accounts receivable sold to and held by third parties under the former program.

The Company is required to comply with certain financial covenants under some of its financing facilities, including minimum tangible net worth, restrictions on funded debt, interest coverage and trade accounts receivable portfolio performance covenants. The Company is also restricted in the amount of dividends it can pay as well as the amount of common stock that it can repurchase annually. At October 2, 2004, the Company was in compliance with all covenants or other requirements set forth in its accounts receivable financing programs discussed above.

Losses in the amount of \$665 and \$1,410 for the thirteen weeks ended October 2, 2004 and September 27, 2003, respectively, and \$3,613 and \$8,095 for the thirty-nine weeks ended October 2, 2004 and September 27, 2003, respectively, related to the sale of trade accounts receivable under these facilities, or off-balance sheet debt, are included in other expenses in the Company's consolidated statement of income.

### Note 7 — Long-Term Debt

The Company's debt consists of the following:

	October 2, 2004	January 3, 2004
Revolving unsecured credit facilities and other debt	\$ 105,399	\$ 128,346
European revolving trade accounts receivable-backed financing facilities	—	20,207
Senior subordinated notes	211,388	219,702
	316,787	368,255
Current maturities of long-term debt	(105,399)	(128,346)
	<u>\$ 211,388</u>	<u>\$ 239,909</u>

On July 29, 2004, the Company entered into a new revolving accounts receivable-based financing program in the U.S., which provides for up to \$500,000 in borrowing capacity secured by substantially all U.S.-based receivables. This financing program replaced the Company's revolving accounts receivable securitization program or off-balance sheet debt (see Note 6 to the consolidated financial statements for a discussion of the former program). At the option of the Company, the program may be increased to as much as \$600,000 at any time prior to July 29, 2006. This new facility expires on March 31, 2008. Based on the terms and conditions of the new program structure, borrowings under the program are accounted for as a financing facility, or on-balance sheet debt. At October 2, 2004, there were no borrowings under this new facility.

On July 26, 2004, the Company amended its current trade accounts receivable program in Canada, which provides for borrowing capacity up to 150 million Canadian dollars, or approximately \$119,000 (see Note 6 to the consolidated financial statements for a discussion of the former off-balance sheet debt). Pursuant to the amendment, the Company extended the program maturity to August 31, 2008, on substantially similar terms and conditions that existed prior to such amendment. However, under the new program, the Company obtained certain rights to repurchase transferred receivables. Based on the terms and conditions of the new program structure, borrowings under the program are accounted for as on-balance sheet debt. At October 2, 2004, there were no borrowings under this amended facility.

### Note 8 — Segment Information

The Company operates predominantly in a single industry segment as a distributor of IT products and services. The Company's operating segments are based on geographic location, and the measure of segment profit is income from operations. Due to the significance of the Company's Asia-Pacific region's net sales, the Company is now reporting Asia-Pacific and Latin America as separate segments. Previously, the Asia-Pacific and Latin America



INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in 000's, except per share data)  
(Unaudited)

regions were combined and reported as the Company's "Other International" segment. Prior year amounts have been disclosed to conform to the current segment reporting structure.

Geographic areas in which the Company operated during 2004 include North America (United States and Canada), Europe (Austria, Belgium, Denmark, Finland, France, Germany, Hungary, Italy, The Netherlands, Norway, Spain, Sweden, Switzerland, and the United Kingdom), Asia-Pacific (Australia, The People's Republic of China [including Hong Kong], India, Malaysia, New Zealand, Singapore, and Thailand), and Latin America (Brazil, Chile, Mexico, and the Company's Latin American export operations in Miami). Intergeographic sales primarily represent intercompany sales that are accounted for based on established sales prices between the related companies and are eliminated in consolidation.

Financial information by geographic segment is as follows:

	As of and for the Thirteen Weeks Ended		As of and for the Thirty-nine Weeks Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
<b>Net sales:</b>				
North America Sales to unaffiliated customers	\$3,051,027	\$ 2,559,319	\$ 8,635,773	\$ 7,884,902
Intergeographic areas	33,982	33,023	103,301	91,625
Europe	2,128,386	1,789,766	6,850,041	5,500,405
Asia-Pacific	569,810	600,599	1,755,432	1,720,496
Latin America	267,166	257,766	767,402	746,496
Eliminations of intergeographic areas	(33,982)	(33,023)	(103,301)	(91,625)
Total	<u>\$6,016,389</u>	<u>\$ 5,207,450</u>	<u>\$18,008,648</u>	<u>\$15,852,299</u>
<b>Income from operations:</b>				
North America	\$ 39,072	\$ 14,056	\$ 92,430	\$ 48,795
Europe	16,562	10,094	71,887	28,490
Asia-Pacific	1,287	(2,785)	2,581	(2,478)
Latin America	3,258	(599)	7,735	372
Total	<u>\$ 60,179</u>	<u>\$ 20,766</u>	<u>\$ 174,633</u>	<u>\$ 75,179</u>
<b>Identifiable assets:</b>				
North America	\$3,586,525	\$ 3,200,628	\$ 3,586,525	\$ 3,200,628
Europe	1,538,341	1,252,383	1,538,341	1,252,383
Asia-Pacific	158,383	212,700	158,383	212,700
Latin America	236,558	201,710	236,558	201,710
Total	<u>\$5,519,807</u>	<u>\$ 4,867,421</u>	<u>\$ 5,519,807</u>	<u>\$ 4,867,421</u>
<b>Capital expenditures:</b>				
North America	\$ 6,088	\$ 5,380	\$ 14,662	\$ 17,361
Europe	5,844	571	9,260	4,087
Asia-Pacific	610	604	1,389	1,467
Latin America	488	551	912	2,129
Total	<u>\$ 13,030</u>	<u>\$ 7,106</u>	<u>\$ 26,223</u>	<u>\$ 25,044</u>

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in 000's, except per share data)  
(Unaudited)

	As of and for the Thirteen Weeks Ended		As of and for the Thirty-nine Weeks Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
<b>Depreciation:</b>				
North America	\$ 8,438	\$ 14,088	\$ 26,430	\$ 44,674
Europe	5,061	4,028	13,338	13,306
Asia-Pacific	704	779	2,258	2,376
Latin America	493	557	1,554	1,808
Total	<u>\$ 14,696</u>	<u>\$ 19,452</u>	<u>\$ 43,580</u>	<u>\$ 62,164</u>

Supplemental information relating to reorganization costs (credits) and other profit enhancement program costs by geographic segment included in income from operations is as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
<b>Reorganization costs (credits) (Note 5):</b>				
North America	\$ (2,585)	\$ 675	\$ (2,493)	\$ 7,174
Europe	(67)	725	(279)	7,223
Asia-Pacific	—	20	316	33
Latin America	—	70	—	291
Total	<u>\$ (2,652)</u>	<u>\$ 1,490</u>	<u>\$ (2,456)</u>	<u>\$ 14,721</u>
<b>Other profit enhancement program costs (Note 5):</b>				
<b>Charged to cost of sales:</b>				
Europe	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 443</u>
<b>Charged to SG&amp;A expenses:</b>				
North America	\$ —	2,556	\$ —	15,573
Europe	—	—	—	5,964
Total	<u>\$ —</u>	<u>\$ 2,556</u>	<u>\$ —</u>	<u>\$ 21,537</u>

**Note 9 — Commitments and Contingencies**

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

As is customary in the IT distribution industry, the Company has arrangements with certain finance companies that provide inventory-financing facilities for its customers. In conjunction with certain of these arrangements, the Company has agreements with the finance companies that would require it to repurchase certain inventory, which might be repossessed from the customers by the finance companies. Due to various reasons, including among other items, the lack of information regarding the amount of saleable inventory purchased from the Company still on hand with the customer at any point in time, the Company's repurchase obligations relating to inventory cannot be reasonably estimated. Repurchases of inventory by the Company under these arrangements have been insignificant to date.

At October 2, 2004, the Company has remaining deferred tax liabilities of \$2,418, \$3,085 and \$4,706 related to the gains realized on the sales of SOFTBANK Corp., or Softbank, common stock in 2002, 2000, and 1999, respectively. The Softbank common stock was sold in the public market by certain of Ingram Micro's foreign subsidiaries, which are located in a low-tax jurisdiction. At the time of sale, the Company concluded that U.S. taxes were not currently payable on the gains based on its internal assessment and opinions received from its outside advisors. However, in situations involving uncertainties in the interpretation of complex tax regulations by various taxing authorities, the Company provides for tax liabilities unless it considers it probable that taxes will not be due.

**INGRAM MICRO INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollars in 000's, except per share data)**  
**(Unaudited)**

The level of opinions received from its outside advisors and the Company's internal assessment did not allow the Company to reach that conclusion on this matter. The Company's U.S. Federal tax returns were closed in September 2004 and 2003 for the fiscal years 2000 and 1999, respectively, and certain state returns for fiscal years 2000 and 1999 were closed in September 2004, which resolved these matters for tax purposes in those jurisdictions. Accordingly, in the third quarter of 2004, the Company reversed the related Federal and state deferred tax liability of \$39,978 associated with the gain on the 2000 and 1999 sales, while in the third quarter of 2003, the Company reversed the related Federal deferred tax liability of \$70,461 associated with the gain on the 1999 sale, thereby reducing the Company's income tax provisions for both periods in the consolidated statement of income. Although the Company reviews its assessments in these matters on a regular basis, it cannot currently determine when the remaining deferred tax liabilities of \$2,418, \$3,085 and \$4,706 relating to the fiscal years 2002, 2000 and 1999, respectively, will be finally resolved with the taxing authorities, or if the deferred taxes will ultimately be paid. Accordingly, the Company continues to provide for these tax liabilities. If the Company is successful in obtaining a favorable resolution of this matter, the Company's tax provision would be reduced to reflect the elimination of some or all of these deferred tax liabilities. However, in the event of an unfavorable resolution, the Company believes that it will be able to fund any such taxes that may be assessed on this matter with available sources of liquidity.

During 2002 and 2003, one of the Company's Latin American subsidiaries was audited by the Brazilian taxing authorities in relation to certain commercial taxes. As a result of this audit, the subsidiary received an assessment of Brazilian Reais 27.8 million, including interest and penalties through October 2, 2004, or approximately \$9,767 alleging these commercial taxes were not properly remitted for the period January through September 2002. The Brazilian taxing authorities may make similar claims for periods subsequent to September 2002. Additional assessments, if received, may be significant either individually or in the aggregate. It is management's opinion, based upon the opinions of outside legal advisors, that the Company has valid defenses related to this matter. Although the Company is vigorously pursuing administrative and judicial action to challenge the assessment, no assurance can be given as to the ultimate outcome. An unfavorable resolution of this matter is not expected to have a material impact on the Company's financial condition, but depending upon the time period and amounts involved it may have a material negative effect on the Company's results of operations.

In September 2004, the Company signed a definitive agreement to acquire Tech Pacific, one of Asia-Pacific's largest technology distributors, for 700 million Australian dollars (approximately \$506,000 at October 2, 2004) in cash, which includes the assumption of debt, subject to adjustment based upon the amount of Tech Pacific's net assets at closing date. The transaction is expected to close by the end of November 2004, subject to certain customary closing conditions.

To protect the value of the Company's U.S. dollar investment in the pending Tech Pacific acquisition, which is denominated in Australian dollars, the Company entered into a forward currency exchange contract for a notional amount equal to 537 million Australian dollars. The forward exchange contract was entered at an agreed forward contract price of 0.71384 U.S. dollar to one Australian dollar. The mark-to-market value of the contract fluctuates by approximately \$4,000 for every one percent change in the value of this forward instrument relative to the forward contract price. At October 2, 2004, the mark-to-market value of the forward exchange contract resulted in a gain of \$4,277. The forward exchange contract will be settled concurrent with the Company's payment of the purchase price for Tech Pacific upon closing of the acquisition, which is expected to occur by the end of November 2004.

The Company received an informal inquiry from the SEC during the third quarter of 2004. The SEC did not provide a specific reason for the inquiry, but the Company believes it is related to certain transactions with Network Associates, Inc. from 1998 through 2000. The Company is cooperating fully with the SEC's request. Although the outcome of this inquiry cannot be predicted with certainty, it is not currently expected to have a material effect on the Company's ongoing consolidated financial position, results of operations or cash flows.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion includes forward-looking statements, including but not limited to, management's expectations for competition; revenues, margin, expenses and other operating results or ratios; operating efficiencies; economic conditions; cost savings; capital expenditures; liquidity; capital requirements, acquisitions, operating models and exchange rate fluctuations. In evaluating our business, readers should carefully consider the important factors discussed in "Cautionary Statements for the Purpose of the 'Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995" below. In addition, this Management's Discussion and Analysis, or MD&A, should be read in conjunction with the MD&A and related information included in our Annual Report on Form 10-K and in Exhibit 99.01 to our Annual Report on Form 10-K for the fiscal year ended January 3, 2004, as filed with the Securities and Exchange Commission, or SEC. We disclaim any duty to update any forward-looking statements.

### Overview of Our Business

We are the largest distributor of information technology, or IT, products and supply chain solutions worldwide based on revenues. We offer a broad range of IT products and services and help generate demand and create efficiencies for our customers and suppliers around the world. The IT distribution industry in which we operate is characterized by narrow gross profit as a percentage of net sales, or gross margin, and narrow income from operations as a percentage of net sales, or operating margin. Historically, our margins have been impacted by pressures from price competition, as well as changes in vendor terms and conditions, including, but not limited to, reductions in vendor rebates and incentives, our ability to return inventory to vendors, and time periods qualifying for price protection. We expect these competitive pricing pressures and restrictive vendor terms and conditions to continue in the foreseeable future. To mitigate these factors, we have implemented changes to and continue to refine our pricing strategies, inventory management processes and vendor program processes. In addition, we continuously monitor and change, as appropriate, certain terms and conditions offered to our customers to reflect those being imposed by our vendors. Our business also requires significant levels of working capital primarily to finance accounts receivable. We have historically relied on, and continue to rely heavily on, debt and trade credit from vendors for our working capital needs.

We have made substantial operating improvements through a variety of strategic actions we have taken since June 2001 when we initiated a broad-based reorganization plan to streamline operations and reorganize resources to increase flexibility, improve service and generate cost savings and operational efficiencies. Also, in September 2002, we announced a comprehensive profit enhancement program, which was designed to improve operating income through enhancements in gross margin and reduction of selling, general and administrative expenses, or SG&A expenses. Key components of this initiative included enhancement and/or rationalization of vendor and customer programs, optimization of facilities and systems, outsourcing of certain IT infrastructure functions, geographic consolidations and administrative restructuring. In addition, we have implemented other initiatives on a periodic basis to improve business processes, reduce costs, and improve operations. These actions have resulted in reorganization costs for severance expenses, lease termination costs and other costs associated with the exit of facilities or other contracts. These actions have also resulted in other program implementation costs charged to cost of sales and SG&A expenses for program management and consulting expenses, accelerated depreciation, losses on disposals of certain assets, costs related to outsourcing of certain IT infrastructure functions, costs associated with geographic relocation, and inventory and vendor-program losses primarily associated with the exit of certain businesses.

We have realized significant benefits from the reduction in certain SG&A expenses and gross margin improvements as a result of our comprehensive profit enhancement program, which was completed in December 2003. Our program delivered approximately \$176 million in annualized operating income improvements, exceeding our original expectation of \$160 million and maintained our major-program costs within our original estimate of \$140 million, when we announced the program in September 2002.

## Management's Discussion and Analysis Continued

### Results of Operations

The following tables set forth our net sales by geographic region (excluding intercompany sales) and the percentage of total net sales represented thereby, as well as operating income and operating margin by geographic region for each of the thirteen and thirty-nine weeks indicated (in millions). Due to the significance of our Asia-Pacific region's net sales, we are now reporting Asia-Pacific and Latin America as separate segments. Previously, the Asia-Pacific and Latin America regions were combined and reported as our "Other International" segment.

	Thirteen Weeks Ended				Thirty-nine Weeks Ended			
	October 2, 2004		September 27, 2003		October 2, 2004		September 27, 2003	
Net sales by geographic region:								
North America	\$ 3,051	50.7%	\$ 2,559	49.1%	\$ 8,636	48.0%	\$ 7,885	49.7%
Europe	2,128	35.4	1,790	34.4	6,850	38.0	5,500	34.7
Asia-Pacific	570	9.5	600	11.5	1,756	9.7	1,721	10.9
Latin America	267	4.4	258	5.0	767	4.3	746	4.7
Total	\$ 6,016	100.0%	\$ 5,207	100.0%	\$ 18,009	100.0%	\$ 15,852	100.0%

	Thirteen Weeks Ended				Thirty-nine Weeks Ended			
	October 2, 2004		September 27, 2003		October 2, 2004		September 27, 2003	
Operating income and operating margin by geographic region:								
North America	\$ 39.1	1.3%	\$ 14.1	0.5%	\$ 92.4	1.1%	\$ 48.8	0.6%
Europe	16.6	0.8	10.1	0.6	71.9	1.0	28.5	0.5
Asia-Pacific	1.3	0.2	(2.8)	(0.5)	2.6	0.1	(2.5)	(0.1)
Latin America	3.2	1.2	(0.6)	(0.2)	7.7	1.0	0.4	0.0
Total	\$ 60.2	1.0%	\$ 20.8	0.4%	\$ 174.6	1.0%	\$ 75.2	0.5%

The following table sets forth certain items from our consolidated statement of income as a percentage of net sales, for each of the periods indicated.

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	October 2, 2004	September 27, 2003	October 2, 2004	September 27, 2003
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	94.5	94.6	94.5	94.6
Gross profit	5.5	5.4	5.5	5.4
Operating expenses:				
Selling, general and administrative	4.5	5.0	4.5	4.8
Reorganization costs	(0.0)	0.0	(0.0)	0.1
Income from operations	1.0	0.4	1.0	0.5
Other expense (income), net	0.1	0.1	0.2	0.2
Income before income taxes	0.9	0.3	0.8	0.3
Provision for (benefit from) income taxes	(0.4)	(1.3)	0.0	(0.3)
Net income	<u>1.3%</u>	<u>1.6%</u>	<u>0.8%</u>	<u>0.6%</u>

## Management's Discussion and Analysis Continued

### Results of Operations for the Thirteen Weeks Ended October 2, 2004 Compared to Thirteen Weeks Ended September 27, 2003

Our consolidated net sales increased 15.5% to \$6.02 billion for the thirteen weeks ended October 2, 2004, or third quarter of 2004, from \$5.21 billion for the thirteen weeks ended September 27, 2003, or third quarter of 2003. The significant increase in net sales was primarily attributable to the improving demand environment for IT products and services, particularly in North America and Europe, and the translation impact of the strengthening European currencies compared to the U.S. dollar (which contributed approximately four percentage points of the worldwide growth).

Net sales from our North American operations increased 19.2% to \$3.05 billion in the third quarter of 2004 from \$2.56 billion in the third quarter of 2003, primarily reflecting the stronger demand for IT products and services as compared to the prior year. Net sales from our European operations increased 18.9% to \$2.13 billion in the third quarter of 2004 from \$1.79 billion in the third quarter of 2003, primarily due to strong demand for IT products and services across the region, increases in our market share in certain operations within Europe and the appreciation of European currencies compared to the U.S. dollar, which contributed approximately 10 percentage points to this increase. Net sales from our Asia-Pacific operations decreased 5.1% to \$570 million in the third quarter of 2004 from \$600 million in the third quarter of 2003. Our on-going focus of improving the operating model and profitability in this region had a tempering effect on our sales in the current year. We continue to focus on profitable growth in our Asia-Pacific region and will make changes to business processes, add or delete products or customers, and implement other changes in the region. As a result, revenue growth rates and profitability in this emerging region may fluctuate significantly from quarter to quarter. Net sales from our Latin American operations increased by 3.6% to \$267 million in the third quarter of 2004 from \$258 million in the third quarter of 2003, reflecting the region's improving demand environment.

Gross margin remained relatively consistent at 5.5% in the third quarter of 2004 compared to 5.4% in the third quarter of 2003, despite an intense competitive environment, primarily in North America. This primarily reflects strong inventory management, benefits from our comprehensive profit enhancement program and improvements in our Asia-Pacific and Latin America businesses, offset by the competitive pricing environment. We continuously evaluate and modify our pricing policies and certain terms and conditions offered to our customers to reflect those being imposed by our vendors and general market conditions. As we continue to evaluate our existing pricing policies and make future changes, if any, we may experience moderated or negative sales growth in the near term. In addition, increased competition and any retractions or softness in economies throughout the world may hinder our ability to maintain and/or improve gross margins from the levels realized in recent quarters.

Total SG&A expenses increased 4.5% to \$272.1 million in the third quarter of 2004 from \$260.3 million in the third quarter of 2003. The increase in SG&A expenses was primarily attributable to the translation impact of the strengthening European currencies of approximately \$7 million, realignment costs of approximately \$5 million associated with downsizing and relocating activities in our under-performing German-based networking unit, and increased expenses required to support the growth of our business, partially offset by the benefits of our comprehensive profit enhancement program and the reduction of the related implementation costs of \$2.5 million incurred in the third quarter of 2003 (see Note 5 to our consolidated financial statements) and a \$20 million charge related to the bankruptcy of Micro Warehouse, one of our customers, in the third quarter of 2003. As a percentage of net sales, total SG&A expenses decreased to 4.5% in the third quarter of 2004 compared to 5.0% in the third quarter of 2003, which included the impact of the Micro Warehouse bankruptcy of approximately 0.4% of net sales. Aside from the impact of Micro Warehouse's bankruptcy, total SG&A expenses decreased as a percentage of revenue due to the economies of scale from the higher level of revenue, savings from our comprehensive profit enhancement program and other actions we have taken, as well as the reduction of the related implementation costs, and continued cost control measures. We continue to pursue and implement business process improvements and organizational changes to create sustained cost reductions without sacrificing customer service over the long-term.

## Management's Discussion and Analysis Continued

The credit balance of reorganization costs of \$2.7 million (\$2.6 million in North America and \$0.1 million in Europe) for the third quarter of 2004 represents benefits related to the favorable resolution of lease termination costs. For the third quarter of 2003, reorganization costs were \$1.5 million, comprised of a charge of \$1.0 million for initiatives during the quarter and a net additional charge of \$0.5 million for actions taken in previous quarters. The reorganization charge of \$1.0 million for the third quarter of 2003 included \$0.9 million in employee termination benefits for approximately 115 employees (\$0.2 million for approximately 20 employees in North America, \$0.6 million for approximately 45 employees in Europe, less than \$0.1 million for approximately 5 employees in Asia-Pacific and \$0.1 million for approximately 45 employees in Latin America), and \$0.1 million in other costs, primarily consisting of lease exit costs in connection with consolidating facilities in Europe.

Income from operations as a percentage of net sales, or operating margin, increased to 1.0% in the third quarter of 2004 from 0.4% in the third quarter of 2003 primarily as a result of the improvements in operating expenses as a percentage of net sales, and to a lesser extent the slight increase in gross margin, both as discussed above. Our North American operating margin increased to 1.3% in the third quarter of 2004 compared to 0.5% in the third quarter of 2003, reflecting the impact of the Micro Warehouse bankruptcy of approximately 0.8% of North America revenue in the prior year, as well as economies of scale from the higher volume of business, the benefits of our comprehensive profit enhancement program and reduction of the related implementation costs, partially offset by competitive pressures on pricing. Our European operating margin increased to 0.8% in the third quarter of 2004 from 0.6% in the third quarter of 2003 reflecting improvements from our comprehensive profit enhancement program and other actions we have taken, a reduction in related implementation costs, and economies of scale from the higher volume of business. Our Asia-Pacific operating margin was 0.2% in the third quarter of 2004 compared to a loss from operations as a percentage of net sales of 0.5% in the third quarter of 2003, while our Latin American operating margin was 1.2% in the third quarter of 2004 compared to loss from operations of as a percentage of net sales of 0.2% in the third quarter of 2003. Strengthening the Asia-Pacific and Latin American operating models positively impacted income from operations in these regions. We continue to implement process improvements and other changes in these regions to improve profitability over the long-term. However, as a result, operating margins may fluctuate significantly from quarter to quarter.

Other expense (income) consisted primarily of interest, losses on sales of receivables under our accounts receivable-based facilities, foreign currency exchange losses and other non-operating gains and losses. We incurred net other expense of \$5.3 million in the third quarter of 2004 compared to \$6.4 million in the third quarter of 2003. The decrease reflects a foreign-exchange gain of \$4.3 million related to the forward currency exchange contract related to the pending Australian dollar-denominated purchase of Tech Pacific in the current year, partially offset by higher foreign currency transaction losses.

Benefit from income taxes was \$22.4 million in the third quarter of 2004 compared to \$66.9 million in the third quarter of 2003. The third quarter of 2004 included a benefit of \$40.0 million for the reversal of previously accrued income taxes relating to the gain realized on the sale of SOFTBANK Corp., or Softbank, common stock in 2000 and 1999 (see Note 9 to our consolidated financial statements), while the third quarter of 2003 included a benefit of \$70.5 million for the reversal of previously accrued income taxes relating to the gain realized on the sale of Softbank common stock in 1999. The remaining tax provision represents an effective tax rate of 32% for the third quarter of 2004 compared to 25% for the third quarter of 2003, which included a cumulative effect of reducing our estimated effective tax rate to 32% for the full year from 35% in the first half of 2003. The decrease in the 2003 effective tax rate from 35% in the first half of 2003 was primarily attributable to the change in the proportion of income earned within the various taxing jurisdictions, as well as the benefits of our ongoing tax strategies.

## Management's Discussion and Analysis Continued

### Results of Operations for the Thirty-nine Weeks Ended October 2, 2004 Compared to Thirty-nine Weeks Ended September 27, 2003

Our consolidated net sales increased 13.6% to \$18.01 billion for the thirty-nine weeks ended October 2, 2004, or first nine months of 2004, from \$15.85 billion for the thirty-nine weeks ended September 27, 2003, or first nine months of 2003. The increase in net sales for the first nine months of 2004 compared to 2003 on a worldwide basis is attributable to the stronger demand of IT products and services and the appreciation of European currencies compared to the U.S. dollar. Net sales from our North American operations increased 9.5% to \$8.64 billion in the first nine months of 2004 from \$7.88 billion in the first nine months of 2003, reflecting an improving demand for IT products and services. Net sales from our European operations increased 24.5% to \$6.85 billion in the first nine months of 2004 from \$5.50 billion in the first nine months of 2003, primarily due to stronger demand for IT products and services across the region, increases in our market share in certain operations within Europe and the appreciation of European currencies compared to the U.S. dollar, which contributed approximately 12 percentage points of this increase. Net sales from our Asia-Pacific operations increased 2.0% to \$1.76 billion in the first nine months of 2004 from \$1.72 billion in the first nine months of 2003 due to the higher demand of IT products and services in the first quarter of 2004. However, our continued focus on improving the operating model and profitability in this region had a tempering effect on sales growth for the third quarter and first nine months of 2004. Net sales from our Latin America operations increased 2.8% to \$767 million in the first nine months of 2004 from \$746 million in the first nine months of 2003. Revenue growth in Latin America was also tempered by our continued focus on strengthening the operating model in this region.

Gross margin remained relatively consistent at 5.5% in the first nine months of 2004 compared to 5.4% in the first nine months of 2003, reflecting the same factors discussed in the third quarters of 2004 and 2003.

Total SG&A expenses increased 5.2% to \$810.3 million in the first nine months of 2004 from \$770.3 million in the first nine months of 2003. The increase in SG&A expenses was primarily attributable to the translation impact of the strengthening European currencies of approximately \$27 million, realignment costs of approximately \$10 million associated with downsizing and relocating activities in our under-performing German-based networking unit and increased expenses required to support the growth of our business, partially offset by the benefits of our comprehensive profit enhancement program and the reduction of related implementation costs of \$21.5 million from prior year (see Note 5 to our consolidated financial statements) and a \$20 million charge related to the bankruptcy of Micro Warehouse, one of our customers, in the first nine months of 2003. As a percentage of net sales, total SG&A expenses decreased to 4.5% in the first nine months of 2004 compared to 4.8% in the first nine months of 2003, which included the impact of the Micro Warehouse bankruptcy of approximately 0.1% of revenue. Aside from the impact of Micro Warehouse's bankruptcy, total SG&A decreased as a percentage of revenue due to the economies of scale from the higher level of revenue and savings from our comprehensive profit enhancement program and other actions we have taken as well as the reduction of the related implementation costs, and continued cost control measures. We continue to pursue and implement business process improvements and organizational changes to create sustained cost reductions without sacrificing customer service over the long-term.

For the first nine months of 2004, reorganization costs were a net credit of \$2.5 million consisting of net credits totaling of \$2.8 million for adjustments to detailed actions taken in previous quarters and a charge of \$0.3 million relating to employee termination benefits for 30 employees in Asia-Pacific. The net credit adjustments represent \$2.6 million of credits related to detailed actions taken in previous quarters for lower than expected costs associated with facility consolidations (\$2.4 million in North America and \$0.2 million in Europe) and \$0.2 million of credits related to detailed actions taken in previous quarters for lower than anticipated costs associated with employee termination benefits (\$0.1 million in North America and \$0.1 million in Europe). For the first nine months of 2003, reorganization costs were \$14.7 million, comprised of a charge of \$16.4 million for initiatives in the first nine months of 2003, partially offset by net favorable adjustments of \$1.7 million for actions taken in previous quarters. The reorganization charge of \$16.4 million included \$7.3 million in employee termination benefits for approximately 745 employees (\$5.5 million for approximately 545 employees in North America, \$1.5 million for approximately 105 employees in Europe, less than \$0.1 million for approximately 15 employees in Asia-Pacific, and \$0.3 million for approximately 80 employees in Latin America); \$7.5 million, primarily consisting of lease exit costs in connection with closing, consolidating, and downsizing facilities, (\$1.6 million in North America and \$5.9 million in Europe) and \$1.6 million in other costs (\$1.5 million in North America and \$0.1 million in Europe) primarily due to contract terminations.



## Management's Discussion and Analysis Continued

Income from operations as a percentage of net sales increased to 1.0% in the first nine months of 2004 from 0.5% in the first nine months of 2003. Our North American income from operations as a percentage of net sales increased to 1.1% in the first nine months of 2004 from 0.6% in the first nine months of 2003. Our European income from operations as a percentage of net sales increased to 1.0% in the first nine months of 2004 compared to 0.5% in the first nine months of 2003. Our Asia-Pacific income from operations as a percentage of net sales was 0.1% in the first nine months of 2004 compared to loss from operations as a percentage of net sales of 0.1% in the first nine months of 2003. Our Latin American income from operations as a percentage of net sales increased to 1.0% in the first nine months of 2004 from less than 0.1% in the first nine months of 2003. The changes in income from operations as a percentage of net sales for the first nine months of 2004 compared to the first nine months of 2003 on a worldwide basis and by region are largely attributable to the same factors as discussed in the third quarters of 2004 and 2003.

Other expense (income) consisted primarily of interest, losses on sales of receivables under our accounts receivable-based facilities, foreign currency exchange losses and other non-operating gains and losses. We incurred net other expense of \$26.5 million in the first nine months of 2004 compared to \$27.6 million in the first nine months of 2003. The decrease reflects a foreign-exchange gain of \$4.3 million in the first nine months of 2004 related to our forward currency exchange contract related to the pending Australian dollar-denominated purchase of Tech Pacific, partially offset by higher foreign currency losses and higher interest as a result of the higher volume of business.

Provision from income taxes was \$7.4 million in the first nine months of 2004 compared to a benefit for income tax of \$55.2 million in the first nine months of 2003. The first nine months of 2004 included a benefit of \$40.0 million for the reversal of previously accrued income taxes relating to the gain realized on the sale of Softbank common stock in 2000 and 1999 (see Note 9 to our consolidated financial statements), while the first nine months of 2003 included a benefit of \$70.5 million for the reversal of previously accrued income taxes relating to the gain realized on the sale of Softbank common stock in 1999. The remaining tax provision represented an effective tax rate of 32% in the first nine months of both 2004 and 2003.

### Quarterly Data; Seasonality

Our quarterly operating results have fluctuated significantly in the past and will likely continue to do so in the future as a result of:

- seasonal variations in the demand for our products and services such as lower demand in Europe during the summer months and worldwide pre-holiday stocking in the retail channel during the September-to-December period;
- competitive conditions in our industry, which may impact the prices charged and terms and conditions imposed by our suppliers and/or competitors and the prices or terms and conditions we offer our customers, which in turn may negatively impact our revenues and/or gross margins;
- currency fluctuations in the countries where we operate;
- variations in our levels of excess inventory and doubtful accounts, and changes in the terms of vendor-sponsored programs such as price protection and return rights;
- changes in the level of our operating expenses;
- the impact of acquisitions we may make;
- the impact of and possible disruptions caused by business model changes or reorganization efforts, as well as the related expenses and/or charges;
- the loss or consolidation of one or more of our significant suppliers or customers;
- product supply constraints;
- interest rate fluctuations, which may increase our borrowing costs and may influence the willingness of customers and end-users to purchase products and services; and
- general economic or geopolitical conditions.

24

These historical variations may not be indicative of future trends in the near term. Our narrow operating margins may magnify the impact of the foregoing factors on our operating results.

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## Management's Discussion and Analysis Continued

### Liquidity and Capital Resources

#### *Cash Flows*

We have financed working capital needs largely through income from operations, borrowings under revolving credit and other facilities, sales of accounts receivable through established accounts receivable facilities, trade and supplier credit, and proceeds from senior subordinated notes issued in August 2001. The following is a detailed discussion of our cash flows for the first nine months of 2004 and 2003.

Our cash and cash equivalents totaled \$824.9 million and \$279.6 million at October 2, 2004 and January 3, 2004, respectively.

Net cash provided by operating activities was \$641.9 million in the first nine months of 2004 compared to \$164.3 million in the first nine months of 2003. The net cash provided by operating activities in the first nine months of 2004 was primarily due to net income and decreases in accounts receivable and inventory, partially offset by a decrease in accounts payable. The net cash provided by operating activities in the first nine months of 2003 principally reflects net income and reductions of accounts receivable and inventory, partially offset by decreases in our accrued expenses and accounts payable. The reduction of accrued expenses was primarily the result of the settlement of a currency interest rate swap and payments of variable compensation and profit enhancement program costs. The reductions of accounts payable, accounts receivable and inventory in both years largely reflect seasonally lower sales in the third quarter compared to year-end and improvements in working capital efficiencies. Although we have a strong focus on working capital management, we believe that our current level of working capital efficiencies at October 2, 2004 may be at the low end of our sustainable range. Our debt levels may increase and/or our cash balance may decrease if we experience an increase in our working capital days.

Net cash used by investing activities was \$34.8 million in the first nine months of 2004 compared to \$23.1 million in the first nine months of 2003. The net cash used by investing activities in the first nine months of 2004 and 2003 was primarily due to capital expenditures.

Net cash used by financing activities was \$67.5 million in the first nine months of 2004 compared \$9.7 million in the first nine months of 2003. The net cash used by financing activities in the first nine months of 2004 primarily reflects net repayments of our debt facilities and a decrease in our book overdrafts, partially offset by the proceeds received from the exercise of stock options. The net cash provided by financing activities in the first nine months of 2003 was principally due to reduction in our book overdrafts.

#### *Capital Resources*

We believe that our existing sources of liquidity, including cash resources and cash provided by operating activities, supplemented as necessary with funds available under our credit arrangements, will provide sufficient resources to meet our present and future working capital and cash requirements for at least the next twelve months.

#### *On-Balance Sheet Capital Resources*

On July 29, 2004, we entered into a new revolving accounts receivable-based financing program in the U.S., which provides for up to \$500 million in borrowing capacity secured by substantially all U.S.-based receivables. At our option, the program may be increased to as much as \$600 million at any time prior to July 29, 2006. This new facility expires on March 31, 2008. Based on the terms and conditions of the new program structure, borrowings under the program are accounted for as a financing facility, or on-balance sheet debt. At October 2, 2004, we had no borrowings under our new revolving accounts receivable-based financing program.

On July 26, 2004, we amended our existing trade accounts receivable program in Canada, which provides for borrowing capacity up to 150 million Canadian dollars, or approximately \$119 million. Pursuant to the amendment, we extended the program maturity to August 31, 2008, on substantially similar terms and conditions that existed prior to such amendment. However, under the new program, we obtained certain rights to repurchase transferred receivables. Based on the terms and conditions of the new program structure, borrowings under the program are accounted for as a financing facility, or on-balance sheet debt. At October 2, 2004, we had no borrowings under our amended trade accounts receivable program.

In June 2002, we entered into a three-year European revolving trade accounts receivable backed financing facility supported by the trade accounts receivable of one of our European subsidiaries for Euro 107 million, or approximately \$133 million, with a financial institution that has an arrangement with a related issuer of third-party commercial paper. In August 2003, we entered into another three-year European revolving trade accounts receivable backed financing facility supported by the trade accounts receivable of another one of our European

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## Management's Discussion and Analysis Continued

subsidiaries for Euro 230 million, or approximately \$286 million, with the same financial institution and related issuer of third-party commercial paper. In March 2004, the terms of these agreements were amended to eliminate the minimum borrowing requirements that existed under the original agreements and remove the smaller of the two European subsidiaries from the August 2003 facility. Both of these European facilities require certain commitment fees and borrowings under both facilities incur financing costs at rates indexed to EURIBOR.

Our ability to access financing under these facilities is dependent upon the level of eligible trade accounts receivable and the level of market demand for commercial paper. At October 2, 2004, our actual aggregate capacity under these programs, based on eligible accounts receivable outstanding, was approximately \$937 million.

We could, however, lose access to all or part of our financing under these facilities under certain circumstances, including: (a) a reduction in credit ratings of the third-party issuer of commercial paper or the back-up liquidity providers, if not replaced or (b) failure to meet certain defined eligibility criteria for the trade accounts receivable, such as receivables must be assignable and free of liens and dispute or set-off rights. In addition, in certain situations, we could lose access to all or part of our financing with respect to the August 2003 European facility as a result of the rescission of our authorization to collect the receivables by the relevant supplier under applicable local law. Based on our assessment of the duration of these programs, the history and strength of the financial partners involved, other historical data, various remedies available to us under these programs, and the remoteness of such contingencies, we believe that it is unlikely that any of these risks will materialize in the near term. At October 2, 2004, we had no borrowings under our European facilities compared to \$20.2 million at January 2, 2004.

We have a \$150 million revolving senior unsecured credit facility with a bank syndicate that expires in December 2005. At October 2, 2004 and January 3, 2004, we had no borrowings outstanding under this credit facility. This facility can also be used to support letters of credit. At October 2, 2004 and January 3, 2004, letters of credit totaling approximately \$24.3 million and \$63.7 million, respectively, were issued principally to certain vendors to support purchases by our subsidiaries. The issuance of these letters of credit reduces our available capacity under the agreement by the same amounts.

On August 16, 2001, we sold \$200 million of 9.875% senior subordinated notes due 2008 at an issue price of 99.382%, resulting in net cash proceeds of approximately \$195.1 million, net of issuance costs of approximately \$3.7 million.

Interest on the notes is payable semi-annually in arrears on each February 15 and August 15. We may redeem any of the notes beginning on August 15, 2005 with an initial redemption price of 104.938% of their principal amount plus accrued interest. The redemption price of the notes will be 102.469% plus accrued interest beginning on August 15, 2006 and will be 100% of their principal amount plus accrued interest beginning on August 15, 2007.

On August 16, 2001, we also entered into interest rate swap agreements with two financial institutions, the effect of which was to swap our fixed-rate obligation on our senior subordinated notes for a floating rate obligation equal to 90-day LIBOR plus 4.260%. All other financial terms of the interest rate swap agreements are identical to those of the senior subordinated notes, except for the quarterly payments of interest, which will be on each February 15, May 15, August 15 and November 15 and ending on the termination date of the swap agreements. These interest rate swap arrangements contain ratings conditions requiring posting of collateral by either party and at minimum increments based on the market value of the instrument and credit ratings of either party. The marked-to-market value of the interest rate swap amounted to \$12.1 million and \$20.5 million at October 2, 2004 and January 3, 2004, respectively, which is recorded in other assets with an offsetting adjustment to the hedged debt, bringing the total carrying value of the senior subordinated notes to \$211.4 million and \$219.7 million, respectively.

We also have additional lines of credit, commercial paper, short-term overdraft facilities and other credit facilities with various financial institutions worldwide, which provide for borrowing capacity aggregating approximately \$460 million at October 2, 2004. Most of these arrangements are on an uncommitted basis and are reviewed periodically for renewal. At October 2, 2004 and January 3, 2004, we had approximately \$105.4 million and \$128.3 million, respectively, outstanding under these facilities. At October 2, 2004 and January 3, 2004, letters of credit totaling approximately \$29.8 million and \$29.3 million, respectively, were also issued principally to certain vendors to support purchases by our subsidiaries. The issuance of these letters of credit reduces our available capacity under these agreements by the same amounts. The weighted average interest rate on the outstanding borrowings under these credit facilities was 5.3% and 5.2% per annum at October 2, 2004 and January 3, 2004, respectively.

## Management's Discussion and Analysis Continued

### *Off-Balance Sheet Capital Resources*

We have a revolving trade accounts receivable-based facility in Europe, which provides up to approximately \$211 million of additional financing capacity. At October 2, 2004 and January 3, 2004, there were no trade accounts receivable sold to and held by third parties under our European program. Our financing capacity under the European program is dependent upon the level of our trade accounts receivable eligible to be transferred or sold into the accounts receivable financing program. At October 2, 2004, our actual aggregate capacity under this program, based on eligible accounts receivable outstanding, was approximately \$149 million. We believe that there are sufficient eligible trade accounts receivable to support our anticipated financing needs under the remaining European accounts receivable financing program.

Effective July 29, 2004, we terminated our \$700 million revolving accounts receivable securitization program in the U.S., which was scheduled to expire in March 2005. On the same day, we entered into a new revolving accounts receivable-based financing program, which provides for up to \$500 million in borrowing capacity secured by substantially all U.S.-based receivables (see "Capital Resources — On-Balance Sheet Capital Resources" above). At January 3, 2004, the amount of undivided interests sold to and held by third parties under the former securitization program totaled \$60 million. We also amended on July 26, 2004 our existing accounts receivable-based facility in Canada of 150 million Canadian dollars (originally scheduled to expire in August 2004) and extended the maturity to August 31, 2008. At January 3, 2004, there were no trade accounts receivable sold to and held by third parties under the former program.

### *Covenant Compliance*

We are required to comply with certain financial covenants under some of our on-balance sheet financing facilities, as well as our off-balance sheet accounts receivable-based facilities, including minimum tangible net worth, restrictions on funded debt and interest coverage and trade accounts receivable portfolio performance covenants, including metrics related to receivables and payables. We are also restricted in the amount of additional indebtedness we can incur, dividends we can pay, as well as the amount of common stock that we can repurchase annually. At October 2, 2004, we were in compliance with all covenants or other requirements set forth in our accounts receivable financing programs and credit agreements or other agreements with our financial partners discussed above.

As is customary in trade accounts receivable-based financing arrangements, a reduction in credit ratings of the third-party issuer of commercial paper or a back-up liquidity provider (which provides a source of funding if the commercial paper market cannot be accessed) could result in an adverse change in, or loss of, our financing capacity under these programs if the commercial paper issuer and/or liquidity back-up provider is not replaced. Loss of such financing capacity could have a material adverse effect on our financial condition, results of operations and liquidity. However, based on our assessment of the duration of these programs, the history and strength of the financial partners involved, other historical data, and the remoteness of such contingencies, we believe it is unlikely that any of these risks will materialize in the near term.

### *Other Matters*

In December 1998, we purchased 2,972,400 shares of common stock of Softbank for approximately \$50.3 million. During December 1999, we sold approximately 35% of our original investment in Softbank common stock for approximately \$230.1 million, resulting in a pre-tax gain of approximately \$201.3 million, net of expenses. In January 2000, we sold an additional approximately 15% of our original holdings in Softbank common stock for approximately \$119.2 million resulting in a pre-tax gain of approximately \$111.5 million, net of expenses. In March 2002, we sold our remaining shares of Softbank common stock for approximately \$31.8 million resulting in a pre-tax gain of \$6.5 million, net of expenses. We generally used the proceeds from these sales to reduce existing indebtedness. The realized gains, net of expenses, associated with the sales of Softbank common stock in March 2002, January 2000 and December 1999 totaled \$4.1 million, \$69.3 million and \$125.2 million, respectively, net of deferred taxes of \$2.4 million, \$42.1 million and \$76.1 million, respectively (see Note 9 to our consolidated financial statements).

The Softbank common stock was sold in the public market by certain of our foreign subsidiaries, which are located in a low-tax jurisdiction. At the time of each sale, we concluded that U.S. taxes were not currently payable on the gains based on our internal assessment and opinions received from our outside advisors. However, in situations involving uncertainties in the interpretation of complex tax regulations by various taxing authorities, we provide for tax liabilities unless we consider it probable that these taxes will not be due. The level of opinions received from our outside advisors and our internal assessment did not allow us to reach that conclusion on this

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## Management's Discussion and Analysis Continued

matter and the deferred taxes were provided accordingly. Our U.S. Federal tax returns were closed in September 2004 and 2003 for the fiscal years 2000 and 1999, respectively, and certain state returns for fiscal years 2000 and 1999 were closed in September 2004, which resolved these matters for tax purposes in those jurisdictions. Accordingly, we reversed the related Federal and certain state deferred tax liability of \$40.0 million associated with the gain on the 2000 and 1999 sales in the third quarter of 2004, while we reversed the related Federal deferred tax liability of \$70.5 million associated with the gain on the 1999 sale in the third quarter of 2003, thereby reducing our income tax provisions for both periods in the consolidated statement of income. Although we review our assessments in these matters on a regular basis, we cannot currently determine when the remaining deferred tax liabilities of \$2.4 million, \$3.1 million and \$4.7 million related to the 2002, 2000 and 1999 sales, respectively, will be finally resolved with the taxing authorities, or if the deferred taxes will ultimately be paid. As a result, we continue to provide for these tax liabilities. If we are successful in obtaining a favorable resolution of this matter, our tax provision would be reduced to reflect the elimination of some or all of these deferred tax liabilities. However, in the event of an unfavorable resolution, we believe that we will be able to fund any such taxes that may be assessed on this matter with our available sources of liquidity.

During 2002 and 2003, one of our Latin American subsidiaries was audited by the Brazilian taxing authorities in relation to certain commercial taxes. As a result of this audit, the subsidiary received an assessment of Brazilian Reais 27.8 million, including interest and penalties through October 2, 2004, or approximately \$9.8 million alleging these commercial taxes were not properly remitted for the period January through September 2002. The Brazilian taxing authorities may make similar claims for periods subsequent to September 2002. Additional assessments, if received, may be significant either individually or in the aggregate. It is management's opinion, based upon the opinions of outside legal advisors, that we have valid defenses related to this matter. Although we are vigorously pursuing administrative and judicial action to challenge the assessment, no assurance can be given as to the ultimate outcome. An unfavorable resolution of this matter is not expected to have a material impact on our financial condition, but depending upon the time period and amounts involved it may have a material negative effect on our results of operations.

In September 2004, we signed a definitive agreement to acquire Tech Pacific, one of Asia-Pacific's largest technology distributors, for 700 million Australian dollars (approximately \$506 million at October 2, 2004) in cash, which includes the assumption of debt, subject to adjustment based upon the amount of Tech Pacific's net assets at closing date. The transaction is expected to close by the end of November 2004, subject to certain customary closing conditions.

To protect the value of our U.S. dollar investment in the pending Tech Pacific acquisition, which is denominated in Australian dollars, we entered into a forward currency exchange contract for a notional amount equal to 537 million Australian dollars. The forward exchange contract was entered at an agreed forward contract price of 0.71384 U.S. dollar to one Australian dollar. The value of the foreign exchange contract fluctuates depending on the value of the U.S. dollar compared to the Australian dollar. For every one percent change in the value of the U.S. dollar compared to the Australian dollar, the value of the forward exchange contract will fluctuate by approximately \$4 million. At October 2, 2004, the mark-to-market value of our forward exchange contract resulted in a gain of \$4.3 million. The forward exchange contract will be settled concurrent with our payment of the purchase price for Tech Pacific upon closing of the acquisition, which is expected to occur by the end of November 2004.

We received an informal inquiry from the SEC during the third quarter of 2004. The SEC did not provide a specific reason for the inquiry, but we believe it is related to certain transactions with Network Associates, Inc. from 1998 through 2000. We are cooperating fully with the SEC's request. Although the outcome of this inquiry cannot be predicted with certainty, it is not currently expected to have a material effect on our ongoing consolidated financial position, results of operations or cash flows.

### *Capital Expenditures*

We presently expect our capital expenditures not to exceed \$50 million in fiscal 2004.

## Management's Discussion and Analysis Continued

### Cautionary Statements for the Purpose of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

The matters in this Form 10-Q that are forward-looking statements, including, but not limited to, statements about competition, revenues, margins, expenses and other operating results or ratios, operating efficiencies, economic conditions, costs savings, capital expenditures, liquidity and exchange rate fluctuations, are based on our current expectations that involve certain risks, which if realized, in whole or in part, could have a material adverse effect on our business, financial condition and results of operations, including, without limitation:

- intense competition, regionally and internationally, including competition from alternative business models, such as manufacturer-to-end-user selling, which may lead to reduced prices, lower sales or reduced sales growth, lower gross margins, extended payment terms with customers, increased capital investment and interest costs, bad debt risks and product supply shortages;
- termination of a supply or services agreement with a major supplier or customer or a significant change in supplier terms or conditions of sale;
- failure of information processing or data security systems could result in significant disruption of business and/or additional costs to us;
- worsening economic conditions globally or in particular geographic regions, such as the Asia-Pacific region (particularly in purchases of technology products) and failure to adjust costs in a timely fashion in response to a sudden decrease in demand;
- losses resulting from significant credit exposure to reseller customers and negative trends in their businesses;
- delays or failure to achieve the benefits of process or organizational changes we may implement in the business;
- disruptions in business operations due to reorganization activities and/or increased or unanticipated costs related to such changes, as well as compliance with regulatory requirements such as the Sarbanes-Oxley Act of 2002;
- rapid product improvement and technological change and resulting obsolescence risks;
- possible disruption in commercial activities caused by terrorist activity or armed conflict, including changes in logistics and security arrangements as a result thereof, and reduced customer demand;
- dependence on key individuals and inability to retain personnel;
- reductions in credit ratings and/or unavailability of adequate capital;
- interest rate and foreign currency fluctuations;
- adverse impact of governmental controls and actions or political or economic instability which could adversely affect foreign operations;
- failure to attract new sources of business from expansion of products or services or entry into new markets;
- inability to manage future adverse industry trends;
- difficulties and risks associated with integrating operations and personnel in acquisitions and, in particular, our proposed acquisition of Tech Pacific;
- unanticipated costs or liabilities and failure to retain key personnel in connection with our acquisition of Tech Pacific or other acquisitions;
- future periodic assessments required by current or new accounting standards which may result in additional charges;  
and
- dependence on independent shipping companies.

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We have instituted in the past and continue to institute changes in our strategies, operations and processes to address these risk factors and to mitigate their impact on our results of operations and financial condition. However, no assurances can be given that we will be successful in these efforts. For a further discussion of significant factors to consider in connection with forward-looking statements concerning us, reference is made to Exhibit 99.01 of our Annual Report on Form 10-K for the year ended January 3, 2004; other risks or uncertainties may be detailed from time to time in our future SEC filings.

## Management's Discussion and Analysis Continued

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

At the end of September 2004, we entered into a forward currency exchange contract for a notional amount equal to 537 million Australian dollars to protect the value of our U.S. dollar investment in the pending Australian dollar denominated acquisition of Tech Pacific. The forward exchange contract was entered at an agreed forward contract price of 0.71384 U.S. dollar to one Australian dollar. The value of the foreign exchange contract fluctuates depending on the value of the U.S. dollar compared to the Australian dollar. For every one percent change in the value of the U.S. dollar compared to the Australian dollar, the value of the forward exchange contract will fluctuate by approximately \$4 million. At October 2, 2004, the mark-to-market value of our forward exchange contract resulted in a gain of \$4.3 million. The forward exchange contract will be settled concurrent with our payment of the purchase price for Tech Pacific upon closing of the acquisition, which is expected to occur by the end of November 2004.

There were no other material changes in our quantitative and qualitative disclosures about market risk for the nine-month period ended October 2, 2004 from those disclosed in our Annual Report on Form 10-K for the year ended January 3, 2004. For further discussion of quantitative and qualitative disclosures about market risk, reference is made to our Annual Report on Form 10-K for the year ended January 3, 2004.

### Item 4. Controls and Procedures

The Company's management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. There has been no change in the Company's internal control over financial reporting that occurred during the last fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## Part II. Other Information

### Item 1. Legal Proceedings

During 2002 and 2003, one of our Latin American subsidiaries was audited by the Brazilian taxing authorities in relation to certain commercial taxes. As a result of this audit, the subsidiary received an assessment of Brazilian Reais 27.8 million, including interest and penalties through October 2, 2004, or approximately \$9.8 million alleging these commercial taxes were not properly remitted for the period January through September 2002. The Brazilian taxing authorities may make similar claims for periods subsequent to September 2002. Additional assessments, if received, may be significant either individually or in the aggregate. It is management's opinion, based upon the opinions of outside legal counsel, that we have valid defenses related to this matter. Although we are vigorously pursuing administrative and judicial action to challenge the assessment, no assurance can be given as to the ultimate outcome. An unfavorable resolution of this matter is not expected to have a material impact on our financial condition, but depending upon the time period and amounts involved it may have a material negative effect on our results of operations.

We received an informal inquiry from the SEC during the third quarter of 2004. The SEC did not provide a specific reason for the inquiry, but we believe it is related to certain transactions with Network Associates, Inc. from 1998 through 2000. We are cooperating fully with the SEC's request. Although the outcome of this inquiry cannot be predicted with certainty, it is not currently expected to have a material effect on our ongoing consolidated financial position, results of operations or cash flows.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

### Item 3. Defaults Upon Senior Securities

Not applicable.

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

Not applicable.

### Item 5. Other Information

Not applicable.

### Item 6. Exhibits

No.	Description
10.54	Share Sale Agreement with the stockholders of Techpac Holdings Limited, a company incorporated in Bermuda, dated September 26, 2004
10.55	Compensation Agreement — Form of Incentive Stock Option Award Agreement
10.56	Compensation Agreement — Form of Non-Qualified Stock Option Award Agreement
10.57	Compensation Agreement — Form of Restricted Stock Award Agreement
10.58	Compensation Agreement — Form of Non-Qualified Stock Option Award Agreement (Board of Directors)
10.59	Compensation Agreement — Compensation Election Form (Board of Directors)
10.60	Compensation Agreement — Compensation Deferral Agreement and Deferral Election Forms (Board of Directors)
31.1	Certification by Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ("SOX")
31.2	Certification by Principal Financial Officer pursuant to Section 302 of SOX
32.1	Certification by Principal Executive Officer pursuant to Section 906 of SOX
32.2	Certification by Principal Financial Officer pursuant to Section 906 of SOX

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**Signatures**

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

**INGRAM MICRO INC.**

November 8, 2004

By: /s/ Thomas A. Madden

Name: Thomas A. Madden

Title: Executive Vice President and  
Chief Financial Officer  
*(Principal Financial Officer)*

**Exhibit Index**

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Share Sale Agreement

Dated September 26, 2004

The parties listed in Schedule 1 ("Seller")  
Ingram Micro Asia Holdings Inc. ("Buyer")  
Ingram Micro Inc. ("Guarantor")

Project Phoenix - Share Sale Agreement  
Contents

Details	1
General terms	3
-----	
1 Sale and purchase of Shares	3
1.1 Sale and purchase	3
1.2 Free from Encumbrance	3
1.3 More than one seller	3
-----	
2 Purchase Price and funds flow	4
2.1 Purchase Price	4
2.2 Allocation of Purchase Price	4
2.3 Funds flow	5
2.4 Remaining Debt	5
-----	
3 Conditions Precedent	5
3.1 Conditions Precedent	5
3.2 Reasonable endeavours	6
3.3 Termination of agreement	6
3.4 Effect of termination	6
3.5 Failure of GAAP condition	7
3.6 Non-solicitation	7
3.7 Exception	7
-----	
4 Completion	8
4.1 Time and place of Completion	8
4.2 Seller's obligations	8
4.3 Items to be delivered on Completion by Buyer	9
4.4 Payment on Completion	10
4.5 Interdependent	10
4.6 Title	10
4.7 Records	10
-----	
5 Payment of Purchase Price and Escrow Amount	10
5.1 Payments on Completion	10
5.2 Stocktake	11
5.3 Draft Adjustment Statement	11
5.4 Reasonable endeavours	11
5.5 Contents of Adjustment Statement	11
5.6 Adjustment Statement Accounting Policies	12
5.7 Audit	12
5.8 Auditor's access	12
5.9 Access to Auditor and papers	12
5.10 Auditor's costs	13
5.11 Consultation on final Adjustment Statement	13
5.12 Adjustment Amount	13
5.13 Limitation on Adjustment Amount disputes	13
5.14 Adjustment Amount disputes	14
5.15 Payment of Adjustment Amount	15

5.16	Method of payment	16
5.17	Notification by Seller Representative	16
5.18	Escrow Account	16
5.19	Payments from Escrow Account	16
5.20	Interest on Escrow Account Balance	17
5.21	No Buyer Claims Or Actions by the Escrow Amount Payment Date	17
5.22	Buyer Claims or Actions by the Escrow Amount Payment Date	17
5.23	Unagreed Claims notice	19
5.24	Resolution of Claims	19
5.25	Interest accruing to Buyer	19
5.26	Sole recourse for General Claims	19
5.27	Buyer Claims	20
5.28	Seller Representative - dealing with Purchase Price on behalf of Sellers	20
-----		
6	Conduct of business pending Completion	22
6.1	Conduct of business	22
6.2	Access and assistance	23
6.3	Consultation rights	24
6.4	Management accounts and other documents	24
6.5	Damages sole remedy	24
-----		
7	Post-Completion matters	24
7.1	Exclusion of directors and officers from liability	24
-----		
8	Warranties and representations	24
8.1	Accuracy	24
8.2	Separate Warranties	25
8.3	Matters Disclosed	25
8.4	Buyer's warranties	25
8.5	Buyer's acknowledgment	26
8.6	Notification	26
-----		
9	Limitations of Liability	26
9.1	Time limit on Claims	26
9.2	Minimum amount of Claim	27
9.3	Maximum liability	27
9.4	Notice of Claims	27
9.5	Third party claims	28
9.6	Seller to consider Claims	28
9.7	Seller to defend Claim	28
9.8	Seller not liable	29
9.9	Reduction in Purchase Price	30
9.10	Exclusion of consequential liability	30
-----		
10	Buyer's warranties	30
10.1	Buyer's warranties	30
-----		
11	Default	31
11.1	Failure by a party to Complete	31
11.2	Specific performance or termination	31
11.3	Termination of agreement	31

12	Confidential Information	31
12.1	Confidential Information	31
12.2	Disclosure of Confidential Information	31
12.3	Use of Confidential Information	32
12.4	Excluded Information	32
12.5	Delivery of materials	32
12.6	Use and disclosure of Business related Confidential Information by Buyer from Completion	32
12.7	Disclosure to other potential buyers	32
12.8	Disclosure of this agreement	32
12.9	Disclosure prior to the date of this agreement	33
12.10	Enforcement by the Company	33
12.11	Privacy	33
12.12	Application of privacy clause	33
12.13	Use of Personal Information by Seller after Completion	34
12.14	Use of Business Information by Seller after Completion	34
12.15	Survival of termination	34
13	Guarantee and Indemnity	34
13.1	Consideration	34
13.2	Guarantee	34
13.3	Indemnity	35
13.4	Extent of guarantee and indemnity	35
13.5	No merger	35
13.6	Rights of the Seller are protected	35
13.7	Guarantor's rights are suspended	36
13.8	Reinstatement of rights	36
13.9	Costs	36
14	Seller as trustee	37
14.1	Application	37
14.2	Trustee acknowledgment	37
14.3	Trustee representations and warranties	37
14.4	Limited capacity	37
15	Announcements	38
15.1	Public announcements	38
15.2	Public announcements required by law	38
16	Costs	38
17	Notices	38
17.1	Form	38
17.2	Delivery	39
17.3	When effective	40
17.4	Receipt - post	40
17.5	Receipt - fax	40
17.6	Receipt - general	40
18	Representatives	40
18.1	Appointment of Management Seller Representative	40
18.2	Reliance by Buyer on Management Seller Representative	40
18.3	Authority of Management Seller Representative	40

18.4	Reliance by Buyer on Seller Representative	40
-	-	-
19	Assignment	41
19.1	No assignment	41
-	-	-
20	Miscellaneous	41
20.1	Discretion in exercising rights	41
20.2	Partial exercising of rights	41
20.3	No liability for Loss	41
20.4	Approvals and consents	42
20.5	Conflict of interest	42
20.6	Remedies cumulative	42
20.7	Rights and obligations are unaffected	42
20.8	Variation and waiver	42
20.9	No merger	42
20.10	Indemnities	42
20.11	Further steps	42
20.12	Time of the essence	43
20.13	Entire agreement	43
20.14	Construction	43
20.15	Severability	43
20.16	SEC Compliance	43
-	-	-
21	Non-compete	43
21.1	Non-competition or interference	43
21.2	No Share Entitlements	44
21.3	Exceptions to non-competition	44
21.4	Severance	45
21.5	Independent legal advice	45
21.6	Damages not an adequate remedy	45
21.7	CVC Asia Pacific Limited	45
-	-	-
22	Governing law, jurisdiction and service of process	46
22.1	Governing law	46
22.2	Jurisdiction	46
22.3	Serving documents	46
-	-	-
23	Counterparts	46
-	-	-
24	Supervening legislation	46
-	-	-
25	Interpretation	47
25.1	Definitions	47
25.2	References to certain general terms	59
25.3	Headings	61
Schedule 1 - Seller details		62
Schedule 2 - Shares		65
Schedule 3 - Form of officer release		69
Schedule 4 - Company and Subsidiaries		81
Schedule 5 - Warranties		91
Schedule 6 - Adjustment Statement		100

Schedule 7 - Adjustment Statement Accounting Policies	102
Schedule 8 - Auditor's scope of work	104
Schedule 9 - Public Register Information	110
Signing page	114
Annexure A - [omitted]	
Annexure B - [omitted]	
Annexure C - [omitted]	
Annexure D - [omitted]	
Letter	



Details

Interpretation - Definitions are at the end of the General terms

Parties			Seller, Buyer and Guarantor	
Seller	Name		The persons listed in Schedule 1 ("Seller details")	
	Address		See Schedule 1	
	Fax		See Schedule 1	
	Attention		See Schedule 1	
Buyer	Name		Ingram Micro Asia Holdings Inc.	
	Incorporated in		A corporation incorporated under the laws of the State of California, USA	
	Address		1600E. St Andrew Place, P. O. Box 25125, Santa Ana, CA 92799-5125, USA	
	Fax		+1 714 566 9370	
Guarantor	Attention		General Counsel	
	Name		Ingram Micro Inc.	
	Incorporated in		Delaware	
	Address		1600E. St Andrew Place, P. O. Box 25125, Santa Ana, CA 92799-5125, USA	
	Fax		+1 714 566 9370	
	Attention		General Counsel	
	Recitals	A	Techpac Holdings Limited is a company incorporated in Bermuda and has its registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda ("Company").	
		B	The Seller is the registered holder and beneficial owner of the number and class of Shares in the capital of the Company as set out in Schedule 2.	
C		The Seller has agreed to sell, and the Buyer has agreed to buy, the Shares on the terms of this agreement.		

D        The Guarantor has agreed to guarantee the obligations of the Buyer and acknowledges incurring obligations and giving rights under this agreement for valuable consideration received from the Seller.

-----  
Governing law    New South Wales, Australia  
-----

Date of            See Signing page  
agreement

General terms

-----  
1 Sale and purchase of Shares

1.1 Sale and purchase

The Seller agrees to sell the Shares to the Buyer and the Buyer agrees to buy the Shares from the Seller, on the terms and conditions of this agreement.

1.2 Free from Encumbrance

The Shares must be transferred free from any Encumbrance and with all rights, including dividend rights, attached or accruing to them whether before or after Completion.

1.3 More than one seller

- (a) (references to "Seller" and "Shares") References to the "Seller" means each of those persons and references to "Shares" means, in relation to each person, the Shares in the Company described opposite that person's name in Schedule 2.
- (b) (simultaneous completion) The Buyer is not obliged to Complete unless each Seller Completes simultaneously.
- (c) (waiver of pre-emption rights) Each Seller waives in favour of the Buyer any pre-emption or other rights which it has now or might otherwise have in respect of any of the Shares held by each other Seller.
- (d) (Liability) Subject to clause 9.3 ("Maximum Liability") and clause 1.3(e), the Liability of each Seller under this agreement is several (and not joint) in their Respective Proportions (other than in respect of a breach of a Personal Warranty) and no Seller is liable for and subject to paragraph (e), neither the Buyer nor the Guarantor may make a claim against a Seller in connection with this agreement or the transactions contemplated by it in excess of the relevant Seller's Respective Proportion of that Liability.
- (e) (Personal Warranties) Each Seller is liable for any breach of a Personal Warranty given by that Seller. To avoid doubt, and without prejudice to clause 9.3, each Seller's Liability in respect of its Personal Warranties is limited to that Seller's Respective Proportion of the Purchase Price. No Seller is liable for and neither the Buyer nor the Guarantor may make a claim against a Seller for breach of a Personal Warranty given by any other Seller.
- (f) (payments) Other than as provided for in this agreement, any payment to be made by the Buyer to the Seller must be paid to the Seller Representative which payment will constitute the full and

proper discharge of any and all obligations of the Buyer to make such payment to a Seller.

- (g) (payments by Seller) Where the Seller has an obligation to pay an amount, each Seller's obligation is to pay that Seller's Respective Proportion of that amount.

-----  
2 Purchase Price and funds flow

2.1 Purchase Price

The aggregate price payable for the Shares is the sum of:

- (a) an amount equal to the Goodwill Amount; and
- (b) an amount equal to the Net Tangible Assets at Adjustment Statement Date; and
- (c) an amount equal to the Notional Interest Amount.

2.2 Allocation of Purchase Price

The Purchase Price is to be paid and allocated subject to clause 5 in the following manner:

- (a) first, toward the price payable for each Preference Share which is the sum of:
  - (i) \$1; and
  - (ii) the aggregate amount of accrued but unpaid dividend on that Preference Share as at the Completion Date.
- (b) second, in the case of Sellers who are entitled to the benefit of "subordinated shareholder loans" (as referred to in Schedule 7), the aggregate amount of those "subordinated shareholder loans" to those Sellers in proportion to their entitlement; and
- (c) third, toward the aggregate price payable for the Ordinary Shares ("Ordinary Shares Purchase Price"), which is the Purchase Price less the aggregate price payable for all of the Preference Shares calculated under clause 2.2(a) and less the amount payable under clause 2.2(b). The price payable for each Ordinary Share is an amount equal to the Ordinary Shares Purchase Price divided by the total number of Ordinary Shares.

The Sellers acknowledge in favour of the Seller Representative that their entitlement as against the Seller Representative to payment on account of the Ordinary Share Purchase Price is reduced subject to and as required by clause 5.1(b) and clause 5.18 ("Escrow Account") and clause 5.28(a) ("Net Tangible Asset adjustment - retention") and 5.28(c) ("Transaction Costs").

2.3 Funds flow

- (a) The purpose of this clause is to explain the funds which the Buyer will be required to provide pursuant to the terms of this agreement for the acquisition of the Shares.
- (b) The total funds required are:
  - (i) an amount equal to the Purchase Price; and
  - (ii) an amount equal to the Mezzanine Debt Amount.
- (c) At Completion:
  - (i) the Buyer will pay the Estimated Purchase Price and the Notional Interest Amount to the Seller in the manner required by clause 5.1 ("Payments on Completion"); and
  - (ii) the Mezzanine Debt Amount will be settled in the manner required by clause 5.1 ("Payments on Completion").
- (d) The Purchase Price will be determined upon agreement or determination of the Adjustment Statement as contemplated in clause 5 ("Payment of Purchase Price and Escrow Amount").

2.4 Remaining Debt

To avoid doubt, from Completion, the relevant Group Companies (and indirectly the Buyer through its acquisition of the Shares) will remain responsible for and liable to discharge the Remaining Debt.

---

3 Conditions Precedent

3.1 Conditions Precedent

Completion is conditional on and only on:

- (a) (FIRB approval):
  - (i) the Treasurer (or his delegate) providing written advice without conditions or on conditions acceptable to the Buyer (acting reasonably) that there are no objections under Australia's foreign investment policy to the proposed acquisition by the Buyer of the Shares; or
  - (ii) following notice of the proposed acquisition of the Shares having been given by the Buyer to the Treasurer under the Foreign Acquisitions and Takeovers Act 1975 (Cwlth), the Treasurer ceases to be empowered to make any order under Part II of that Act because of lapse of time;
- (b) (Mauritian FSC approval) consent without conditions or on conditions acceptable to the Buyer (acting reasonably) having been given to the proposed acquisition by the Buyer of the Shares by the Financial Services Commission of Mauritius;

- (c) (Bermuda Monetary Authority approval) consent without conditions or on conditions acceptable to the Buyer (acting reasonably) having been given to the proposed acquisition by the Buyer of the Shares by the Bermuda Monetary Authority; and
- (d) (US GAAP Financial Statements) the delivery by the Seller Representative to the Buyer of US GAAP Financial Statements.

### 3.2

#### Reasonable endeavours

- (a) The Buyer and the Guarantor must each use its reasonable endeavours (excluding the payment of any money or the incurring of any cost or Liability (other than filing and other fees associated with obtaining the approvals)) to obtain the fulfilment of the Conditions Precedent as soon as reasonably practicable after the date of this agreement.
- (b) The Seller must use its reasonable endeavours to assist the Buyer in obtaining the fulfilment of the Conditions Precedent if reasonably requested by the Buyer.
- (c) The parties must keep each other informed of any circumstances which may result in any Condition Precedent not being satisfied in accordance with its terms.
- (d) The parties must each use their reasonable endeavours (including, in respect of the Seller, procuring the Group provides reasonable assistance and access to papers, information, records and personnel) to facilitate the finalisation of the US GAAP Financial Statements as soon as reasonably practicable after the date of this agreement and the Seller Representative must deliver the US GAAP Accounts to the Buyer immediately upon their finalisation.

### 3.3

#### Termination of agreement

- (a) The Conditions Precedent are inserted for the benefit of the Buyer and the Seller.
- (b) If any of the Conditions Precedent are not fulfilled by 31 December 2004 or any later date agreed by the Seller Representative and the Buyer and have not been waived by the Seller Representative and the Buyer then this agreement will automatically terminate without any requirement by the Seller or the Buyer to provide any notice of termination.

### 3.4

#### Effect of termination

If this agreement is terminated under clause 3.3 ("Termination of agreement"), or clause 11.3 ("Termination of agreement") then, in addition to any other rights, powers or remedies provided by Law:

- (a) each party is released from its obligations under this agreement other than in relation to clauses 16 ("Costs") and 12 ("Confidential Information");

- (b) each party retains the rights it has against any other party in respect of any breach or Claim that has arisen before termination; and
- (c) the Buyer must return to the Seller or destroy all documents and other materials in any medium in its possession, power or control which contain any information relating to the Company and its Subsidiaries, including the Records.

### 3.5 Failure of GAAP condition

- (a) In addition to the Seller's rights (if any) under clause 3.4, where the condition in clause 3.1(d) is not fulfilled on 31 December 2004, the Guarantor must on that day ("due date") pay or procure payment of \$8.351 million ("Termination Amount") to the Seller Representative. The Seller Representative must nominate the account into which the Termination Amount is to be paid by 29 December 2004.
- (b) If the Guarantor does not pay the Termination Amount in full by the due date, interest accrues on the Termination Amount or any unpaid portion daily (calculated on the basis of a 365 day year) at the rate of 9% per annum and compounds monthly from the due date until the date the Termination Amount together with interest thereon calculated in accordance with this clause 3.5 is paid in full.
- (c) To avoid doubt, this clause 3.5 survives termination of this agreement under clause 3.3.

### 3.6 Non-solicitation

If this agreement is terminated, for a period of 12 months from the date of termination of this agreement:

- (a) the Buyer will procure that neither it nor any other entity Controlled by the Guarantor of it directly or indirectly solicits without the Seller Representative's consent the employment of, or the engagement for the provision of services of, any person currently employed by a Group Company in a senior management position in the Group as a whole; and
- (b) each Seller will procure (insofar as it is able) that neither it nor any Group Company directly or indirectly solicits without the Buyer's consent the employment of, or the engagement for the provision of services of, any person currently employed by the Buyer or any entity Controlled by the Guarantor in a senior management position in the group comprising the Guarantor and the entities it Controls.

### 3.7 Exception

The restriction in clause 3.6 ("Non-solicitation") does not apply where such an employee responds to a bona fide advertising or recruiting campaign which is targeted to a wide audience of potential applicants or initiates employment discussions themselves.

-----  
4 Completion

4.1 Time and place of Completion

Completion will take place in Bermuda at the registered office of the Company at 11:00 am on the Scheduled Completion Date (or any other time and place agreed between the Seller Representative and the Buyer).

4.2 Seller's obligations

At Completion, the Seller must give to the Buyer:

- (a) (transfers and Share certificates) duly executed transfers in favour of the Buyer (or as it may direct) of all the Shares and the share certificates for the Shares;
- (b) (transfer documents for Subsidiary shares) duly executed transfer or other relevant documents in favour of the person(s) nominated by the Buyer to the Seller Representative not less than 5 Business Days prior to the Completion Date from those persons (other than any Group Company) holding shares in any Subsidiary;
- (c) (records and common seal) the Records and the common seal (if any) of the Company and each Subsidiary which will be deemed delivered by leaving them within the possession or control of the Company or a Subsidiary;
- (d) (resignations) written resignations of the Retiring Directors and Retiring Secretaries of the Company and each Subsidiary (except as agreed between the Buyer and the Seller Representative) each acknowledging that they have no claim whatsoever including for compensation, reimbursement or remuneration against the relevant Group Company for loss of office or acting in such office;
- (e) (directors resolution of the Company) a certified copy of a resolution of directors of the Company and/or where required, a resolution of the shareholders of the Company, resolving that:
  - (i) the transfer of the Shares will be registered;
  - (ii) the relevant Incoming Directors be appointed to the board of directors of the Company (subject to receiving any necessary consents to act), and the resignation of the Retiring Directors from the board be accepted, all with effect from Completion, but so that a properly constituted board of directors is in existence at all times; and
  - (iii) the relevant Incoming Secretaries be appointed to the position of the company secretary of the Company and the resignation of the Retiring Secretaries be accepted, all with effect from Completion;
- (f) (directors resolution of each relevant Subsidiary) a certified copy of a resolution of directors of each relevant Subsidiary and/or where



required, a resolution of the shareholder(s) of the relevant Subsidiary resolving that:

- (i) the relevant Incoming Directors be appointed to the board of directors of the relevant Subsidiary, and the resignation of the Retiring Directors from the board be accepted, all with effect from Completion, but so that a properly constituted board of directors is in existence at all times;
- (ii) the relevant Incoming Secretaries be appointed to the position of company secretary of the relevant Subsidiary and the resignation of the Retiring Secretaries be accepted, all with effect from Completion;
- (g) (release in favour of former directors and officers) a release executed by the Company and each Subsidiary (other than Tech Pacific Holdings Sarl and TP Holdings NV) in favour of each of the pre-Completion directors, officers and secretaries in the form set out in Schedule 3 ("Form of officer release") or in the form otherwise agreed in writing by the Seller Representative and the Buyer;
- (h) (Shareholder releases) a certified copy of a resolution of the shareholders of each of Tech Pacific Holdings Sarl and TP Holdings NV releasing each of the pre-Completion directors, officers and secretaries from Liabilities to Tech Pacific Holdings Sarl or TP Holdings NV (as applicable) for acts or omissions by them as directors, officers or secretaries (as applicable) other than acts or omissions arising from the wilful misconduct, gross negligence or dishonesty of that director, officer or secretary;
- (i) (shareholders agreement termination) the Shareholders Agreement Termination Deed duly executed by or on behalf of all parties to it;
- (j) (Escrow Deed) a counterpart of the Escrow Deed duly executed by the Seller Representative; and
- (k) (Certification of Warranties) a certificate signed by the Seller Representative certifying that, so far as the Seller is aware and except as disclosed in the certificate, as at Completion, the Seller is not in breach of clause 6.1 or any of the Warranties in section 4.2 of Schedule 5.

Despite clause 20.6 the Buyer's sole remedy and each Seller's sole Liability in respect of the certificate in or any breach of clause 4.2(k) is damages limited and calculated with respect to that Seller in accordance with this agreement.

#### 4.3 Items to be delivered on Completion by Buyer

At Completion, the Buyer must give to the Seller Representative:

- (a) (consents) executed consents to act by the Incoming Directors and Incoming Secretaries where required in relation to the Company or a Subsidiary; and

(b) (Escrow Deed) a counterpart of the Escrow Deed duly executed by the Buyer and the Guarantor.

#### 4.4 Payment on Completion

At Completion, the Buyer must comply with its obligations under clause 5.1 ("Payments on Completion").

#### 4.5 Interdependent

In respect of Completion:

(a) the obligations of the parties under this clause 4 ("Completion") (except for clause 4.2(k)) are interdependent; and

(b) unless otherwise stated, all actions required to be performed by a party at Completion (except as regards clause 4.2(k)) are taken to have occurred simultaneously on the Completion Date,

and no party will be obliged to Complete unless the other parties have complied with their obligations on Completion.

#### 4.6 Title

Upon Completion and following compliance by the Buyer of its obligations under clause 5.1, legal and beneficial ownership of the Shares will pass to the Buyer free of any Encumbrance and with all rights, including dividend rights, attached or accruing to them whether before or after Completion.

#### 4.7 Records

The Seller will use its best endeavours to update the share registers of each Group Company so they are accurate as at the Completion Date.

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### 5 Payment of Purchase Price and Escrow Amount

#### 5.1 Payments on Completion

(a) On Completion, the Buyer must:

(i) subject to clause 5.1(b), pay to the Seller (or as the Seller Representative directs) an amount equal to the Estimated Purchase Price plus an amount equal to the Notional Interest Amount; and

(ii) provide to Techpac Holdings (Australia) Pty Ltd and Tech Pacific Holdings (NZ) Ltd the Mezzanine Debt Amount and, with assistance from the Seller, the Buyer must procure these Group Companies repay the Mezzanine Loan in full to the Mezzanine Lenders,

in each case, where appropriate, to an account or accounts nominated by the Seller Representative (which accounts shall be nominated at least two Business Days prior to the Completion Date).

- (b) The Seller directs the Buyer to pay on Completion from the amount payable to it under paragraph (a)(i) above an amount equal to the Escrow Amount into the Escrow Account.

## 5.2 Stocktake

- (a) The Buyer and the Seller Representative must cause management of the Company to cause a physical stocktake of all trading stock to be undertaken by the Group as at the Adjustment Statement Date ("Stocktake").
- (b) Representatives of the Seller, including an auditor nominated by the Seller Representative (" Seller's Auditor"), the Buyer, the Auditor and the Buyer's auditor, PricewaterhouseCoopers, will be entitled to be present at the Stocktake to observe details recorded on the stock sheets.
- (c) The Stocktake must be undertaken in all jurisdictions in which the Group trades and carried out on or around the Adjustment Statement Date or over the immediately preceding weekend. Full stock counts must be conducted (as opposed to regular cycle counting) except that in relation to the Stocktake for that part of the Business conducted in Australia, this must be designed to utilise the benefit of the weekly cycle count procedures in place generally for that part of the Business.

## 5.3 Draft Adjustment Statement

After Completion, the Buyer must procure that the Company prepares a draft Adjustment Statement in accordance with clauses 5.5 ("Contents of Adjustment Statement") and 5.6 ("Adjustment Statement Accounting Policies").

## 5.4 Reasonable endeavours

The Buyer must use all reasonable endeavours to ensure the draft Adjustment Statement is delivered to the Seller Representative, the Buyer and the Auditor within 25 Business Days of the Completion Date.

## 5.5 Contents of Adjustment Statement

The Adjustment Statement (including any draft) must:

- (a) be in the format set out in Schedule 6 ("Adjustment Statement");
- (b) state the Estimated Net Tangible Assets and the Net Tangible Assets at Adjustment Statement Date; and
- (c) accordingly, state the Adjustment Amount payable by the Seller or the Buyer (as applicable) under clause 5.15 ("Payment of Adjustment Amount").

## 5.6 Adjustment Statement Accounting Policies

The Adjustment Statement (including any draft) must be prepared in accordance with the accounting policies, standards, principles, procedures and method of application of them set out in Schedule 7 ("Adjustment Statement Accounting Policies").

## 5.7 Audit

(a) When the draft Adjustment Statement prepared in accordance with clause 5.5 ("Contents of Adjustment Statement") and clause 5.6 ("Adjustment Statement Accounting Policies") has been delivered to the Seller Representative, the Buyer and the Auditor, the Seller Representative and the Buyer must promptly jointly instruct the Auditor:

(i) to perform an audit of the draft Adjustment Statement; and

(ii) to prepare a final Adjustment Statement and an Adjustment Statement Audit Report in the form set out in Schedule 8 ("Auditor's scope of work") and provide them to the Seller Representative and the Buyer within 30 Business Days of the instruction of the Auditor.

(b) The terms of engagement of the Auditor must:

(i) be agreed in writing by the Seller Representative and the Buyer;

(ii) incorporate the scope of work parameters in Schedule 8 ("Auditor's Scope of Work");

(iii) direct the Auditor to conduct its audit in accordance with Australian GAAS for audit engagements, except as expressly provided otherwise by their terms of engagement and this agreement; and

(iv) require the Auditor to adopt the quantitative materiality limit set out in Schedule 8 ("Auditor's scope of Work") in conducting its audit.

## 5.8 Auditor's access

The Buyer must procure that each Group Company provides the Auditor such access to all its employees, accounts, records and other documents and all assistance as the Auditor reasonably requires to conduct its audit and prepare its Adjustment Statement Audit Report.

## 5.9 Access to Auditor and papers

The Seller Representative and the Buyer must procure that each other (and any of each other's advisers) are given reasonable access to:

(a) the accounting records, documents and work papers as are in each other's or the Company's or any other Group Company's possession

or control and relate to the preparation of the draft and the final Adjustment Statement;

- (b) the Auditor's working papers (subject to any "hold harmless" or other reasonable requirements of the Auditor being satisfied) relating to the preparation of the final Adjustment Statement and the Adjustment Statement Audit Report; and
- (c) the Auditor to discuss the conduct of the audit and the procedures conducted.

5.10 Auditor's costs

The Seller and the Buyer must each bear 50% of the Auditor's costs of its engagement in relation to the Adjustment Statement and the Adjustment Statement Audit Report.

5.11 Consultation on final Adjustment Statement

The Seller Representative and the Buyer must consult with each other and use all reasonable endeavours to agree the Adjustment Amount within 20 Business Days of delivery of the final Adjustment Statement and Adjustment Statement Audit Report by the Auditor to the Seller Representative and the Buyer.

5.12 Adjustment Amount

The Adjustment Amount which is final and binding on the parties is:

- (a) the amount agreed by the Seller Representative and the Buyer under clause 5.11 ("Consultation on final Adjustment Statement"); or
- (b) failing such agreement and if neither the Seller Representative nor the Buyer give an Adjustment Statement Dispute Notice complying with clause 5.14 ("Adjustment Amount disputes"), the amount for the Adjustment Amount set out in the final Adjustment Statement resulting from the audit under clause 5.7 ("Audit"); or
- (c) if the Seller Representative or the Buyer gives an Adjustment Statement Dispute Notice complying with clause 5.14 ("Adjustment Amount disputes"), the amount agreed or finally determined as the Adjustment Amount under the procedures set out in that clause.

5.13 Limitation on Adjustment Amount disputes

- (a) The parties may not dispute the final Adjustment Statement nor the Adjustment Amount set out in it unless:
  - (i) it has been audited under clause 5.7 ("Audit");
  - (ii) the aggregate amount of the Adjustment Amount disputed exceeds \$5,000,000; and

(iii) for each individual line item in the final Adjustment Statement disputed, the amount disputed for that individual line item exceeds \$1,000,000.

(b) No party may dispute any agreement or determination made under this agreement of any item in connection with the Adjustment Statement and the Adjustment Amount.

5.14

#### Adjustment Amount disputes

(a) If the Adjustment Amount is not agreed under clause 5.11 ("Consultation on final Adjustment Statement"), the Seller Representative and/or the Buyer may give notice to the other ("Adjustment Statement Dispute Notice"):

(i) stating (and the Seller Representative or the Buyer (as applicable) must act reasonably in so stating) that it disputes one or more items in the final Adjustment Statement (as audited) and accordingly, it disputes the Adjustment Amount set out in it;

(ii) specifying the particular items it disputes; and

(iii) stating its opinion of the correct amounts for those disputed items and the Adjustment Amount and providing reasonable detail to substantiate its calculations and why it disputes the relevant amounts in the final Adjustment Statement.

Any Adjustment Statement Dispute Notice must be given within 10 Business Days of expiry of the Adjustment Statement Consultation Period and only one may be given by each of the Seller Representative and the Buyer which cannot be revoked without the other's written consent.

(b) If the Seller Representative and the Buyer cannot agree on all (or part of) the disputed items referred to in any Adjustment Statement Dispute Notice within 10 Business Days of its service, then either of them ("Notifying Party") may within a further 14 days give notice to the other requiring the disagreement to be determined by an Independent Expert.

(c) The Independent Expert will be the person appointed as expert jointly by the Seller Representative and the Buyer or if they do not agree on the person to be appointed within 5 Business Days of the date on which notice under paragraph (a) was given, the accountant appointed by the President of the Australian Institute of Chartered Accountants of New South Wales at the request of either the Seller Representative or the Buyer ("Independent Expert").

(d) Once appointed, the Independent Expert must be instructed by the Notifying Party to make a decision on the disagreement as soon as practical after receiving any submissions from the Seller Representative and the Buyer and in any event within 15 Business Days of his being instructed. Those submissions must be made in

writing within 10 days (or such other time as may be agreed in writing between the Seller Representative and the Buyer) after the Independent Expert is instructed. A copy must be made available to each of the Seller Representative and the Buyer.

- (e) The decision of the Independent Expert is, in the absence of manifest error, conclusive and binding on the parties for the purposes of determining the amount of the relevant item (or part of it) for the purposes of the Adjustment Statement and the Adjustment Amount payable under this agreement.
- (f) The Independent Expert's costs and expenses in connection with the reference must be paid by the Seller if the Seller Representative refers the disagreement to the Independent Expert and by the Buyer if the Buyer refers the disagreement to the Independent Expert.
- (g) The Independent Expert must be appointed as an expert and not as an arbitrator. The procedures for determination are to be decided by the Independent Expert in its discretion.

5.15

#### Payment of Adjustment Amount

- (a) The Adjustment Amount must be paid:
  - (i) by the Buyer to the Seller if the Net Tangible Assets at Adjustment Statement Date exceeds the Estimated Net Tangible Assets; or
  - (ii) by the Seller to the Buyer if the Net Tangible Assets at Adjustment Statement Date is less than the Estimated Net Tangible Assets.
- (b) The Adjustment Amount must be paid:
  - (i) within 5 Business Days of its agreement under clause 5.12(a) ("Adjustment Amount");
  - (ii) subject to paragraph (c) and if clause 5.12(a) ("Adjustment Amount") does not apply, within 5 Business Days of the expiry of the period to give an Adjustment Statement Dispute Notice under clause 5.14 ("Adjustment Amount disputes"); or
  - (iii) subject to paragraph (c), within 5 Business Days of its agreement or determination under clause 5.14 ("Adjustment Amount disputes").
- (c) If any Adjustment Statement Dispute Notice is given, the amount to be paid under clause 5.15(b)(ii) ("Payment of Adjustment Amount") must be calculated as the Adjustment Amount shown in the final Adjustment Statement, exclusive of amounts attributable to any validly disputed individual line item (or part of it).
- (d) The Buyer must pay to the Seller or the Seller must pay to the Buyer (as applicable) within 5 Business Days of the agreement and/or determination of all disputed items set out in any Adjustment

Statement Dispute Notice under clause 5.14 ("Adjustment Amount disputes") an amount, which after taking into account any payment made complying with clause 5.15(c) ("Payment of Adjustment Amount"), equals the Adjustment Amount.

- (e) The payment of the Adjustment Amount is an adjustment to the Purchase Price.

5.16 Method of payment

Each payment referred to in this clause 5 ("Payment of Purchase Price and Escrow Amount") must be made by direct debit of immediately available funds or such other method agreed by the Seller Representative and the Buyer.

5.17 Notification by Seller Representative

Not less than two Business Days before the Completion Date, the Seller Representative must notify the Buyer of the Mezzanine Debt Amount.

5.18 Escrow Account

- (a) The parties must procure that the Escrow Account is established on or prior to Completion with a nominated representative of the Seller Representative and a nominated representative of the Buyer as joint signatories for the purposes of giving directions to the Agent in relation to the Escrow Account and procuring that the Agent executes the Escrow Deed on or prior to Completion. Each of the Seller Representative and the Buyer may change its nominated representative from time to time by written notice to the other and the Agent.
- (b) The Seller Representative and the Buyer must cause their respective nominated representatives for the purposes of the Escrow Account to give directions to the Agent for the release of funds from the Escrow Account promptly in accordance with, or as required by, this agreement.
- (c) The Seller Representative and the Buyer must in good faith negotiate and agree an escrow deed with the Agent that gives effect to clauses 5.18 to 5.27 and provides for appropriate indemnification for the Agent and for the form of notice (and authentication) upon which the Agent may rely in acting at the direction of the Seller Representative and the Buyer under clauses 5.18 to 5.27. Failing agreement, the Seller Representative and the Buyer agree that they will adopt a form that gives effect to clauses 5.18 to 5.27 determined by an independent Bermudan law firm whose costs shall be borne as to 50% each by the Seller and the Buyer.

5.19 Payments from Escrow Account

No amount may be withdrawn from the Escrow Account except:

- (a) on the joint instructions of the nominated representatives of the Buyer and the Seller Representative to the Agent;



- (b) to make a payment to the Buyer under clause 5.24 ("Resolution of Claims") or otherwise to satisfy a Liability in respect of an Agreed Claim (along with any interest accruing thereon);
- (c) to remit interest accruing on the Escrow Account Balance to the Seller Representative in accordance with clause 5.20 ("Interest on Escrow Account Balance") or the Buyer in accordance with clause 5.25 ("Interest accruing to Buyer");
- (d) to make a payment to the Seller Representative under clause 5.21 ("No Buyer Claims Or Actions by the Escrow Amount Payment Date") or under clause 5.22 ("Buyer Claims Or Actions by the Escrow Amount Payment Date").

5.20 Interest on Escrow Account Balance

Subject to clause 5.25 ("Interest accruing to the Buyers"), interest which accrues on the Escrow Account Balance (together with any interest accruing on amounts credited to the Escrow Account as interest) is for the benefit of the Seller. Subject to clause 5.25 ("Interest accruing to the Buyers"), the Seller Representative may require amounts credited to the Escrow Account by way of interest to be released from the Escrow Account and paid to the Seller Representative from time to time.

5.21 No Buyer Claims Or Actions by the Escrow Amount Payment Date

- (a) If the Buyer has not notified the Seller Representative of any Escrow Buyer Claims Or Actions by an Escrow Amount Payment Date, then on the immediately following Business Day after the relevant Escrow Amount Payment Date, the Seller Representative and the Buyer must procure that the Agent pays:
  - (i) where the Escrow Amount Payment Date is the Escrow First Payment Date, \$10 million of the Escrow Amount together with any interest credited to the Escrow Account in respect of such amount, from the Escrow Account to the Seller Representative; and
  - (ii) where the Escrow Amount Payment Date is the Escrow Second Payment Date, all the Escrow Account Balance, together with any interest credited to the Escrow Account, from the Escrow Account to the Seller Representative.

5.22 Buyer Claims or Actions by the Escrow Amount Payment Date

- (a) If there is or has been any Escrow Buyer Claim Or Action by the Escrow First Payment Date, the Seller Representative and the Buyer must procure that the Agent pays to the Seller Representative on the immediately following Business Day after the Escrow First Payment Date:
  - (i) where the sum of the aggregate amount of the Outstanding Escrow Buyer Claims or Actions as at the Escrow First Payment Date plus the aggregate amount of Agreed Claims paid from the Escrow Account up to that Escrow Amount

Payment Date is equal to or less than \$25 million: \$10 million, together with any interest credited to the Escrow Account in respect of that amount; or

- (ii) where the sum of the aggregate amounts of the Outstanding Escrow Buyer Claims Or Actions as at the Escrow First Payment Date plus the aggregate amount of Agreed Claims paid from the Escrow Account up to that Escrow Amount Payment Date is greater than \$25 million: the difference between \$35 million and that sum (if any) together with interest credited to the Escrow Account in respect of that difference (if any).
- (b) If there is or has been any Escrow Buyer Claim Or Action by the Escrow Second Payment Date, the Seller Representative and the Buyer must procure that the Agent pays to the Seller Representative on the immediately following Business Day after the Escrow Second Payment Date, the Escrow Account Balance together with any accrued interest credited to the Escrow Account in respect of such amount (other than interest due to the Buyer under clause 5.25) less the aggregate amount of all Outstanding Escrow Buyer Claims Or Actions as at the Escrow Second Payment Date.
- (c) If:
  - (i) a Claim or Claimed Amount is included in Outstanding Escrow Buyer Claims Or Actions under paragraph (a)(ii) above; and
  - (ii) following the Escrow First Payment Date and before the Escrow Second Payment Date, that Claim or Claimed Amount:
    - (A) becomes an Agreed Claim for an amount less than the Claimed Amount; or
    - (B) is withdrawn or not pursued by the Buyer; or
    - (C) ceases to be enforceable under clause 9.1(b) or clause 9.1(c),then the Buyer and the Seller Representative must procure the Agent to pay to the Seller Representative promptly following that event an amount equal to the amount that would have been payable under paragraph (a) above had the event subsisted at that Escrow Amount Payment Date less the aggregate amount previously paid under that paragraph (a) and this paragraph (c), together with any interest accrued under clause 5.20 ("Interest on Escrow Balance") in respect of that amount.
- (d) If:
  - (i) a Claim or Claimed Amount is included in Outstanding Escrow Buyer Claims Or Actions under paragraph (b) above; and

(ii) following the Escrow Second Payment Date, that Claim or Claimed Amount:

- (A) becomes an Agreed Claim for an amount less than the Claimed Amount; or
- (B) is withdrawn or not pursued by the Buyer; or
- (C) ceases to be enforceable under clause 9.1(b) or clause 9.1(c),

then the Buyer and the Seller Representative must procure the Agent to pay to the Seller Representative promptly following that event an amount equal to the amount that would have been payable under paragraph (b) above had the event subsisted at that Escrow Amount Payment Date less the aggregate amount previously paid under that paragraph (b) and this paragraph (d), together with any interest accrued under clause 5.20 ("Interest on Escrow Balance") in respect of that amount.

5.23 Unagreed Claims notice

If at either of the Escrow Amount Payment Dates there are any Unagreed Claims, the Buyer must notify the Seller Representative in writing by the relevant Escrow Amount Payment Date in respect of each Unagreed Claim, the Buyer's estimate, in good faith and acting reasonably of the amount of such Claim ("Claimed Amount").

5.24 Resolution of Claims

If an Escrow Buyer Claim Or Action becomes an Agreed Claim at any time, the Seller Representative and the Buyer must, on the immediately following Business Day, procure the Agent to pay to the Buyer the amount due to the Buyer in respect of the Agreed Claim ("Agreed Claim Amount") (provided that such amount may only be to the extent of the Escrow Account Balance (if any)).

5.25 Interest accruing to Buyer

The interest which accrues on that amount of the Escrow Account Balance equal to any Agreed Claim Amount (together with any interest accruing on amounts credited to the Escrow Account as interest on that Agreed Claim Amount of the Escrow Account Balance) is for the benefit of the Buyer from the date on which the Agreed Claim Amount is payable to the Buyer under clause 5.24 ("Resolution of Claims"). The Buyer may require amounts credited to the Escrow Account by way of interest which are payable to the Buyer under this clause to be released from the Escrow Account and paid to it from time to time.

5.26 Sole recourse for General Claims

- (a) The Buyer and the Guarantor each agree that the sole recourse and remedy for the Buyer and the sole Liability of the Seller in respect of the subject matter of any General Claim is to the extent of the Escrow Account Balance (up to the amount due to the Buyer in respect of the General Claim) at the time the General Claim is payable to the Buyer.

Where the General Claim is payable, the Seller has no Liability in respect of the subject matter of the General Claim to the extent that the amount of the General Claim is greater than the Escrow Account Balance.

- (b) The Buyer may make Escrow Buyer Claims Or Actions that are not General Claims provided that the Escrow Amount and the Escrow Account Balance will be reduced by payments under this clause 5 to satisfy Escrow Buyer Claims Or Actions that are not General Claims.
- (c) For the avoidance of doubt, nothing in clause 5.26(a) limits or restricts the Buyer from seeking any recourse or remedy in respect of the subject matter of any Buyer Claim Or Action that is not a General Claim that becomes an Agreed Claim from the Escrow Account Balance from time to time.

5.27 Buyer Claims

For the avoidance of doubt, any amount paid to the Buyer (including from the Escrow Account) in respect of a breach of any of the Warranties must, notwithstanding anything else in this agreement, be deemed to be a reduction in the Purchase Price. The reduction must be applied:

- (a) first, in reducing the price payable for the Ordinary Shares (pro rata as between each Ordinary Share); and
- (b) thereafter, in reducing the price payable for the Preference Shares (pro rata as between each Preference Share).

5.28 Seller Representative - dealing with Purchase Price on behalf of Sellers

(a) (Net Tangible Assets adjustment - retention)

- (i) The Seller Representative may retain from the payment to the Sellers under clause 5.1(a)(i) an amount determined in its reasonable discretion of that payment ("Retention Amount"). Seller must do this on a basis that does not discriminate amongst Sellers.
- (ii) If no payment to the Buyer is required under clause 5.15(a)(ii), the Seller Representative must within 5 Business Days pay the Retention Amount to the Sellers in immediately available funds in their Respective Proportions.
- (iii) If a payment to the Buyer is required under clause 5.15(a)(ii) ("Required Payment"), the Seller Representative may apply the Retention Amount to that payment on behalf of the Sellers in accordance with clause 5.15(b).
- (iv) If the Retention Amount is greater than the Required Payment, the Seller Representative must within 5 Business Days pay the excess to the Sellers in immediately available funds in their Respective Proportions.

- (v) If the Retention Amount is less than the Required Payment, the Seller Representative may apply the entire Retention Amount to that payment on behalf of the Sellers in accordance with clause 5.15 (b) and each Seller must within 2 Business Days of notice from the Seller Representative put the Seller Representative in immediately available funds to enable the Seller Representative, on behalf of that Seller, to comply with that Seller's obligations under clause 5.15(a)(ii) and (b) to pay that Seller's Respective Proportion of the amount by which the Required Payment is greater than the Retention Amount.

(b) (Escrow)

Where the Seller Representative receives a payment from the Escrow Account under clause 5.21 or 5.22 or otherwise, it must pay to each Seller in immediately available funds its entitlement having regard to any Agreed Claims for that Seller being met from that Seller's proportion of the Escrow Amount, within 5 Business Days of receipt of the payment from the Escrow Account.

(c) (Transaction costs)

- (i) The Seller Representative may retain from the payment to the Sellers under clause 5.1(a)(i) or any payment under clause 3.5 an amount of \$26 million ("Estimated Transaction Costs Amount") for a reasonable period to enable payment of transaction costs and fees incurred or likely to be incurred in connection with the sale process undertaken with respect to the Group and the proposed initial public offering of Tech Pacific Limited and costs expressly for the Seller's account under this agreement ("Transaction Costs"). The Seller Representative must do this on a basis that does not discriminate amongst Sellers.
- (ii) The Seller Representative may pay Transaction Costs from the Estimated Transaction Costs Amount as they are rendered or incurred.
- (iii) If the Estimated Transaction Costs Amount exceeds Transaction Costs (after all Transaction Costs have been paid), the Seller Representative must within 5 Business Days pay the excess to the Sellers in immediately available funds.
- (iv) If the Estimated Transaction Costs Amount is less than Transaction Costs (after all Transaction Costs have been paid), the Seller Representative may by notice require each Seller within 5 Business Days to put the Seller Representative in immediately available funds to enable the Seller Representative to pay the remaining Transaction Costs.

6 Conduct of business pending Completion

6.1 Conduct of business

The Seller must procure that (except as disclosed in writing by the Seller Representative and agreed to in writing by the Buyer) from the date of this agreement until Completion, the Company and each Subsidiary:

- (a) (operation of business) will operate its business in accordance with its usual business practices;
- (b) (no Encumbrances) will not encumber any material Asset other than under its existing facilities in the ordinary course of the Business;
- (c) (no disposals) will not dispose of any material Asset or declare itself the trustee of, any material Asset;
- (d) (Material Contracts) will not enter into, or amend in a material respect, or terminate, any Material Contract, or enter into (or make any binding offer to enter into) any other obligation which is not in the ordinary course of business and complies with its obligations under each Material Contract;
- (e) (employment contracts) will not enter into any employment contract the annual remuneration under which exceeds \$100,000, or renew or amend any such employment contract (including with regard to superannuation benefits) where that contract, renewal or amendment is inconsistent with information provided to the Buyer in the Disclosure Letter;
- (f) (business relationships) will use its commercially reasonable efforts to preserve intact its current material business relationships;
- (g) (Tax matters) will not make any material Tax election or settle or compromise any material income tax liability, unless that election, settlement or compromise is required by law and is supported by an opinion of counsel, or is in the ordinary course of business and is consistent with past practices;
- (h) (accounting practices) will not make any change in accounting methods, principles or practices used by it (except if required by a change in Australian Accounting Standards);
- (i) (no settlement of Claims) will not settle any Claim, Action or proceeding for an amount in excess of \$1,000,000;
- (j) (capital expenditure) will not make any capital expenditure in excess of \$1,000,000 in the aggregate, other than in accordance with proposed capital expenditure which has been disclosed to the Buyer in the Disclosure Letter;
- (k) (maintain insurances) will maintain (and where necessary use reasonable efforts to renew) each of the insurance policies referred to in the Disclosure Letter or disclosed in the Data Room

Documentation and will promptly notify the Buyer if any material renewal proposal is not accepted by the relevant insurer;

(l) (financings and derivatives) will not:

(i) raise any new financial accommodation;

(ii) enter into a guarantee or indemnity or provide security for the obligations of any person;

(iii) exceed borrowing or cash reserve limitations established by any financier; or

(iv) enter into any derivative financial instrument other than interest rate and foreign currency hedges entered into in accordance with its usual business practices,

except in connection with the Asian securitisation program to be implemented by certain Group Companies as referred to in the Disclosure Letter and except in accordance with and as permitted under the existing debt facilities of the Group in accordance with its usual business practices;

(m) (revalue assets) will not revalue any of the assets of the Group Companies unless required by the Company's auditor;

(n) (consultation) will consult with the Buyer as to the formulation and approval of programs and budgets relating to the Business or the conduct or proposed settlement of any material litigation, other than ordinary course of business debt recovery litigation; and

(o) (corporate actions) will not:

(i) increase, reduce or otherwise alter its share capital or grant any options for the issue of shares or other securities;

(ii) declare or pay a dividend;

(iii) alter the provisions of the constitution or by-laws of any Group Company;

(iv) make a distribution of Assets; or

(v) buy back its shares.

## 6.2

### Access and assistance

The Seller must procure that the Group gives assistance to the Buyer as may reasonably be required by the Buyer in order to seek any third party consents required under any material property lease, customer or supplier agreement of the Business through the acquisition of the Company by the Buyer. This undertaking terminates from the earlier of termination of this agreement and Completion occurring.

6.3 Consultation rights

From the date of this agreement until Completion, the Seller must procure that:

- (a) the Chief Executive Officer and the Chief Financial Officer of the Group; and
- (b) the Country Managers and Country Chief Financial Officers of the Group in the presence of a person nominated by the Seller's Representative (such nomination not to be unreasonably withheld or delayed),

are made available during any Business Day as may reasonably be required by the Buyer after 24 hours' notice for the Buyer to consult with them in order to prepare for integration of the Business with the business of the Buyer.

6.4 Management accounts and other documents

From the date of this agreement until Completion, the Seller must procure that a copy of the monthly management accounts, budgets, minutes, board papers and management reports of the Group are given to the Buyer promptly following the circulation of those documents to the directors of the Company.

6.5 Damages sole remedy

Despite clause 20.6, the Buyer's sole remedy and each Seller's sole Liability for breach of this clause 6 is damages, limited and calculated with respect to that Seller in accordance with this agreement.

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7 Post-Completion matters

7.1 Exclusion of directors and officers from liability

From Completion, the Buyer must ensure that the Company and each Subsidiary does not take any Action or proceeding or make any Claim or demand against any of the present or former directors, officers or secretaries of the Company or any Subsidiary in respect of any act or omission on the part of such director, officer or secretary before Completion, other than any matter arising from the wilful misconduct, gross negligence or dishonesty of that director, officer or secretary.

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8 Warranties and representations

8.1 Accuracy

- (a) The Seller represents and warrants to the Buyer (subject to the basis set out in paragraph (b) in respect of the Personal Warranties and paragraph (c) in respect of the Warranties in section 3 of Schedule 5 ("Warranties")) that each Warranty is correct and not misleading in any material respect on execution of this agreement and will be correct and not misleading as at immediately prior to Completion as if made on and as at each of those times.



- (b) In respect of the Personal Warranties, each Seller gives the Personal Warranties only in respect of itself and the Shares it holds and not in respect of any other Seller or Shares held by any other Seller.
- (c) None of the Warranties in section 3 of Schedule 5 are given in respect of Tech Pacific, Inc.

#### 8.2 Separate Warranties

Each Warranty is to be treated as a separate representation and warranty. The interpretation of any statement made may not be restricted by reference to or inference from any other statement.

#### 8.3 Matters Disclosed

Each Warranty is to be read down and qualified by any information:

- (a) fairly disclosed to the Buyer by the Seller in the Disclosure Letter; or
- (b) contained in this agreement; or
- (c) which is otherwise within the actual knowledge of the Buyer; or
- (d) disclosed in writing to the Buyer during the course of the Due Diligence; or
- (e) that would have been disclosed to the Buyer had the Buyer conducted searches of the Public Register Information,

which is or may be inconsistent with that Warranty and, to the extent that any Warranty is incorrect or misleading having regard to any such information, no amount will be recoverable by the Buyer in respect of any breach of that Warranty to the extent that the breach arises by reason of or in relation to any such information.

#### 8.4 Buyer's warranties

The Buyer represents and warrants to the Seller that subject to the Warranties:

- (a) in entering into this agreement and in proceeding to Completion, the Buyer does not rely on any statement, representation, warranty, condition, forecast or other conduct which may have been made by or on behalf of the Seller, except the Warranties;
- (b) it has received and understood the contents of the Disclosure Letter;
- (c) it has had the opportunity to conduct a due diligence and has satisfied itself in relation to matters arising from the Due Diligence;
- (d) the Buyer understands and acknowledges the risks and uncertainties of the industry in which the Business operates and the general economic risks that impact on or could reasonably be expected to impact on the Business, its results, operations, financial position and prospects; and

- (e) irrespective of whether or not the Due Diligence was as full or exhaustive as the Buyer would have wished, it has nevertheless independently and without the benefit of any inducement, representations or warranty (other than the Warranties) from the Seller or its agents determined to enter into this agreement.

#### 8.5 Buyer's acknowledgment

The Buyer acknowledges and agrees that:

- (a) subject to any law to the contrary and except as provided in the Warranties, all terms, conditions, warranties and statements, whether express, implied, written, oral, collateral, statutory or otherwise, are excluded, and the Seller disclaims all Liability in relation to them, to the maximum extent permitted by law; and
- (b) the Buyer agrees not to make and waives any right it may have to make any Claim against the Seller or any of its Representatives under any of the Corporations Act, the Australian Securities and Investments Commission Act 2001, the Corporations Act, the Australian Securities and Investments Commission Act 2001, the Trade Practices Act (including sections 51A and 52), or the corresponding provision of any other Commonwealth, state or territory enactment of Australia, for any statement or representation concerning the Shares or the Company or the Subsidiaries.

#### 8.6 Notification

The Seller must inform the Buyer and the Buyer must inform the Seller promptly upon the Seller or the Buyer (as applicable) becoming aware of any matter which is or may with the passage of time give rise to a Warranty Claim or which otherwise constitutes a material breach of any obligation on it under this agreement.

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#### 9 Limitations of Liability

##### 9.1 Time limit on Claims

- (a) The Buyer may not make any Warranty Claim unless details of the claim have been notified to the Seller Representative in accordance with clause 9.4 ("Notice of Claims") or clause 9.5 ("Third party claims") prior to 1 March 2006.
- (b) A Warranty Claim will not be enforceable against the Seller and is to be taken for all purposes to have been withdrawn unless any legal proceedings in connection with the claim are commenced within six months after written notice of the claim is served on the Seller Representative in accordance with clause 9.4 ("Notice of Claims") or clause 9.5 ("Third party claims").
- (c) A Buyer Claim Or Action that is not a Warranty Claim will not be enforceable against the Seller and is to be taken for all purposes to have been withdrawn unless any legal proceedings in connection with the claim are commenced within six months after written notice of the

claim is served on the Seller Representative in accordance with clause 9.4 ("Notice of Claims") or clause 9.5 ("Third party claims").

#### 9.2 Minimum amount of Claim

The Buyer may not make any Warranty Claim:

- (a) if the amount of the Claim is less than \$350,000; and
- (b) unless and until the aggregate amount of all such Claims properly made under this agreement exceeds \$2,500,000, in which event, for the avoidance of doubt, the Seller will be liable for the whole of the amount (subject to the other limitations on Liability of the Seller in this agreement) and not just the amount in excess of \$2,500,000.

#### 9.3 Maximum liability

- (a) Subject to clause 9.3(b) and clause 9.3(c), each Seller's total Liability for loss or damage of any kind not excluded by clause 9.10 ("Exclusion of consequential liability") however caused, in contract, tort, (including negligence), under any statute or otherwise from, under or relating in any way to or in connection with this agreement or the subject matter of the transactions under it, including a Warranty Claim, is limited in aggregate for any and all Buyer Claims Or Actions to that Seller's Respective Proportion of the Purchase Price.
- (b) Each Seller's total Liability for loss or damage of any kind not excluded by clause 9.10 ("Exclusion of consequential liability") in respect of the subject matter of any General Claim is limited in aggregate for any and all General Claims to recourse to the Escrow Account Balance available to meet such Claims in accordance with clause 5.26 ("Sole recourse for General Claims") up to an amount equal to that Seller's Respective Proportion of the Escrow Amount.
- (c) Each Seller's total Liability specified in clause 9.3(a) is reduced by the amount of the liability of that Seller (if any) under clause 9.3(b).

#### 9.4 Notice of Claims

A notice of any Buyer Claim Or Action must contain the following details of the Claim:

- (a) the facts, matters or circumstances that may give rise to the Claim;
- (b) if it is alleged that the facts, matters or circumstances referred to in sub-clause (a) constitute a breach of a Warranty, the basis for that allegation;
- (c) an estimate of the amount of the Loss, if any, arising out of or resulting from the Claim or the facts, matters or circumstances that may give rise to the Claim; and
- (d) where the Buyer wishes to have recourse in respect of the Buyer Claim Or Action to the Escrow Account, notice of that fact and the

amount of the Claim it wishes to have recourse to the Escrow Account for.

#### 9.5 Third party claims

If the Buyer becomes aware of any matter or circumstance that may give rise to a Claim against the Seller under or in relation to or arising out of this agreement, including a Warranty Claim, as a result of or in connection with a Claim by or Liability to a third party then:

- (a) the Buyer must promptly give notice of the Claim to the Seller Representative which must contain reasonable details of the Claim, including an estimate of the amount of the Loss, if any arising out of or resulting from the Claim or the facts, matters or circumstances that may give rise to the Claim;
- (b) at the expense of the Seller and at the direction of the Seller Representative, the Buyer must either:
  - (i) take such Action (including legal proceedings or making claims under any insurance policies) as the Seller Representative may require to avoid, dispute, resist, defend, appeal, compromise or mitigate the Claim; or
  - (ii) offer the Seller Representative the option to assume defence of the Claim except any Claims under which relief other than monetary damages is sought (such exception including Claims relating to criminal liability or injunctive relief); and
- (c) the Buyer must not settle, make any admission of liability or compromise any Claim, or any matter which gives or may give rise to a Claim, without the prior consent of the Seller Representative which consent may not be withheld unreasonably.

#### 9.6 Seller to consider Claims

The Seller Representative must notify the Buyer within 30 Business Days of receipt of a notice of a Buyer Claim Or Action under clause 9.4 ("Notice of Claims") or a notice under clause 9.5 ("Third party claims") indicating whether the Seller admits or denies the claim (in whole or in part) (or, in the case of third party claims, whether it exercises the option in clause 9.5(b)(ii) ("Third party claims").

#### 9.7 Seller to defend Claim

If the Seller Representative exercises the option in clause 9.5(b)(ii) ("Third party claims"), then:

- (a) the Buyer agrees to co-operate with the Seller Representative and do all things reasonably requested by the Seller Representative in respect of the Claim;
- (b) the Seller Representative agrees, at its own expense, to defend the Claim;

- (c) the Seller Representative may settle or compromise the Claim with the consent of the Buyer, such consent not to be unreasonably withheld; and
- (d) the Seller agrees to consult with the Buyer in relation to the conduct of the Claim and not take or persist in any course that might reasonably be regarded as materially harmful to the goodwill or operation of the Buyer or the Business.

9.8

#### Seller not liable

The Seller is not liable to the Buyer (or any person deriving title from the Buyer) for any Claim under or in relation to or arising out of this agreement, including any Warranty Claim:

- (a) if the Buyer has ceased, after Completion, to own or Control the Group Company in respect of which the Claim arises;
- (b) to the extent that the Claim is as a result of or in consequence of any voluntary act, omission, transaction or arrangement of or on behalf of the Buyer or any other Buyer Group Company after Completion;
- (c) to the extent that the Claim and is as a result of or in respect of any legislation not in force at the date of this agreement (including legislation which takes effect retrospectively);
- (d) to the extent that the Claim arises or is increased as a result only of an increase in the rates, method of calculation or scope of taxation after Completion;
- (e) to the extent that the Claim arises or is increased as a result of any change in Australian Accounting Standards after Completion;
- (f) to the extent that the Claim arises in relation to facts, matters or circumstances, or is increased as a result of action taken or not taken by the Seller after consultation with and the prior written approval of the Buyer;
- (g) to the extent that provision has been made for any fact, matter or circumstance giving rise to a Claim in the Audited Accounts or in the Adjustment Statement;
- (h) to the extent that the Buyer was aware on or before the date of this agreement of any fact, matter or circumstance, and was aware that such fact, matter or circumstance will or may give rise to or form the basis of the Claim; or
- (i) to the extent that the Claim relates to or arises out of any act, omission, transaction or arrangement that occurred prior to 12 June 2003 (except an act, omission, transaction or arrangement involving the Company, Tech Pacific Holdings Sarl, TP Holdings N.V., Techpac Holdings (Australia) Pty Limited, Tech Pacific Holdings (NZ) Limited or TP Holdings Limited).

9.9 Reduction in Purchase Price

If a payment is made for a breach of any Warranty, the payment is to be treated in accordance with clause 5.27 ("Buyer Claims").

9.10 Exclusion of consequential liability

- (a) The Seller excludes all Liability for indirect and consequential loss or damage (including for loss of profit (whether direct, indirect, anticipated or otherwise)), loss of expected savings, opportunity costs and damage to reputation (regardless of whether any or all of these things are considered to be indirect or consequential losses or damage) in contract, tort (including negligence), under any statute or otherwise arising from or related in any way to this agreement or its subject matter, except in respect of General Claims.
- (b) The Buyer excludes all Liability for indirect and consequential loss or damage (including for loss of profit (whether direct, indirect, anticipated or otherwise)), loss of expected savings, opportunity costs and damage to reputation (regardless of whether any or all of these things are considered to be indirect or consequential losses or damage) in contract, tort (including negligence), under any statute or otherwise arising from or related in any way to this agreement or its subject matter, except in respect of any breach by the Buyer of clause 4.4 or clause 5.1.

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10 Buyer's warranties

10.1 Buyer's warranties

Each of the Buyer and the Guarantor represents and warrants to the Seller that each of the following statements is correct and not misleading in any material respect on execution of this agreement and will be correct and not misleading as at immediately prior to Completion as if made on and as at each of those times:

- (a) it has the power to enter into and perform this agreement and has obtained all necessary consents and authorisations to enable it to do so;
- (b) the entry into and performance of this agreement by it does not constitute a breach of any obligation (including any statutory, contractual or fiduciary obligation), or default under any agreement or undertaking by which it is bound;
- (c) this agreement constitutes valid and binding obligations upon it enforceable in accordance with its terms by appropriate legal remedy;
- (d) this agreement and Completion do not conflict with or result in a breach of or default under any applicable Law, any provision of its constitution or any material term or provision of its constitution or any material term or provision of any agreement or deed or writ, order or injunction, judgment, Law, rule or regulation to which it is a party or is subject or by which it is bound;

(e) no voluntary arrangement has been proposed or reached with any creditors of it; and

(f) it is able to pay its debts as and when they fall due.

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11 Default

11.1 Failure by a party to Complete

If a party does not Complete, other than as a result of default by the other party, the non-defaulting party may give the defaulting party notice requiring it to Complete within 7 days of receipt of the notice.

11.2 Specific performance or termination

If the defaulting party does not Complete within the period specified in clause 11.1 ("Failure by a party to Complete") the non-defaulting party may choose either to proceed for specific performance or terminate this agreement. In either case, the non-defaulting party may seek damages for the default.

11.3 Termination of agreement

If this agreement is terminated then clause 3.4 ("Effect of termination") will apply. A termination of this agreement under this clause will not affect any other rights the parties have against one another at law or in equity.

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12 Confidential Information

12.1 Confidential Information

Subject to clauses 12.7 ("Disclosure to other potential buyers"), 12.10 ("Enforcement by the company"), 12.11 ("Privacy"), 12.14 ("Use of Business Information by Seller after Completion) and clause 15 ("Announcements"), no Confidential Information may be disclosed by the Receiving Party to any person except:

- (a) to Representatives of the Receiving Party or its Related Entities requiring the information for the purposes of this agreement; or
- (b) with the consent of the Disclosing Party; or
- (c) if the Receiving Party is required to do so by necessarily applicable Law, a stock exchange or any regulatory authority; or
- (d) if the Receiving Party is required to do so in connection with legal proceedings relating to this agreement.

12.2 Disclosure of Confidential Information

If the Receiving Party discloses information as permitted under clause 12.1(a) or (b) ("Confidential Information") the Receiving Party must use all reasonable endeavours to ensure that persons receiving Confidential Information from it do not disclose the Confidential Information except in the circumstances permitted in clause 12.1 ("Confidential Information").

12.3 Use of Confidential Information

The Buyer must not use any Confidential Information except for the purpose of performing its obligations under this agreement.

12.4 Excluded Information

Clauses 12.1 ("Confidential Information"), 12.2 ("Disclosure of Confidential Information") and 12.3 ("Use of Confidential Information") do not apply to Excluded Information.

12.5 Delivery of materials

On the request of the Disclosing Party, the Receiving Party must at its sole discretion immediately deliver to the Disclosing Party or otherwise destroy all documents or other materials containing or referring to Confidential Information of the Disclosing Party which are:

- (a) in the Receiving Party's possession, power or control; or
- (b) in the possession, power or control of persons who have received Confidential Information from the Receiving Party under clause 12.1(a) or (b) ("Confidential Information").

12.6 Use and disclosure of Business related Confidential Information by Buyer from Completion

On and from Completion, clauses 12.1 ("Confidential Information") to 12.5 ("Delivery of materials") cease to apply to the Buyer in relation to the Business Information.

12.7 Disclosure to other potential buyers

The Buyer acknowledges that the Seller has disclosed to other potential buyers of the Shares, its advisers (both in connection with a sale of the Shares and an IPO of the Group or some of its members) and to potential investors in an IPO of the Group or some of its members, information which may be of a confidential nature and that clause 12.1 ("Confidential Information") does not apply to any such disclosure.

12.8 Disclosure of this agreement

The Seller acknowledges that the Buyer and/or the Guarantor:

- (a) will be required to publicly disclose the contents of this agreement and its related schedules, including discussion of the circumstances relating to the signing of the agreement by the Guarantor and the Buyer and conditions for Completion ("Disclosed Information") as required by US Laws; and
- (b) may discuss the Disclosed Information, including addressing questions in public and private forums with various constituents, including the Guarantor's and/or the Buyer's shareowners, investors, analysts, financial partners, vendors, customers and rating agencies, relating to such Disclosed Information, and that clause 12.1 ("Confidential Information") does not apply to any such disclosure.



The Guarantor and/or the Buyer agree to promptly provide a copy of the Disclosed Information to the Seller on request from the Seller Representative.

12.9 Disclosure prior to the date of this agreement  
The Buyer acknowledges that the Seller and Group Companies have disclosed information prior to the date of this agreement which may be of a confidential nature and that clause 12.1 ("Confidential Information") does not apply to any such disclosure prior to the date of this agreement.

12.10 Enforcement by the Company  
  
Nothing in this clause 12 ("Confidential Information") prevents the Company from enforcing any confidentiality agreement entered into by potential buyers of the Shares before the date of this agreement, to the extent that the confidentiality agreement was for the benefit of and is enforceable by the Company.

12.11 Privacy

The Buyer agrees to:

(a) comply with all Privacy Laws;

(i) by which it is bound; and

(ii) by which the Seller is bound and notifies the Buyer

in connection with Personal Information collected, used or disclosed in connection with this agreement;

(b) notify the Seller immediately after it becomes aware that a disclosure of Personal Information may be required by law before Completion;

(c) not do anything with the Personal Information that may cause the Seller to be in breach of a Privacy Law;

(d) notify the Seller of any request the Buyer receives before Completion for access to Personal Information which the Seller has disclosed to the Buyer; and

(e) not give access to, or copies of, Personal Information disclosed by the Seller to the Buyer to anyone unless the Buyer is required to do so under a Privacy Law.

12.12 Application of privacy clause

Clause 12.11 ("Privacy") prevails over the balance of this clause 12 ("Confidential Information") to the extent of any inconsistency in respect of Personal Information which is also Confidential Information.

- 12.13 Use of Personal Information by Seller after Completion
- If the Seller is required by this agreement or by law to retain any Personal Information which is part of the Business Information, the Seller may use and disclose that Personal Information for the purpose for which it is required to be retained under this agreement or as required by that other law or by any Privacy Laws.
- 12.14 Use of Business Information by Seller after Completion
- (a) Subject to and from Completion, clause 12.1 ("Confidential Information") applies to Business Information as if that Business Information had been disclosed by the Buyer as the Disclosing Party for the purposes of this clause 12 ("Confidential Information") and had been received by the Seller as the Receiving Party for the purposes of this clause 12 ("Confidential Information").
- (b) Despite any other provision of this clause 12 ("Confidential Information"), each of CVC Capital Partners Asia Pacific LP and Asia Investors LLC may disclose reasonable detail of its investment in the Group, summary financial performance of the Group during the period of its investment, the fact that the transactions the subject of this agreement took place and the return on its investment in the Group in investor presentations and investment fund raising activities as may be reasonably required by them or by entities that manage or advise them (or Related Bodies Corporate of such managers or advisers) provided this is done on a confidential basis.
- (c) Despite any other provision of this clause 12 ("Confidential Information"), Hagemeyer Caribbean Holding NV may disclose Business Information as is reasonably required by it for reporting purposes to any entity that Controls Hagemeyer Caribbean Holding NV provided it is done on a confidential basis.
- 12.15 Survival of termination
- This clause 12 ("Confidential Information") survives termination of this agreement.

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13 Guarantee and Indemnity

13.1 Consideration

The Guarantor acknowledges that the Seller is acting in reliance on the Guarantor incurring obligations and giving rights under this clause 13 ("Guarantee and Indemnity").

13.2 Guarantee

The Guarantor unconditionally and irrevocably guarantees to the Seller the Buyer's compliance with the Buyer's obligations in connection with this agreement, including each obligation to pay money ("Guarantee").

If the Buyer does not comply with those obligations on time and in accordance with this agreement, then the Guarantor agrees to comply with

those obligations on demand from the Seller Representative. A demand may be made whether or not the Seller Representative has made demand on the Buyer.

13.3 Indemnity

The Guarantor indemnifies the Seller against any Liability or Loss arising from, and any costs, charges or expenses it incurs, if an obligation is unenforceable against, or a monetary obligation cannot be recovered from, the Guarantor under the Guarantee or from the Buyer because of any circumstance whatsoever.

The Guarantor agrees to pay amounts due under this clause on demand from the Seller Representative.

The Seller need not incur expense or make payment before enforcing this right of indemnity.

13.4 Extent of guarantee and indemnity

The Guarantee is a continuing obligation despite any intervening payment, settlement or other thing and extends to all of the Buyer's obligations in connection with this agreement. The Guarantor waives any right it has of first requiring the Seller to commence proceedings or enforce any other right against the Buyer or any other person before claiming from the Guarantor under the Guarantee.

13.5 No merger

The Guarantee does not merge with or adversely affect, and is not adversely affected by, any of the following:

- (a) any other guarantee, indemnity, mortgage, charge or other encumbrance, or other right or remedy to which the Seller is entitled; or
- (b) a judgment which the Seller obtains against the Guarantor, the Buyer or any other person in connection with this agreement.

The Seller may still exercise its rights under this Guarantee as well as under the judgment, mortgage, charge or other encumbrance or the right or remedy.

13.6 Rights of the Seller are protected

The rights given to the Seller under the Guarantee and the Guarantor's Liabilities under it, are not affected by any act or omission of the Seller or any other person. For example, those rights and Liabilities are not affected by:

- (a) any act or omission:
  - (i) varying or replacing this agreement; or
  - (ii) releasing the Buyer or giving the Buyer a concession (such as more time to pay); or

- (b) acquiescence or delay by the Seller or any other person.

#### 13.7 Guarantor's rights are suspended

As long as any obligation is required, or may be required, to be complied with in connection with this Guarantee, the Guarantor may not, without the Seller Representative's consent:

- (a) reduce its Liability under this Guarantee by claiming that it or the Buyer or any other person has a right of set-off or counterclaim against the Seller; or
- (b) exercise any legal right to claim to be entitled to the benefit of another guarantee, indemnity, mortgage, charge or other encumbrance given in connection with this agreement or any other amount payable under the Guarantee; or
- (c) claim an amount from the Buyer, or another guarantor, under a right of indemnity; or
- (d) claim an amount in the liquidation, administration or insolvency of the Buyer or of another guarantor of any of the Buyer's obligations.

#### 13.8 Reinstatement of rights

Under law relating to liquidation, administration, insolvency or the protection of creditors, a person may claim that a transaction (including a payment) in connection with the Guarantee or this agreement is void or voidable. If a claim is made and upheld, conceded or compromised, then:

- (a) the Seller is immediately entitled as against the Guarantor to the rights in connection with this Guarantee or this agreement to which it was entitled immediately before the transaction; and
- (b) on request from the Seller Representative, the Guarantor agrees to do anything (including signing any document) to restore to the Seller any mortgage, charge or other encumbrance (including the Guarantee) held by it from the Guarantor immediately before the transaction.

#### 13.9 Costs

The Guarantor agrees to pay or reimburse the Seller on demand for:

- (a) the Seller's reasonable and documented costs, charges and expenses in making, enforcing and doing anything in connection with the Guarantee including legal costs, charges and expenses on a full indemnity basis; and
- (b) all duties, fees, Taxes and charges which are payable in connection with this guarantee and indemnity or a payment or receipt or other transaction contemplated by it.

14	Seller as trustee
14.1	<p>Application</p> <p>This clause applies to each Seller that is identified in Schedule 1 ("Seller details") as being a trustee (each a "Trustee") of the trust or superannuation fund specified for that Seller in Schedule 1 ("Seller details") (each a "Trust").</p>
14.2	<p>Trustee acknowledgment</p> <p>Each Trustee acknowledges that it enters into this agreement in its capacity as trustee of its Trust.</p>
14.3	<p>Trustee representations and warranties</p> <p>Each Trustee represents and warrants to the other parties, that:</p> <ul style="list-style-type: none"> <li>(a) its Trust has been validly created and is in existence as at the date of this agreement;</li> <li>(b) the Trustee has been validly appointed as Trustee of the relevant Trust and is the sole Trustee of that Trust;</li> <li>(c) the Trust is solely constituted by the trust deed of the Trust and any subsequent variations or amendments as disclosed in the Data Room Documentation;</li> <li>(d) there are no proceedings which could have a material affect on the assets or financial positions of any Trust or on any Trustee;</li> <li>(e) it is the only trustee of its Trust and no action has been taken or is proposed to remove it as trustee of its Trust;</li> <li>(f) it has the power under the terms of its Trust to enter into and comply with its obligations under this agreement;</li> <li>(g) it has considered the purpose of this agreement and considers that entry into this agreement is for the benefit of the beneficiaries of its Trust;</li> <li>(h) it has a right to be fully indemnified out of its Trust's assets in respect of obligations incurred by it under this agreement; and</li> <li>(i) no action has been taken or is proposed to be taken to terminate its Trust.</li> </ul>
14.4	<p>Limited capacity</p> <p>Each Trustee enters into this agreement only in its capacity as trustee of its Trust and in no other capacity. Any Liability arising under or in connection with this agreement is limited to, and can be enforced against the Trustee only to the extent to which it can be satisfied out of the assets of its Trust out of which the Trustee is actually indemnified for the Liability. This limitation of the Trustee's Liability applies despite another provision of this agreement and</p>

extends to all Liabilities and obligations of the Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this agreement.

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15 Announcements

15.1 Public announcements

Subject to clause 15.2 ("Public announcements required by law"), no party may, before or after Completion, make or send a public announcement, communication or circular concerning the transactions referred to in this agreement unless it has first obtained the written consent of each of the Buyer and the Seller Representative, which consent is not to be unreasonably withheld or delayed.

15.2 Public announcements required by law

Clauses 12.1 ("Confidential Information") and 15.1 ("Public announcements") do not apply to a public announcement, public filing communication or circular required by Law or a regulation of a stock exchange including the New York Stock Exchange, if the party required to make or send it has, if practicable, first consulted and taken into account the reasonable requirements of each of the Buyer and the Seller Representative.

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16 Costs

- (a) Each party to this agreement will pay its own legal and other costs and expenses in connection with the negotiation, preparation, execution and completion of this agreement and of other related documentation.
- (b) Third party advisers' costs and expenses and costs and expenses of the Group directly attributable to and incurred in connection with the transactions contemplated by this agreement or incurred in connection with the proposed initial public offering of Tech Pacific Limited must be borne by the Sellers in their Respective Proportions. If any such expenses are paid or incurred by any Group Company, the parties acknowledge that such expenses will be taken into account as a reduction in the Net Tangible Assets in the Adjustment Statement.

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17 Notices

17.1 Form

Unless expressly stated otherwise in this agreement, all notices, certificates, consents, approvals, waivers and other communications in connection with this agreement must be in writing signed by an Authorised Officer and must be marked for the attention of:

- (a) if to any of the Sellers, to CVC Capital Partners Asia Pacific LP and Asia Investors LLC, as the Seller Representative:

Asia Investors LLC  
C/- Corporation Trust Center  
1209 Orange Street  
Wilmington  
New Castle County  
Delaware 19801  
Fax: +852 2509 9323  
For the attention of: Gordon Clancy

CVC Capital Partners Asia Pacific LP  
C/- Walkers  
PO Box 265  
Walker House  
Mary Street  
George Town  
Grand Cayman  
Cayman Islands  
Fax: +345 040 8666  
For the attention of: Managing Director

- (b) if to the Buyer or the Buyer's Guarantor:

Ingram Micro Inc.  
1600 E. St. Andrew Place,  
P.O. Box 25125,  
Santa Ana, CA 92799-5125  
Fax: +1 (714) 566 9370  
For the attention of: General Counsel,

or if the recipient has notified otherwise, then marked for attention in the last way notified.

17.2

#### Delivery

Notices must be:

- (a) left at the address set out or referred to in clause 17.1 ("Form") or the Details (as applicable); or
- (b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in clause 17.1 ("Form") or the Details (as applicable); or
- (c) sent by fax to the fax number set out or referred to in clause 17.1 ("Form") or the Details (as applicable); or
- (d) given in any other way permitted by law.

However, if the intended recipient has notified a changed fax number or postal address then the communication must be to that number or address.

- 17.3 When effective
- They take effect from the time they are received unless a later time is specified.
- 17.4 Receipt - post
- If sent by post, they are taken to have been received three days after posting (or seven days after posting if posted to or from a place outside Australia).
- 17.5 Receipt - fax
- If sent by fax, they are taken to have been received at the time shown in the transmission report as the time that the whole fax was sent.
- 17.6 Receipt - general
- Despite clauses 17.4 ("Receipt - post") and 17.5 ("Receipt - fax"), if they are received after 5.00 pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00 am on the next Business Day.
- - - - -
- 18 Representatives
- 18.1 Appointment of Management Seller Representative
- Each of the Management Sellers irrevocably appoints the Management Seller Representative as its attorney with full authority to act on its behalf with respect to all matters in connection with this agreement and each Management Seller agrees to be bound by the actions of the Management Seller Representative with respect to matters in connection with this agreement.
- 18.2 Reliance by Buyer on Management Seller Representative
- The Buyer is entitled to deal solely with, and rely on, the Management Seller Representative in connection with matters under this agreement relating to Management Sellers.
- 18.3 Authority of Management Seller Representative
- The Management Seller Representative has such powers and authority as are necessary to carry out functions, take the actions and give any notices required to be carried out, taken or given by any Management Seller or receive any notices on behalf of any Management Seller under this agreement. The Management Seller Representative is entitled to rely on the directions of Management Sellers holding a majority of the total number of Shares held by all Management Sellers immediately prior to Completion and is not liable to any person in its capacity as Management Seller Representative except with respect to Liability arising from the Management Seller Representative's fraud or wilful misconduct.
- 18.4 Reliance by Buyer on Seller Representative
- Subject to clauses 18.1 to 18.3 (inclusive) the Sellers agree that the Buyer is entitled to deal solely with, and rely on, the Seller Representative as described



under this agreement and the Seller Representative has such powers and authority as are necessary to carry out functions, take the actions and give any notices required to be carried out, taken or given by any Seller or receive any notices on behalf of any Seller under, and in accordance with the terms of, this agreement. CVC Capital Partners Asia Pacific LP and Asia Investors LLC, as Sellers Representative, act jointly. They must consult reasonably and in good faith with Hagemeyer Caribbean Holding NV in respect of decisions and must act in accordance with this agreement and in the best interests of all Sellers.

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19 Assignment

19.1 No assignment

- (a) Subject to clause 19.1(b), no party may assign or otherwise deal with its rights under this agreement or allow any interest in them to arise or be varied in each case without the consent of the other party, which consent must not be unreasonably withheld or delayed.
- (b) The Buyer may assign its rights under this agreement without the consent of any other party provided that:
  - (i) the assignment is to a body corporate which is a wholly-owned subsidiary (as defined in the Corporations Act) of the Guarantor (and if the assignee ceases to be such a wholly-owned subsidiary, the Guarantor must procure that prior to the assignee ceasing to be such a wholly-owned subsidiary, it assigns all the rights originally assigned to it to another wholly-owned subsidiary of the Guarantor); and
  - (ii) the assignment does not in any way prejudice or adversely affect the obligations of the Guarantor under clause 13 ("Guarantee and Indemnity").

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20 Miscellaneous

20.1 Discretion in exercising rights

A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this agreement expressly states otherwise.

20.2 Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

20.3 No liability for Loss

A party is not liable for any Loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this agreement.

- 20.4 Approvals and consents
- By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.
- 20.5 Conflict of interest
- The parties' rights and remedies under this agreement may be exercised even if it involves a conflict of duty or a party has a personal interest in their exercise.
- 20.6 Remedies cumulative
- The rights and remedies provided in this agreement are in addition to other rights and remedies given by law independently of this agreement.
- 20.7 Rights and obligations are unaffected
- Rights given to the parties under this agreement and the parties' Liabilities under it are not affected by anything which might otherwise affect them by law.
- 20.8 Variation and waiver
- A provision of this agreement or a right created under it may not be waived or varied except in writing, signed by the party or parties to be bound.
- 20.9 No merger
- The warranties, undertakings and indemnities in this agreement do not merge on Completion.
- 20.10 Indemnities
- Subject to this agreement, the indemnities in this agreement are continuing obligations, independent from the other obligations of the parties under this agreement and continue after this agreement ends. It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity under this agreement.
- 20.11 Further steps
- Each party agrees, at its own expense, to do anything the other party asks (such as obtaining consents, signing and producing documents and getting documents completed and signed):
- (a) to bind the party and any other person intended to be bound under this agreement;
  - (b) to show whether the party is complying with this agreement; and
  - (c) as may be necessary or desirable to give full effect to the provisions of this agreement and the transactions contemplated by it.

- 20.12 Time of the essence
- Time is of the essence of this agreement in respect of any date or period determined under this agreement.
- 20.13 Entire agreement
- This agreement constitutes the entire agreement of the parties about its subject matter and supersedes all previous agreements, understandings and negotiations on that subject matter.
- 20.14 Construction
- No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this agreement or any part of it.
- 20.15 Severability
- If the whole or any part of a provision of this agreement is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this agreement has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this agreement or is contrary to public policy.
- 20.16 SEC Compliance
- The Seller must co-operate and must use its reasonable endeavours to ensure the Company cooperates with the Buyer in connection with the preparation of any documents the Buyer or any of its affiliates files under the Securities Act of 1933, as amended, in connection with the transaction the subject matter of this agreement, or the Securities Exchange Act of 1934, as amended and shall use commercially reasonable efforts to provide the Buyer with financial statements and other financial information that the Buyer requests relating to periods prior to Completion and to obtain consents from the Company's accountants (who are independent pursuant to United States' Securities and Exchange Commission independence regulations) in connection therewith. This undertaking ends on 28 February 2006.
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- 21 Non-compete
- 21.1 Non-competition or interference
- To protect the interests of the Buyer and the goodwill of the Business each Seller must not, and must procure (insofar as it is able) that each Associate of it does not directly or indirectly in any capacity, during the Restraint Period anywhere in the Restraint Area:
- (a) (competitive business): undertake, carry on or be engaged in or concerned with or interested in any business which includes the wholesale distribution of personal computers, peripherals, software, servers, networking equipment or home digital electronics products in the Restraint Area which is competitive with the Business ("Competing Business");

- (b) (solicit employees): canvass or solicit, or accept an approach from, any person who or which as at the Completion Date or at any time during the 2 years prior to the Completion Date is or was a senior employee of the Business or any Group Company with a view to obtaining that person as an employee or with a view to that person ceasing to be an employee of any Group Company or the Buyer;
- (c) (solicit customers): canvass or solicit, or accept an approach from, any person who or which as at the Completion Date or at any time during the 2 years prior to the Completion Date is or was a material client or material customer of the Business or any Group Company with a view to obtaining that person as a client or customer or with a view to that person ceasing to be a client or customer of any Group Company or the Buyer, in each case, in order to compete with the Business;
- (d) (interference): interfere with any relationships between the Group Companies and any of their clients, customers, employees or suppliers; or
- (e) (counsel, procure etc): counsel, procure or otherwise assist any person to do any of the acts referred to in this clause 21.1 ("Non- competition or interference"),

unless such actions are undertaken with the prior written consent of the Buyer.

#### 21.2 No Share Entitlements

To further protect the interests of the Buyer in the goodwill of the Business the Seller will not at any time during the Restraint Period have voting power of more than 5% (within the meaning of section 610 of the Corporations Act) in shares in any body corporate doing any of the things referred to in clause 21.1 ("Non-competition or interference") within the Restraint Area.

#### 21.3 Exceptions to non-competition

- (a) The restrictions imposed by clause 21.1 ("Non-competition or interference") and clause 21.2 ("No Share Entitlements") will not apply to any holding by any Seller or any of its Associates of shares in a listed company which in aggregate carries not more than 5% of the votes which could be cast at a general meeting of the company concerned.
- (b) The restrictions imposed by clause 21.1 ("Non-competition or interference") and clause 21.2 ("No Share Entitlements") will not apply to the extent that the Seller (or an Associate) acquires a business or a direct or indirect interest in a business (" Acquired Business") part of which business comprises a Competing Business where the revenues attributable to that Competing Business represent not more than 20% of the total revenues of the Acquired Business.
- (c) To avoid doubt, nothing in clause 21.1 ("Non-competition or interference") or clause 21.2 ("No Share Entitlements") prevents Citigroup Inc. nor any affiliate, associate or related entity of it (other

than CVC Capital Partners Asia Pacific LP, Asia Investors LLC and CVC Asia Pacific Limited) from carrying out any activity in connection with its business or affairs as they may be conducted from time to time.

(d) The restrictions imposed by clause 21.1 ("Non-competition or interference") and clause 21.2 ("No Share Entitlements") do not prevent Hagemeyer Caribbean Holding NV or any Associate of it from:

- (i) carrying out any of the activities described in clauses 7.3(a)(ii) and 7.3(a)(iii) of the Hagemeyer Sale Agreement;
- (ii) doing anything permitted under clauses 7.3(a)(i), 7.3(a)(v) and 7.3(b) of the Hagemeyer Sale Agreement; or
- (iii) holding any interest in Hagemeyer Mauritius Holdings Limited.

#### 21.4 Severance

If any or any provision or part of a provision of clause 21.1 ("Non-competition or interference") is held or found to be void, invalid or otherwise unenforceable it will be deemed to be severed to the extent that it is void or to the extent of voidability, invalidity or unenforceability, but the remainder of that clause will remain in full force and effect.

#### 21.5 Independent legal advice

Each Seller warrants that it has received independent legal advice with respect to the provisions of this clause 21 ("Non-compete") and considers them to go no further than reasonably necessary to protect the goodwill of the Business.

#### 21.6 Damages not an adequate remedy

Each Seller agrees, and agrees to procure that its Associates agree, that any breach of the undertakings contained in clause 21.1 ("Non-competition or interference") may not adequately be compensated by an award of damages and any breach will entitle the Buyer, in addition to any other remedies available at law or in equity, to seek an injunction to restrain the committing of any breach (or continuing breach).

#### 21.7 CVC Asia Pacific Limited

- (a) CVC Asia Pacific Limited has undertaken in favour of the Buyer not to advise any private equity fund to do anything that, if that private equity fund were CVC Capital Partners Asia Pacific LP under this agreement, would amount to a breach of this clause 21.
- (b) If:
  - (i) CVC Asia Pacific Limited breaches its undertaking; and

(ii) following that advice, a private equity fund advised by CVC Asia Pacific Limited does anything that, if that private equity fund were CVC Capital Partners Asia Pacific LP under this agreement, would amount to a breach of this clause 21 ("notional breach"),

CVC Capital Partners Asia Pacific LP and Asia Investors LLC are liable to the Buyer in respect of the notional breach to the extent the private equity fund would have been liable to the Buyer under this clause 21 as if it were, in respect of that conduct, CVC Capital Partners Asia Pacific LP and Asia Investors LLC.

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22 Governing law, jurisdiction and service of process

22.1 Governing law

This agreement is governed by the law in force in the place specified in the Details.

22.2 Jurisdiction

Each party submits to the exclusive jurisdiction of the courts of New South Wales, Australia and courts of appeal from them. Each party waives any right it has to object to an Action being brought in those courts including, by claiming that Action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

22.3 Serving documents

Without preventing any other method of service, any document in an Action may be served on a party by being delivered or left at that party's address set out or referred to in clause 17.1 ("Form") or the Details.

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23 Counterparts

This agreement may consist of a number of copies, each signed by one or more parties to the agreement. If there are a number of signed copies they are treated as making up the one document and the date on which the last counterpart is executed will be the date of the agreement.

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24 Supervening legislation

Any present or future legislation which operates to vary the obligations of a party in connection with this agreement with the result that another party's rights, powers or remedies are adversely affected (including, by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

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25 Interpretation

25.1 Definitions

These meanings apply unless the contrary intention appears.

Adjustment Amount means the positive or negative sum found by deducting an amount equal to the Estimated Net Tangible Assets from an amount equal to the Net Tangible Assets at Adjustment Statement Date.

Adjustment Statement means the statement in the format contained in Schedule 6 ("Adjustment Statement") and containing the Adjustment Amount prepared and agreed or determined under clause 5 ("Payment of Purchase Price and Escrow Amount").

Adjustment Statement Accounting Policies means the accounting policies, standards, principles, procedures and method of application of them to be used in preparing the Adjustment Statement required under clause 5.6 ("Adjustment Statement Accounting Policies").

Adjustment Statement Audit Report means an audit report of the Auditor in the form set out in Schedule 8 ("Auditor's scope of work") on the final Adjustment Statement prepared by the Auditor.

Adjustment Statement Consultation Period means the period under clause 5.11 ("Consultation on final Adjustment Statement") for agreement of the Adjustment Amount.

Adjustment Statement Date means:

- (a) if the Completion Date is on or before the 15th day of a calendar month, the last day of the previous calendar month; and
- (b) if the Completion Date is after the 15th day of a calendar month, the Completion Date.

Adjustment Statement Dispute Notice is defined in clause 5.14(a) ("Adjustment Amount disputes").

Agent means Conyers Dill & Pearman, Clarendon House, 2 Church Street, PO Box HM 666, Hamilton HM CX Bermuda or any other person or firm agreed between the Seller Representative and the Buyer who will act as the agent and trustee in relation to the Escrow Account in accordance with the Escrow Deed.

Agreed Claim means any Escrow Buyer Claim Or Action notified to the Seller Representative by the Buyer on or prior to the Escrow Second Payment Date which has been resolved by:

- (a) the Seller and the Buyer agreeing the amount due to the Buyer in respect of such Escrow Buyer Claim Or Action; or
- (b) a court of competent jurisdiction making a final order in respect of the subject matter of the Escrow Buyer Claim Or Action.

Agreed Claim Amount is defined in clause 5.24 ("Resolution of Claims").

Assets means the assets from time to time of the Company and its Subsidiaries as defined under Australian Accounting Standards.

Associate means:

- (a) in respect of Hagemeyer Caribbean Holding NV, any Related Body Corporate of that entity;
- (b) in respect of CVC Capital Partners Asia Pacific LP, any private equity fund advised by CVC Asia Pacific Limited or any entity Controlled by CVC Asia Pacific Limited; and
- (c) in respect of a Management Seller, means any entity Controlled by the Management Seller or where the Management Seller is a body corporate, the person(s) that Control that Body Corporate and any entity Controlled by that person(s).

Audited Accounts mean the audited consolidated financial statements of the Group for the period ended 31 December 2003 and for the six months ended 30 June 2004, copies of which are set out in Annexure A.

Auditor means Deloitte Touche Tohmatsu or an internationally recognised accounting firm as is mutually agreed to between Buyer and Seller (such agreement not to be unreasonably withheld or delayed) who is to conduct an audit of the draft Adjustment Statement pursuant to clause 5.7 ("Audit").

Australian Accounting Standards means:

- (a) the accounting standards required under the Corporations Act; and
- (b) to the extent that any matter is not covered by the accounting standards approved under the Corporations Act, other relevant accounting standards; mandatory professional reporting requirements and generally accepted accounting principles applied from time to time in Australia for a company similar to the Group, except the principles and practices which are inconsistent with the standards or requirements referred to in paragraph (a) above.

Australian GAAS means generally accepted auditing standards in Australia.

Authorised Officer means a person appointed by a party to act as an Authorised Officer for the purposes of this agreement.

Business means the IT distribution business of the Group as conducted at the date of this agreement.

Business Day means a day other than a Saturday, Sunday or public holiday in Sydney.

Business Information means Confidential Information of or relating to the Group or any Group Company.



Buyer Claim Or Action means any Claim by the Buyer against the Seller (including a Fundamental Claim, a General Claim or a Buyer Tax Claim or Action) in respect of or in relation to this agreement or any part of it (including the Warranties) or the subject matter of the transactions under it.

Buyer Group means the Buyer and its Related Bodies Corporate, including from Completion, the Group, and Buyer Group Company must be construed accordingly.

Buyer Tax Claim Or Action means any Buyer Claim Or Action under section 11 of the Warranties.

Claim includes any allegation, debt, cause of action, Liability, claim, proceeding, suit or demand of any nature howsoever arising and whether present or future, fixed or unascertained, actual or contingent, whether at law, in equity, under statute or otherwise.

Claimed Amount is defined in clause 5.23 ("Unagreed Claims notice").

Company means Techpac Holdings Limited, incorporated in Bermuda.

Completion means completion of the sale and purchase of the Shares in accordance with clause 4 ("Completion") and Complete has a corresponding meaning.

Completion Date means the day Completion occurs.

Conditions Precedent means the conditions precedent set out in clause 3.1 ("Conditions Precedent").

Confidential Information means all Information disclosed to the Receiving Party or any Related Entity or Representative of the Receiving Party, under or in connection with this agreement, including:

- (a) information which, either orally or in writing, is designated or indicated as being the proprietary or confidential information of the Disclosing Party or any of its Related Entities;
- (b) information derived or produced partly or wholly from the Information including any calculation, conclusion, summary or computer modelling; and
- (c) information which is capable of protection at law or equity as confidential information,

whether the Information was disclosed:

- (d) orally, in writing or in electronic or machine readable form;
- (e) before, on or after the date of this agreement;
- (f) as a result of discussions between the parties concerning or arising out of the acquisition of the Business; or

(g) by the Disclosing Party or any of its Representatives, any of its Related Entities, any Representatives of its Related Entities or by any third person.

Constitution means the constitution, memorandum and articles of association, bye-laws (as applicable) or other equivalent constitutional document(s) relating to a Group Company.

Control has the meaning given to it by section 50AA of the Corporations Act and Controlled must be construed accordingly.

Corporations Act means the Corporations Act 2001 (Cwlth) of Australia.

Data Room means the physical data room located at Mallesons Stephen Jaques on Level 18, Governor Macquarie Tower, Sydney NSW 2000.

Data Room Documentation means all documentation in the Data Room as listed in the index annexed to this agreement as Annexure B.

Disclosing Party means the party disclosing Confidential Information.

Disclosure Letter means the letter from the Seller Representative addressed to the Buyer and dated and delivered to it before the date of this agreement and includes all of its schedules and annexures.

Disclosure Material means the Data Room Documentation and the Disclosure Letter.

Due Diligence means the enquiries and investigation into the Group carried out by the Buyer and its Representatives prior to the date of this agreement.

Encumbrance means an interest or power:

- (a) reserved in or over any interest in any asset including, without limitation, any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and any interest, right or power arising from any option, equity, preferential interest, adverse interest or third party claim or right of any kind and whether existing or agreed to be granted or created.

Escrow Account means an interest bearing account with such bank or other financial institution in Bermuda as may be agreed between the Seller Representative and the Buyer in the name of the Agent as trustee for the Seller and the Buyer administered by the Agent in accordance with this agreement and the Escrow Deed.

Escrow Account Balance means at the relevant time and from time to time, the principal amount credited to the Escrow Account (to avoid doubt, excluding any interest on that principal amount).

Escrow Amount means an amount equal to \$35 million.

Escrow Amount Payment Date means each of:

- (a) the Escrow First Payment Date; and
- (b) the Escrow Second Payment Date.

Escrow Buyer Claim Or Action means a Buyer Claim Or Action notified under clause 9.4 ("Notice of Claims") where the notice includes an election under clause 9.4(d).

Escrow Deed means the escrow deed referred to in clause 5.18(c).

Escrow First Payment Date means 1 March 2005.

Escrow Second Payment Date means 28 February 2006.

Estimated Net Tangible Assets means the amount estimated by the Seller as the amount of the Net Tangible Assets at Adjustment Statement Date, being \$68,831,000, as set out in Schedule 6 ("Adjustment Statement").

Estimated Purchase Price means an amount equal to the sum of the Goodwill Amount and the Estimated Net Tangible Assets.

Excluded Information means Confidential Information which:

- (a) is in or becomes part of the public domain other than through breach of this agreement or an obligation of confidence owed to the Disclosing Party or any Related Entity of the Disclosing Party;
- (b) the Receiving Party can prove by contemporaneous written documentation was already known to it at the time of disclosure by the Disclosing Party or its Related Entities or Representatives (unless such knowledge arose from disclosure of information in breach of an obligation of confidentiality); or
- (c) the Receiving Party acquires from a source other than the Disclosing Party or any Related Entity or Representative of the Disclosing Party where such source is entitled to disclose it.

FIRB means the Foreign Investment Review Board of Australia.

Fundamental Claim means any Warranty Claim for breach of a Fundamental Warranty.

Fundamental Warranty means each of the Warranties in sections 1, 2 and 3 of the Warranties set out in Schedule 5 ("Warranties").

General Claim means any Warranty Claim which is not a Fundamental Claim.

Goodwill Amount means the amount of \$437,426,000.

Government Agency means any government, governmental, semi-governmental, administrative, fiscal or judicial body department, commission, authority, tribunal, agency or entity in any jurisdiction of incorporation of any Group Company or to which any Group Company is subject and includes any other person authorised by law to give consents or impose requirements in connection with the Environment.

Group means the Company and the Subsidiaries.

Group Company means any member of the Group.

GST Act means the A New Tax System (Goods and Services Tax) Act 1999.

GST, GST Law have the meanings used in the GST Act or any replacement, recoupment or other relevant legislation and regulations, except that "GST Law" also includes any applicable rulings issued by the Commissioner of Taxation and any value added Tax, consumption Tax or indirect Tax law having a similar or corresponding object or effect to the GST Law (within the meaning in the GST Act) in any jurisdiction. Any reference to GST payable by the Seller includes any GST payable by the representative member of any GST group of which the Seller is a member.

Hagemeyer Contracts and Hagemeyer Disclosure Letter means the "Share Sale Agreement" between Tech Pacific International B.V., Techpac Pty Limited, Hagemeyer N.V., Hagemeyer Caribbean Holding N.V. and Techpac Holdings Limited dated 12 June 2003 and the "New Zealand Share Sale Agreement" between Tech Pacific Australia Pty Limited, Tech Pacific Holdings Pty Limited, Tech Pacific Holdings (NZ) Limited dated 12 June 2003 and the disclosure letter from Techpac Pty Limited and Tech Pacific International B.V. dated 12 June 2003 annexed to this agreement as Annexure D.

Hagemeyer Sale Agreement means the "Share Sale Agreement" referred to in the definition of Hagemeyer Contracts and Hagemeyer Disclosure Letter.

Incoming Directors means the persons nominated by the Buyer (by written notice to the Seller Representative at least 5 Business Days prior to the Completion Date) to be directors and officers of the Company and/or any Subsidiary from Completion.

Incoming Secretaries means the persons nominated by the Buyer (by written notice to the Seller Representative at least 5 Business Days prior to the Completion Date) to be a company secretary of the Company and/or any Subsidiary from Completion.

Independent Expert has the meaning given in clause 5.14(c) ("Adjustment Amount disputes").

Information means all information regardless of its material form relating to or developed in connection with:

- (a) the business, technology or other affairs of the Disclosing Party or any Related Entity of the Disclosing Party, or in the case of the Seller only, the Group or any Group Company; or

- (b) any systems, technology, ideas, concepts, know-how, techniques, designs, specifications, blueprints, tracings, diagrams, models, functions, capabilities and designs (including computer software, manufacturing processes or other information embodied in drawings or specifications), intellectual property or any other information which is marked "confidential" or is otherwise indicated to be subject to an obligation of confidence owned or used by or licensed to the Disclosing Party or a Related Entity of the Disclosing Party, or in the case of the Seller only, the Group or any Group Company.

A person is Insolvent if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or
- (b) it has had a Controller appointed or is in liquidation, in provisional liquidation, under administration or wound up or has had a Receiver appointed to any part of its property; or
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this agreement); or
- (d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above; or
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; or
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this agreement reasonably deduces it is so subject); or
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

Law includes:

- (a) any law, regulation, authorisation, ruling, judgment, order or decree of any Governmental Agency; and
- (b) any statute, regulation, proclamation, ordinance or by-law in:
  - (i) Australia; or
  - (ii) any other jurisdiction.

Liability means any liability (whether actual, contingent or prospective), including for any loss irrespective of when the acts, events or things giving rise to the liability occurred.

Loss means all damage, loss, cost, and expense (including legal costs and expenses of whatsoever nature or description).

Management Seller means each of the Sellers other than CVC Capital Partners Asia Pacific LP, Asia Investors LLC and Hagemeyer Caribbean Holding NV.

Management Seller Representative means either of Shailendra Gupta or Guy Freeland.

Material Contract means a contract which is material to the business of any Group Company.

Material Operating Subsidiaries means Tech Pacific Australia Pty Limited, Tech Pacific (N.Z.) Limited, First Tech Pacific Distributors Sdn Bhd, Tech Pacific (Singapore) Limited, Tech Pacific (Thailand) Co. Limited, Tech Pacific (HK) Limited, Tech Pacific India Limited and Tech Pacific India (Exports) Pte Limited.

Mezzanine Agreement means the subordinated subscription agreement dated 11 June 2003 (as subsequently amended) under which Techpac Holdings (Australia) Pty Limited and Tech Pacific Holdings (NZ) Limited borrow certain amounts from the Participants (as those persons are described in that agreement).

Mezzanine Debt Amount means the amount required to repay in full the Mezzanine Loan including any interest (including PIK interest) and any prepayment penalties required to be made on such repayment in full on the Completion Date.

Mezzanine Lenders means the Participants (as those persons are described in the Mezzanine Agreement).

Mezzanine Loan has the meaning it has in the Mezzanine Agreement.

Net Tangible Assets means the consolidated net tangible assets of the Group as at the relevant date calculated as the amount of "Shareholders equity" less the amount of "Intangible Assets" shown in the relevant consolidated balance sheet of the Group.

Net Tangible Assets at Adjustment Statement Date means the amount of the Net Tangible Assets at the Adjustment Statement Date as shown in the Adjustment Statement.

Notional Interest Amount means:

- (a) if the Scheduled Completion Date is on or before the 15th day of a calendar month, an amount equal to notional interest of 9% per annum (accruing on a daily basis based on a 365 day year) on the Estimated Purchase Price for the period from and including the day

after the Adjustment Statement Date to and including the Completion Date; and

- (b) if the Scheduled Completion Date is after the 15th day of a calendar month, an amount equal to \$NIL.

Ordinary Shares means the Shares that are ordinary shares in the capital of the Company.

Outstanding Escrow Buyer Claims Or Actions means Agreed Claims that are unpaid at the relevant Escrow Amount Payment Date and Unagreed Claims to the extent of Claimed Amounts that are unpaid at the relevant Escrow Amount Payment Date.

Permitted Encumbrance means the Encumbrances listed in Annexure C.

Personal Information means information or an opinion (including information or an opinion forming part of a database), whether true or not, and whether recorded in a material form or not, about an individual whose identity is apparent, or can reasonably be ascertained, from the information or opinion.

Personal Warranties means the Warranties in sections 1.2 to 1.6 (inclusive), 2.1 to 2.5 (inclusive), 13 and 15 in Schedule 5 ("Warranties").

PIK Interest has the meaning it has in the Mezzanine Agreement.

Preference Shares means the Shares that are redeemable preference shares in the capital of the Company.

Privacy Laws means:

- (a) the Privacy Act 1988 (Cwlth) of Australia;
- (b) any other requirement under Australian or any other jurisdiction's law, industry code, policy or statement relating to the handling of Personal Information and applicable to any Group Company.

Public Register Information means all information which is available publicly 3 Business Days before the date of this agreement by performing the searches set out in Schedule 9 ("Public Register Information").

Purchase Price means the aggregate consideration payable for the Shares calculated in accordance with clause 2.1 ("Purchase Price").

Receiver includes a receiver or a receiver and manager.

Receiving Party means the recipient of Confidential Information.

Records means originals and copies, in machine readable or printed form, of all books, files, reports, records, correspondence, documents and other material of or relating to or used in connection with the Group including:

- (a) minute books, statutory books and registers including the Company's share register and directors and officers register, books of account and copies of taxation returns;
- (b) sales literature, market research reports, brochures and other promotional material (including printing blocks, negatives, sound tracks and associated material);
- (c) all sales and purchasing records, contracts, designs and working papers;
- (d) all trading and financial records; and (e) lists of all regular suppliers and customers.

Related Body Corporate has the meaning it has in the Corporations Act.

Related Entity has the meaning it has in the Corporations Act.

Remaining Debt means all indebtedness of or other financial accommodation to the Group Companies at Completion (including securitisation programmes) except for that relating to the Mezzanine Loan.

Representative of a party includes an employee, agent, officer, director, adviser, partner, joint venturer or sub-contractor of that party.

Respective Proportion in relation to a Seller, means that percentage of the relevant amount calculated as:

$$\text{a Seller's Respective Proportion} = \frac{A}{B}$$

expressed as a percentage where:

A = the amount of the Purchase Price payable to the Seller for all its Shares calculated in accordance with clause 2.2 ("Allocation of Purchase Price"); and

B = the Purchase Price.

Restraint Area means Australia, Hong Kong, India, Malaysia, New Zealand, Singapore and Thailand.

Restraint Period means the period 2 years from the date of the Completion Date.

Retiring Directors means the existing directors and officers of the Company and each Subsidiary.

Retiring Secretaries means the existing company secretaries of the Company and each Subsidiary.

Revenue Authority means any taxing or other authority responsible for the implementation, administration, collection, or enforcement of Taxation in any applicable jurisdiction.



Scheduled Completion Date means:

- (a) if the Unconditional Date is on or before the 15th day of a calendar month, that day (or if not a Business Day, the next Business Day); and
- (b) if the Unconditional Date is after the 15th day of a calendar month, the last day of that calendar month, except that if the Unconditional Date is after 15 December 2004, 4 January 2005.

Securities means shares, debentures, stocks, bonds, notes, interests in a managed investment scheme, units, warrants, options, derivative instruments or any other securities.

Seller means each of the persons listed in Schedule 1 ("Seller Details").

Seller Representative means CVC Capital Partners Asia Pacific LP and Asia Investors LLC.

Shareholders Agreement Termination Deed means the termination deed between the parties to the Shareholders Agreement relating to the Company dated 12 June 2003, terminating that shareholders agreement with effect from Completion and releasing the Company from any Claims which any shareholder in the Company may have now or in future in connection with that shareholders agreement.

Shares means all of the issued shares (of any class) in the capital of the Company and Share means any one of those shares.

Stocktake means the stocktake referred to in clause 5.2 ("Stocktake").

Subsidiaries means any subsidiaries of the Company and Subsidiary means any one of those bodies corporate.

Tax means any tax, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding, which is assessed, levied, imposed or collected by any Government Agency in any jurisdiction and includes, but is not limited to any interest, fine, penalty, charge, fee or any other amount imposed on, or in respect of any of the above and Taxes and Taxation have corresponding meanings.

Tax Act means as the context requires, the Income Tax Assessment Act 1936 and/or the Income Tax Assessment Act 1997 and, to the extent applicable, the Taxation Administration Act 1953 and includes Tax laws having a similar or corresponding object or effect in any jurisdiction.

Tax Group means any group of entities treated for Tax purposes in any jurisdiction as a group consolidated for Tax purposes.

Tax Law means:

- (a) as the context requires, any one or more of the Income Tax Assessment Act 1936 (C'th), the Income Tax Assessment Act 1997 (C'th), the Fringe Benefits Tax Assessment Act 1986, the Taxation Administration Act 1953, the International Tax Agreements Act 1953

and Commonwealth tax rates Acts, together with all regulations and subordinate legislation made under or relating to those Acts, and includes Tax laws having a similar or corresponding object or effect in any jurisdiction; and

- (b) includes Taxation legislation in force from time to time relating to the assessment, imposition and collection of Taxes, the administration of that Taxation legislation, and all subordinate legislation, regulations and instruments made under or relating to such legislation, and includes Tax laws having a similar or corresponding object or effect in any jurisdiction.

Tax Period means income year, Tax year, franking year under the Tax Law and/or tax period under the GST Law, as applicable, and any part of any such period or year (including a substituted accounting period) or any period or time relevant to Taxation.

Tax Return means any declaration, form, notice, document, schedule, instrument, report, information, claim for refund, application, information return or statement relating to Taxes filed or lodged, physically, electronically or by other means, in any jurisdiction in connection with or for purposes of the assessment, refund, self-assessment or imposition of Tax with respect to any Tax payable under any Tax Law, by withholding, instalment, set-off or payment, in relation to any Tax Period in any applicable jurisdiction.

Tax Warranty means the warranties given by the Sellers set out in section 11 of Schedule 5 ("Warranties").

Trade Practices Act means the Trade Practices Act 1974 ("Cwlth") of Australia.

Treasurer means the Treasurer of the Commonwealth of Australia.

Unagreed Claim means any Escrow Buyer Claim Or Action that is not an Agreed Claim.

Unconditional Date means the first Business Day after all of the Conditions Precedent are satisfied or waived.

US GAAP means accounting principles generally accepted in the United States of America.

US GAAP Financial Statements means:

- (a) audited consolidated financial statements of the Group for the year ended 31 December 2003 and unaudited consolidated financial statements for the 9 month periods to 30 September 2003 and 30 September 2004; and
- (b) if the pre-tax income (in US dollars) of the Group calculated in accordance with US GAAP for the year ended 31 December 2003 is more than US\$46.3 million, audited consolidated financial statements of the Group for the year ended 31 December 2002,

prepared by the Company in accordance with US GAAP and Regulation S-X of the 1934 Securities Exchange Act.

Warranties means the warranties and representations set out in Schedule 5 ("Warranties") and Warranty has a corresponding meaning. Warranty Claim means any Claim for breach of any of the Warranties.

## 25.2 References to certain general terms

Unless the contrary intention appears, a reference in this agreement to:

- (a) (clauses, annexures and schedules) a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this agreement;
- (b) (variations or replacements) a document (including this agreement) includes any variation or replacement of it;
- (c) (reference to statutes) a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) (singular includes plural) the singular includes the plural and vice versa;
- (e) (person) the word "person" includes an individual, a firm, a body corporate, a partnership, joint venture, an unincorporated body or association, or any Government Agency;
- (f) (executors, administrators, successors) a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) (two or more persons) an agreement, representation or Warranty in favour of two or more persons is for the benefit of them jointly and each of them individually;
- (h) (jointly and individually) an agreement, representation or warranty on the part of two or more persons binds them jointly and each of them individually but an agreement, representation or warranty of the Seller binds each Seller individually only;
- (i) (dollars) Australian dollars, dollars, \$ or A\$ is a reference to the lawful currency of Australia;
- (j) (calculation of time) if a period of time dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (k) (reference to a day) a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (l) (accounting terms) an accounting term in respect of a corporation is a reference to that term as it is used in Australian Accounting Standards in respect of a corporation or, if not inconsistent with those

standards, in accounting principles and practices generally accepted in the place of incorporation of the corporation;

- (m) (reference to a group of persons) a group of persons or things is a reference to any two or more of them jointly and to each of them individually;
- (n) (meaning not limited) the words "include", "including", "for example" or "such as" are not used as, nor are they to be interpreted as words of limitation, and when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
- (o) (next day) if an act under this agreement to be done by a party on or by a given day is done after 5.30 pm on that day, it is taken to be done on the next day;
- (p) (next Business Day) if an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day;
- (q) (time of day) time is a reference to Sydney time;
- (r) (reference to anything) anything (including any amount) is a reference to the whole and each part of it;
- (s) (indemnity) references to "indemnify" or "indemnifying" (and other grammatical forms of that word) any person against any circumstance or occurrence will be construed to include indemnifying and keeping indemnified that person and holding that person harmless to the fullest extent permitted by law from and against all demands, claims, actions, suits, proceedings, judgments, orders and decrees from time to time made or taken against or affecting that person and all Liabilities, whatsoever and howsoever made, suffered or incurred by that person as a consequence of or which would not have arisen but for that circumstances or occurrence;
- (t) (knowledge of Buyer) any statement expressed to be qualified by reference to the knowledge or awareness of the Buyer is deemed to be qualified by reference only to the actual knowledge, belief and awareness of the following persons: Kent Foster, Greg Spierkel, Tom Madden, Larry Boyd, Chris Arscott, Laurence O'Loughlin, Bill Humes, Alain Monie, Ken Miltimore, Edmond Cheung, David Minns and Sean Fort; and
- (u) (knowledge of Seller) where any Warranty is expressed to be made in terms of "So far as the Seller is aware" or "to the best of the knowledge, information or belief of the Seller" or similar phrases, the Seller is deemed to have the knowledge only of anything of which any of the directors of the Company, the Chief Executive Officer, the Chief Financial Officer, the Chief Information Officer, the Country Managers of the Group and the Country Chief Financial Officers of the Group has actual knowledge after giving careful consideration

and making due enquiry in relation to the Warranties or provisions concerned.

25.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this agreement.

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Project Phoenix - Share Sale Agreement

Schedule 1 - Seller details

Name	Address
CVC Capital Partners Asia Pacific LP	[omitted]
Asia Investors LLC	[omitted]
Hagemeyer Caribbean Holding NV	[omitted]
Shailendra Gupta	[omitted]
Guy Anthony Freeland	[omitted]
Ramesh Mullappillil Nair	[omitted]
Kerry Alexander Peart-Baillie	[omitted]
Jaishankar Krishnan	[omitted]
Anthony Roy Butler	[omitted]
Michael Lee Kim Ming	[omitted]
Daniel Chan Jenn Yaw	[omitted]
Weera Wongsapkana	[omitted]
Geoffrey William Kinghorn and Janine Kinghorn as trustees for the Geoff Kinghorn Superannuation Fund	[omitted]
Graham Pickles	[omitted]
Anthony Roy Butler as trustee for the Norgrove Farm Trust	[omitted]
Keith Jerome Pinto	[omitted]
Walters Consulting Services Pty Limited as trustee for Walters Family Trust	[omitted]
Narelle Velling	[omitted]
Lorraine Cowan	[omitted]
Patricia Zdenka Unkovich	[omitted]
Marlene Thomson	[omitted]
Mark A Franklin and Narelle Robyn Franklin as trustees for the M Franklin Superannuation Fund	[omitted]
Elizabeth Wolahan	[omitted]
Simon Epeli Kacimaiwai	[omitted]
Sirius Laboratories Pty Ltd as trustee for The Cottrell Superannuation Fund	[omitted]
Lynette Anne Deutrom	[omitted]

Name	Address
Paul Joseph Williams and Shelley May Caroline Williams as trustee for The Williams Superannuation Fund	[omitted]
Suzanne Phyllis Tenaglia	[omitted]
Stewart Leslie Goodier and Sylvie France Goodier	[omitted]
Glenn David Coutts	[omitted]
Michelle Marilyn Tolmie	[omitted]
Dipak Ashar	[omitted]
K Venkat	[omitted]
Sanjay Achawal	[omitted]
M Mohapatra	[omitted]
Bimal Das	[omitted]
Atul Gaur	[omitted]
Sanjay Mittal	[omitted]
Aloysius Fernandes	[omitted]
Pankaj Gauba	[omitted]
Harish Laddha	[omitted]
Blase D'Souza	[omitted]
Ketan Doshi	[omitted]
Jayant Rastogi	[omitted]
F A Faruqui	[omitted]
Cyrus Patel	[omitted]
K Rajan	[omitted]
Vivienne Larsen	[omitted]
Martyn James Smith	[omitted]
Gary Stephen Bigwood	[omitted]
William Stark	[omitted]
Scott Cowen	[omitted]
Bruce Pain	[omitted]
Rick Jansen	[omitted]

Name	Address
Lawrence Lee Man Lung	[omitted]
Simon Cheung Chan Yuen	[omitted]
Khuen Chee Wong	[omitted]
Andrew Tan Woo Chye	[omitted]
Esther Teo Hui Ling	[omitted]
Rosalind Quek Gek Lin	[omitted]
Jonathan To Poh Teck	[omitted]
June Foo Ting Ting	[omitted]
Richard Ng Choon Chuat	[omitted]
Tay Boon Tiang	[omitted]
Chen Choong Fatt	[omitted]
Richard Peh Teck Meng	[omitted]
Sidtra Chanprom	[omitted]
Theerasak Jindapanpong	[omitted]
Montri Satchamane	[omitted]
Peerapong Pornpramintr	[omitted]
Pillutla Ganesh	[omitted]
Sunil Sawant	[omitted]
Choo Hock Leong	[omitted]
Janine Kinghorn	[omitted]



Project Phoenix - Share Sale Agreement

Schedule 2 - Shares

The Shares in the Company are held by the Seller as follows:

No.	Shareholder	Number of Ordinary Shares	Number of Preference Shares
1	CVC Capital Partners Asia Pacific LP	387,556	59,051,611
2	Asia Investors LLC	193,778	29,525,805
3	Hagemeyer Caribbean Holding NV	315,000	47,801,250
4	Shailendra Gupta	18,780	34,091
5	Guy Anthony Freeland	9,024	25,340
6	Ramesh Mullappillil Nair	3,000	39,445
7	Kerry Alexander Peart-Baillie	8,300	5,283
8	Jaishankar Krishnan	4,000	42,520
9	Anthony Roy Butler	7,000	
10	Michael Lee Kim Ming	3,000	68,571
11	Daniel Chan Jenn Yaw	3,000	25,744
12	Weera Wongsapkana	1,600	46,400
13	Geoffrey William Kinghorn and Janine Kinghorn as trustees for the Geoff Kinghorn Superannuation Fund	3,000	12,000
14	Graham Pickles	3,666	196,334
15	Anthony Roy Butler as trustee for the Norgrove Farm Trust		94,667
16	Keith Jerome Pinto	500	14,500

No.	Shareholder	Number of Ordinary Shares	Number of Preference Shares
17	Walters Consulting Services Pty Limited as trustee for Walters Family Trust	1,100	31,900
18	Narelle Velling	1,100	31,900
19	Lorraine Cowan	1,100	31,900
20	Patricia Zdenka Unkovich	700	20,300
21	Marlene Thomson	1,100	31,900
22	Mark A Franklin and Narelle Robyn Franklin as trustees for the M Franklin Superannuation Fund	1,100	31,900
23	Elizabeth Wolahan	500	14,500
24	Simon Epeli Kacimaiwai	700	20,300
25	Sirius Laboratories Pty Ltd as trustee for The Cottrell Superannuation Fund	700	20,300
26	Lynette Anne Deutrom	700	20,300
27	Paul Joseph Williams and Shelley May Caroline Williams as trustee for The Williams Superannuation Fund	700	20,300
28	Suzanne Phyllis Tenaglia	500	14,500
29	Stewart Leslie Goodier and Sylvie France Goodier	167	4,833
30	Glenn David Coutts	500	14,500
31	Michelle Marilyn Tolmie	333	9,667
32	Dipak Ashar	1,300	12,700
33	K Venkat	1,100	16,900
34	Sanjay Achawal	1,100	16,900

No.	Shareholder	Number of Ordinary Shares	Number of Preference Shares
35	M Mohapatra	800	13,200
36	Bimal Das	800	13,200
37	Atul Gaur	700	10,300
38	Sanjay Mittal	700	10,300
39	Aloysius Fernandes	700	10,300
40	Pankaj Gauba	600	17,400
41	Harish Laddha	600	17,400
42	Blase D'Souza	400	11,600
43	Ketan Doshi	500	14,500
44	Jayant Rastogi	190	5,510
45	F A Faruqui	400	11,600
46	Cyrus Patel	400	11,600
47	K Rajan	400	11,600
48	Vivienne Larsen	1,200	34,800
49	Martyn James Smith	1,100	31,900
50	Gary Stephen Bigwood	700	20,300
51	William Stark	700	20,300
52	Scott Cowen	700	20,300
53	Bruce Pain	700	20,300
54	Rick Jansen	700	20,300
55	Lawrence Lee Man Lung	1,000	29,000
56	Simon Cheung Chan Yuen	700	20,300
57	Khuen Chee Wong	830	24,070
58	Andrew Tan Woo Chye	670	19,430
59	Esther Teo Hui Ling	670	19,430
60	Rosalind Quek Gek Lin	500	14,500
61	Jonathan To Poh Teck	500	14,500
62	June Foo Ting Ting	400	11,600
63	Richard Ng Choon Chuat	1,000	29,000
64	Tay Boon Tiang	700	20,300
65	Chen Choong Fatt	500	14,500
66	Richard Peh Teck Meng	300	8,700

No.	Shareholder	Number of Ordinary Shares	Number of Preference Shares
67	Sidtra Chanprom	1,000	29,000
68	Theerasak Jindapanpong	300	8,700
69	Montri Satachamane	300	8,700
70	Peerapong Pornpramintr	300	8,700
71	Pillutla Ganesh	105	3,045
72	Sunil Sawant	105	3,045
73	Choo Hock Leong	1,000	29,000
74	Janine Kinghorn	426	5,596
Total		1,000,000	137,996,887

Share Sale Agreement

Schedule 3 - Form of officer release

Parties	Company and Officer	
-----		
Company	Name	#full name#
-----		
	Reg. No./ ABN/ACN/ARBN	#ABN/ACN/ARBN#
	Address	#address#
	Fax	#fax number#
	Attention	#position#
-----		
Officer	Name	#full name#
	Address	#address#
-----		
Recitals	A The Officer is [a director/officer/the secretary] of #insert name and registered number/ACN# (the "Company").	
	B The Officer will be resigning as [a director/officer/the secretary] of the Company on completion of the sale of Techpac Holdings Limited, a Company incorporated in Bermuda, to #name of Buyer# ("Completion").	
	C The Company agrees to release the Officer on the terms set out in this deed.	
-----		
Date of deed	See Signing page	

1 Release of Officer

Subject to clause 3 and to the extent permitted by law, the Company agrees:

- (a) to unconditionally release the Officer from all rights and Claims relating to his employment with or his engagement by the Company; and
- (b) not to issue any proceedings in respect of rights and Claims relating to employment with or his engagement by the Company.

The Officer may plead this deed in bar to any Claim or proceedings by the Company or any person claiming on their behalf in respect of Claims or any matter related thereto other than a Claim in relation to a breach of this deed by the Officer.

-----  
2 Indemnity

Subject to clause 3, the Company must indemnify the Officer against all Claims which the Company or any shareholder of the Company has or may have at any time against the Officer in respect of his employment with or engagement in the office referred to in Recital A by the Company and any conduct of the Officer involving or relating in any way whatsoever to other shareholders of the Company as at Completion.

[Addition for Hong Kong only]

provided that:

- (a) in respect of any civil proceedings brought against the Officer, judgment is given in favour of the Officer;
- (b) in respect of criminal proceedings brought against the Officer, the Officer is acquitted; or
- (c) in respect of any finding by a court that the Officer is or may be liable in respect of negligence, default, breach of duty or breach of trust, the court relieves him wholly from such liability for the reason that, having regard to the circumstances of the case, the Officer acted honestly and reasonably.

[Addition for the British Virgin Island only]

, provided that the Officer:

- (d) acted honestly and in good faith with a view to the best interests of the Company; and
- (e) in the case of criminal proceedings, had no reasonable cause to believe that his or her conduct was unlawful.

[Addition for Singapore only]

The Company must indemnify the Officer against all Claims which the Company or any shareholder of the Company has or may have at any time against the Officer in respect of his employment with or engagement in the office referred to in Recital A by the Company, except where any such claims arise due to any negligence, default or breach of duty or breach of trust of which the officer may be guilty in relation to the Company, and any conduct of the Officer involving or relating in any way whatsoever to other shareholders of the Company as at Completion, except where such conduct involves any negligence, default, breach of duty or breach of trust of which the officer may be guilty in relation to the Company.

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3           Limitation

The release in clause 1 and the indemnity in clause 2 shall not apply in respect of any act or omission on the part of the Officer arising from the wilful misconduct, gross negligence or dishonesty of that Officer.

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4           Severability

If the whole or any part of a provision of this deed is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this deed has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this deed or is contrary to public policy.

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5           Entire agreement

This deed constitutes the entire agreement of the parties about its subject matter and supersedes all previous agreements, understandings and negotiations on that subject matter.

---

6           General

6.1          Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

6.2          Remedies cumulative

The rights and remedies provided in this deed are in addition to other rights and remedies given by law independently of this agreement.

6.3          Rights and obligations are unaffected

Rights given to the parties under this deed and the parties' liabilities under it are not affected by anything which might otherwise affect them by law.

- 6.4 Variation and waiver
- A provision of this deed or a right created under it, may not be waived or varied except in writing, signed by the party or parties to be bound.
- 6.5 Costs
- Each party must pay its reasonable legal costs and expenses in connection with the preparation, execution and completion of this deed.
- 6.6 Supervening legislation
- Any present or future legislation which operates to vary the obligations of a party in connection with this deed with the result that another party's rights, powers or remedies are adversely affected (including, by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.
- 6.7 Counterparts
- This deed may be executed in counterparts. All counterparts when taken together are to be taken to constitute one instrument.
- [Addition for Singapore only]
- 6.8 Contracts (Rights of Third Parties) Act
- A person who is not a party to this deed shall have no rights under the Contracts (Rights of Third Parties) Act (Cap. 53B) to enforce or enjoy the benefit of any term of this agreement.
- 
- 7 Governing law
- 7.1 Governing law
- This deed is governed by the law in force in #insert place#. Each party submits to the non-exclusive jurisdiction of the courts of that place.
- 7.2 Jurisdiction
- Each party submits to the non-exclusive jurisdiction of the courts of #insert place and courts of appeal from them. Each party waives any right it has to object to an Action being brought in those courts including, without limitation, by claiming that the Action has been brought in an inconvenient forum or that those courts do not have jurisdiction.
- 7.3 Serving documents
- Without preventing any other method of service, any document in an Action may be served on a party by being delivered or left at that party's address in the Details.



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8 Interpretation

8.1 Definitions

This meaning applies unless the contrary intention appears:

Action means an action, dispute, Claim, demand, investigation, inquiry, prosecution, litigation, proceedings, arbitration, mediation or dispute resolution.

Claim means any allegation, debt, cause of action, liability, claim, proceeding, suit or demand of any nature howsoever arising and whether present or future, fixed or unascertained, actual or contingent whether at law, in equity, under statute or otherwise and which either party has or may have against the other in connection with the cessation of the Officer's employment with or engagement by the Company.

[Addition for New Zealand only]

But does not include:

- (a) criminal liability; or
- (b) in the case of liability incurred in the Officer's capacity as a director, liability for breach of section 131 of the New Zealand Companies Act 1993 (the duty of directors to act in good faith and in the best interests of the Company); or
- (c) in the case of liability incurred in his capacity as an employee, liability for breach of any fiduciary duty of loyalty or honesty owed to the Company; or
- (d) any other liability of the Officer for which the giving of an indemnity is prohibited by law.

EXECUTED as a deed.

DATED:\_\_\_\_\_

[Insert Execution clause for Australia]

EXECUTED by #COMPANY	)	
NAME (UPPERCASE)# in	)	
accordance with section 127(1) of the	)	
Corporations Act 2001 (Cwlth) by	)	
authority of its directors:	)	
	)	
.....)		.....
Signature of director	)	Signature of director/company
	)	secretary*
	)	*delete whichever is not applicable
	)	
.....)		.....
Name of director (block letters)	)	Name of director/company secretary*
		(block letters)
		*delete whichever is not applicable

[Insert Execution clause for New Zealand]

EXECUTED by #COMPANY	)	
NAME (UPPERCASE)# by	)	
authority of its directors:	)	
	)	
.....)		
Signature of director	)	
	)	.....
	)	Signature of director
	)	
.....)		.....
Name of director (block letters)	)	Name of director (block letters)

[Insert Execution clause for Belgium]

EXECUTED by TP HOLDINGS BV by:	)	
	)	
	)	
	)	
.....	)	.....
Signature of authorised representative	)	Signature of authorised representative
	)	
	)	
.....	)	.....
Office held	)	Office held
	)	
	)	
.....	)	.....
Name of authorised representative (block letters)	)	Name of authorised representative (block letters)

[Insert Execution clause for Philippines]

EXECUTED by [insert company name]	)	
	)	
	)	
	)	
.....	)	.....
Signature of authorised representative	)	Signature of authorised representative
	)	
.....	)	.....
Office held	)	Office held
	)	
.....	)	.....
Name of authorised representative (block letters)	)	Name of authorised representative (block letters)

[Insert Execution clause for Malaysia]

THE COMMON SEAL of # )  
COMPANY NAME )  
(UPPERCASE)# is duly affixed by )  
authority of its directors in the )  
presence of:

.....  
Signature of authorised person

.....  
Signature of authorised person

.....  
Office held

.....  
Office held

.....  
Name of authorised person (block letters)

.....  
Name of authorised person  
(block letters)

[Insert Execution clause for India]

EXECUTED by TP HOLDINGS )  
BV is duly affixed by authority of its )  
directors in the presence of: )  
)

.....  
Signature of authorised person

.....  
Signature of authorised person

.....  
Office held

.....  
Office held

.....  
Name of authorised person (block letters)

.....  
Name of authorised person  
(block letters)

[Insert Execution clause for Mauritius]

THE COMMON SEAL of )  
#COMPANY NAME )  
(UPPERCASE)# is duly affixed by )  
authority of its directors in the )  
presence of:

.....  
Signature of authorised person

.....  
Signature of authorised person

.....  
Office held

.....  
Office held

.....  
Name of authorised person (block letters)

.....  
Name of authorised person  
(block letters)

EXECUTED by #COMPANY )  
NAME (UPPERCASE)# by )  
authority of its directors: )  
)  
)

.....)  
Signature of director )

.....  
Signature of director/company  
secretary\*  
\*delete whichever is not applicable

)  
.....)  
Name of director (block letters) )

.....  
Signature of director/company  
secretary\*  
\*delete whichever is not applicable

[Insert Execution clause for Singapore]

THE COMMON SEAL of # )  
COMPANY NAME )  
(UPPERCASE)# is duly affixed by )  
authority of its directors in the )  
presence of: )

.....  
Signature of authorised person

.....  
Signature of authorised person

.....  
Office held

.....  
Office held

.....  
Name of authorised person (block letters)

.....  
Name of authorised person  
(block letters)

EXECUTED by TECH PACIFIC )  
(INDIA) LIMITED by authority of )  
its directors: )  
)  
)

.....)  
Signature of director )

.....  
Signature of director/company  
secretary\*  
\*delete whichever is not applicable

.....)  
Name of director (block letters) )

.....  
Signature of director/company  
secretary\*  
\*delete whichever is not applicable

[Insert Execution clause for Hong Kong]

THE COMMON SEAL of TECH )  
PACIFIC (HONG KONG) )  
LIMITED is duly affixed by )  
authority of its directors in the )  
presence of: )

.....  
Signature of authorised person

.....  
Signature of authorised person

.....  
Office held

.....  
Office held

.....  
Name of authorised person (block letters)

.....  
Name of authorised person  
(block letters)

[Insert Execution clause for British Virgin Islands]

THE COMMON SEAL of TECH )  
PACIFIC ASIA LIMITED is duly )  
affixed by authority of its directors in )  
the presence of: )

.....  
Signature of authorised person

.....  
Signature of authorised person

.....  
Office held

.....  
Office held

.....  
Name of authorised person (block letters)

.....  
Name of authorised person  
(block letters)

[Insert Execution clause for Bermuda]  
THE COMMON SEAL of )  
TECHPAC HOLDINGS LIMITED )  
is duly affixed by authority of its )  
directors in the presence of: )

.....  
Signature of authorised person

.....  
Signature of authorised person

.....  
Office held

.....  
Office held

.....  
Name of authorised person (block letters)

.....  
Name of authorised person  
(block letters)



Schedule 4 - Company and Subsidiaries

Part 1: Company

Name of Company	Registration No.	Place of incorporation	Registered office	Issued capital	Directors	Company Secretary
Techpac Holdings Limited	EC No 33664	Bermuda	Clarendon House, 2 Church Street, Hamilton HM 11	1,000,000 ordinary shares 137,996,887 preference shares	Andrew Cummins Dawn C Griffiths (alternate) Percy King Tonya Marshall Graham Pickles David Ross Stephen J Rossiter	Scott H Davis Michael Ashford (Assistant Secretary)

Share Sale Agreement

Part 2: Subsidiaries

The Subsidiaries of the Company are as follows:

Name of subsidiary	Registration No.	Place of incorporation	Registered office	Issued capital
Techpac Holdings (Australia) Pty Limited	ACN 104 960 465	Australia	61-71 Dunning Avenue Rosebery NSW 2018	45,500,000 A class redeemable preference shares
				1,000,000 ordinary shares

Tech Pacific Australia Pty Limited	ABN 37 000 628 400	Australia	61-71 Dunning Avenue Rosebery NSW 2018	20,000 ordinary shares
				618,570 redeemable preference shares

Name of subsidiary	Registered shareholders	Beneficial owners of shares (if not the registered shareholders)	Directors	Company Secretary
Techpac Holdings (Australia) Pty Limited	TP Holdings NV - 45,500,000 A class redeemable preference shares		Guy Anthony Freeland	None
	TP Holdings NV - 1,000,000 ordinary shares		Shailendra Gupta	
			Geoffrey Kinghorn	
Tech Pacific Australia Pty Limited	Tech Pacific Holdings Pty Limited - 20,000 ordinary shares		Kerry Alexander Peart- Baillie Shailendra Gupta	Geoffrey Kinghorn
	Tech Pacific Holdings Pty Limited - 618,570 redeemable preference shares		Kerry Alexander Peart-Baillie	
			Guy Anthony Freeland Geoffrey Kinghorn	

Name of subsidiary	Registration No.	Place of incorporation	Registered office	Issued capital
Tech Pacific Holdings Pty Limited	ABN 49 002 956 096	Australia	61-71 Dunning Avenue Rosebery NSW 2018	429,120 A class redeemable preference shares 50,000 B class redeemable preference shares 64,820 C class redeemable preference shares 188,096 D class redeemable preference shares 24,975,650 ordinary shares
Tech Pacific (Thailand) Company Limited	(2) 5519/2538	Thailand	No 75 Soi Rubia, White Group 2 Building, floor, Sukhumvit 42 Road, Kwang Phrakhanong, Khet Klongtoey, Bangkok Metropolis	1,000,000 shares 10th with a par value 100 baht each

Name of subsidiary	Registered shareholders	Beneficial owners of shares (if not the registered shareholders)	Directors	Company Secretary
Tech Pacific Holdings Pty Limited	Techpac Holdings (Australia) Pty Limited - 429,120 A class redeemable preference shares		Shailendra Gupta	Geoffrey Kinghorn
	Techpac Holdings (Australia) Pty Limited - 50,000 B class redeemable preference shares		Guy Anthony Freeland	
	Techpac Holdings (Australia) Pty Limited - 64,820 C class redeemable preference shares		Kerry Alexander Peart-Baillie	
	Techpac Holdings (Australia) Pty Limited - 188,096 D class redeemable preference shares			
	Techpac Holdings (Australia) Pty Limited - 24,975,650 ordinary shares			
Tech Pacific (Thailand) Company Limited	Techpac Holdings Limited - of 999,994 shares		Mr Shailendra Gupta	None
	Mr Graham Lay Pickhurst - 1 share Mr Shailendra Gupta - 1 share Mr Guy Anthony Freeland - 1 share Ms Pasukee Sombatthanasuk - 1 share		Mr Guy Anthony Freeland Mr Weera Wongsabkhana Mr Sitdra Chandphrom	

Name of subsidiary	Registration No.	Place of incorporation	Registered office	Issued capital	Registered shareholders
					Mr Weera Wongsabkhana - 1 share Mr Sithra Chandphrom - 1 share
TP Holdings Limited	EC No 33665	Bermuda	Clarendon House, 2 Church Street, Hamilton HM 11	19,098,000 common shares	Techpac Holdings Limited - 19,098,000 common shares
Tech Pacific, Inc		Philippines	17th Floor, Liberty Center, 104 H.V. dela Costa Street, Salcedo Village, Makati City	358,060 preferred shares  25,000 common shares	Tech Pacific Asia Limited - 358,060 preferred shares  Tech Pacific Asia Limited - 24,998 common shares Guy Freeland - 1 common share  Shailendra Gupta - 1 common share
TP Holdings NV	RPR No 0480.324.303	Belgium	Terhulpesteenweg 166, 1170 Brussel	26,458,037 ordinary shares	Tech Pacific Holdings SARL - 26,458,036 ordinary shares  Geert Duyck - 1 ordinary share

Name of subsidiary	Beneficial owners of shares (if not the registered shareholders)	Directors	Company Secretary
TP Holdings Limited		Andrew Cummins	Scott H Davis
		Dawn C Griffiths (alternate) Percy King Tonya Marshall David Ross Stephen J Rossiter	Michael Ashford (Assistant secretary)
Tech Pacific, Inc		Guy Freeland	Alex Erlito S. Fider
		Shailendra Gupta	
TP Holdings NV		Geert Duyck	None
		Percy King	

Name of subsidiary	Registration No.	Place of incorporation	Registered office	Issued capital
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Tech Pacific (India) Ltd	136340	India	Gate No 1A, Godrej Industrial Complex, Phirojshanagar, Eastern Express Highway, Vikhroli (East), Mumbai	15,780,007 equity shares
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Surijami Investment and Trading Company Ltd	24957	India	Maker Bhavan No 2, 5th Floor, New Marine Lines, Mumbai 400 020	91,449,998 equity shares
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Name of subsidiary	Registered shareholders	Beneficial owners of shares (if not the registered shareholders)	Directors	Company Secretary
			Andrew Cummins David Ross	

Tech Pacific (India) Ltd	Techpac Mauritius Limited - 15,780,000 equity shares		Mr Krishnan Jaishankar	Mr Sudhakar Shetty
	Shailendra Gupta - 1 equity share		Mr Dipak N Ashar	
	Jaishankar Krishnan - 1 equity share		Mr Shailendra Gupta	
	Dipak Ashar - 1 equity share		Mr Guy Anthony Freeland	
	K Venkat - 1 equity share Sanjay Achawal - 1 equity share			
	Mitradutta Mohapatra - 1 equity share Aloysius Fernandes - 1 equity share			

Surijami Investment and Trading Company Ltd	Tech Pacific Mauritius Limited - 35,699,998 equity shares		Mr Jamnadas V Thakkar	None
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Name of subsidiary	Registration No.	Place of incorporation	Registered office	Issued capital
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Tech Pacific Holdings (NZ) Limited	1306735	New Zealand	231-233 Bush Road, Albany, Auckland	14,815,061 shares
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Tech Pacific (NZ) Limited	204636	New Zealand	231-233 Bush Road, North Harbour Industrial Estate, Albany, Auckland	4,009,064 ordinary shares
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Name of subsidiary	Registered shareholders	Beneficial owners of shares (if not the registered shareholders)	Directors	Company Secretary
	Techpac Mauritius Limited - 55,750,000 equity shares Techpac Mauritius Limited - 13,000 preference shares		Mr Bijesh J Thakkar  Mr Krishnan Jaishankar Shailendra Gupta  Guy Freeland	
Tech Pacific Holdings (NZ) Limited	Techpac Holdings Limited - 14,815,061 ordinary shares		Anthony Butler  Guy Anthony Freeland Shailendra Gupta Vivienne Larsen	None
Tech Pacific (NZ) Limited	Tech Pacific Holdings (NZ) Limited - 4,009,064 ordinary shares		Anthony Butler  Guy Anthony Freeland Shailendra Gupta Vivienne Larsen	None

Name of subsidiary	Registration No.	Place of incorporation	Registered office	Issued capital
Imagineering New Zealand Limited	456472	New Zealand	231-233 Bush Road, North Harbour Industrial Estate, Albany, Auckland	400 ordinary shares

First Tech Pacific Distribution Sdn Bhd	155717-X	Malaysia	Level 11-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	1,350,000 ordinary shares
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Tech Pacific (HK) Limited	149001	Hong Kong	28/F, Millennium City, 378 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong	4 income shares  120,000 ordinary shares
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Name of subsidiary	Registered shareholders	Beneficial owners of shares (if not the registered shareholders)	Directors	Company Secretary
Imagineering New Zealand Limited	Tech Pacific (NZ) Limited - 400 ordinary shares		Anthony Butler	None
			Guy Anthony Freeland Shailendra Gupta	
First Tech Pacific Distribution Sdn Bhd	Tech Pacific Asia Ltd - 1,350,000 ordinary shares		Ng Choon Chuat	Lim Seck Wah
			Chan Jenn Yaw	M Chandrasegaran A/l S. Murugasu
			Guy Anthony Freeland Shailendra Gupta	
Tech Pacific (HK) Limited	Tech Pacific Asia Limited - 4 income shares		Shailendra Gupta	Michael Kim Ming Lee
	Graham Pickles - 1 ordinary share	Share held by Graham Pickles held on trust for Tech Pacific Asia Limited	Michael Kim Ming Lee	
	Tech Pacific Asia Limited - 119,999 ordinary shares		Guy Anthony Freeland	

Name of subsidiary	Registration No.	Place of incorporation	Registered office	Issued capital
				6,660,000 redeemable preference shares

Tech Pacific Limited	166099	Hong Kong	28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong	2,634,716 ordinary shares
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Tech Pacific (India) Exports Pte Ltd	200101113W	Singapore	438B Alexandra Road, #01-05/08, Singapore, 119968	45,272 ordinary shares
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Tech Pacific (Singapore) Ltd	198501366W	Singapore	438B Alexandra Road, #01-05/08, Singapore, 119968	7,967,000 preference shares  100,000 ordinary shares
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Name of subsidiary	Registered shareholders	Beneficial owners of shares (if not the registered shareholders)	Directors	Company Secretary
	Tech Pacific Asia Limited - 6,660,000 redeemable preference shares		Man Lung Lee	
Tech Pacific Limited	Tech Pacific Asia Limited - 2,634,715 ordinary shares		Shailendra Gupta	Michael Kim Ming Lee
	Graham Pickles - 1 ordinary share	Share held by Graham Pickles held on trust for Tech Pacific Asia Limited	Michael Kim Ming Lee	
			Guy Anthony Freeland	
			Man Lung Lee	
Tech Pacific (India) Exports Pte Ltd	Tech Pacific (India) Limited - 45,272 ordinary shares		Ramanadhan Krishnan	Lawrence Kwan
			Shailendra Gupta	
			Guy Anthony Freeland	
			Wong Chee Khuen	
Tech Pacific (Singapore) Ltd	Tech Pacific Asia Limited - 7,967,000 preference shares		Shailendra Gupta	Wong Chee Khuen
	Tech Pacific Asia Limited -		Guy Anthony Freeland	





Name of subsidiary	Registration No.	Place of incorporation	Registered office	Issued capital
Tech Pacific Holdings Pte Limited	200108223Z	Singapore	438B Alexandra Road, #01-05/08, Singapore, 119968	2 ordinary shares
Tech Pacific Logistics Pte Ltd	199900151E	Singapore	438B Alexandra Road, #01-05/08, Singapore, 119968	2 ordinary shares
Tech Pacific Asia Limited	IBC No 81309	British Virgin Islands	PO Box 71, Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	27,528 ordinary shares

Name of subsidiary	Registered shareholders	Beneficial owners of shares (if not the registered shareholders)	Directors	Company Secretary
			Wong Chee Khuen	
Tech Pacific Holdings Pte Limited	Tech Pacific Asia Limited - 2 ordinary shares		Shailendra Gupta	Wong Chee Khuen
			Guy Anthony Freeland	
Tech Pacific Logistics Pte Ltd	Tech Pacific Asia Limited - 2 ordinary shares		Shailendra Gupta	Wong Chee Khuen
			Guy Anthony Freeland	
Tech Pacific Asia Limited	Techpac Holdings Limited - 27,528 ordinary shares		Elaine N Christaans	None
			F Lawrence Dickt	
			Guy Anthony Freeland	
			Shailendra Narendra Gupta	

Name of subsidiary	Registration No.	Place of incorporation	Registered office	Issued capital
Tech Pacific Holdings SARL	B 94066	Luxembourg	31-33 Boulevard du Prince Henri, L-1724 Luxembourg	58,321 ordinary shares  400,000 A class preference shares  600,000 B class preference shares

Tech Pacific Mauritius Limited	15757/2326	Mauritius	10 Frere Felix De Valois Street, Port Louis, Mauritius	2 ordinary shares
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Techpac Mauritius Limited	23537/5388	Mauritius	10 Frere Felix De Valois Street, Port Louis, Mauritius	20,189,162 ordinary shares
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Name of subsidiary	Registered shareholders	Beneficial owners of shares (if not the registered shareholders)	Directors	Company Secretary
Tech Pacific Holdings SARL	Techpac Holdings Limited - 58321 ordinary shares  Techpac Holdings Limited - 400,000 A class preference shares  Techpac Holdings Limited - 600,000 B class preference shares		Stef Oostvogels  Delphine Tempe  Percy King  David Ross Andrew Cummins	None
Tech Pacific Mauritius Limited	Tech Pacific Asia Limited - 2 ordinary shares		Guy Anthony Freeland  Shailendra Gupta  Marie Joseph Raymond Lamusse  Marie Joseph Louis Couacaud	Multiconsult Ltd
Techpac Mauritius Limited	Tech Pacific Asia Limited - 20,189,162 ordinary shares		Guy Anthony Freeland  Shailendra Gupta  Marie Joseph Raymond Lamusse  Marie Joseph Louis	Multiconsult Ltd



1 Shares

1.1 Proportion of capital

The Shares comprise all of the issued capital of the Company and are fully paid with no money owing in respect of them.

1.2 Issued shares

All of the issued shares in the capital of the Company are validly allotted and issued in compliance with the Company's Constitution and any law or regulation to which the Company is subject and were not allotted or issued or transferred in breach of any:

(a) pre-emptive or similar rights of any person; or

(b) contract which is binding on the Company.

1.3 Title

The Seller is the registered and beneficial owner of the Shares.

1.4 No Encumbrances

There are no Encumbrances over the Shares and there is no agreement to give or create any Encumbrance over the Shares.

1.5 No restriction

There is no restriction on the transfer of the Shares to the Buyer on the terms of this agreement.

1.6 Consents

The Seller has obtained all consents (including consent of the other shareholders) necessary to enable it to transfer the Shares to the Buyer except for consent of the directors of the Company to the registration of the transfer of the Shares.

1.7 No obligation to issue other Securities

The Company is not under any obligation, whether or not subject to any condition, to:

(a) issue, allot, grant, create, sell, transfer or otherwise dispose of any Securities including Securities convertible into shares in the Company;

(b) enter into any agreement in respect of the rights to vote which are conferred in respect of any Securities; or

- (c) grant any warrant, option or right of first refusal or offer in respect of any Securities.

1.8 Agreements in relation to the Shares

There are no agreements, options, arrangements or understandings in place in relation to the Shares to which the Company is a party or is subject or by which it is bound (including any shareholders' agreement, voting trust, proxy or other agreement or understanding relating to the Shares) to which the Company will after Completion be a party, subject or bound in any way.

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2 Power and authority

2.1 Authority

The Seller has taken all action which is necessary to authorise the entry into and performance of its obligations under this agreement.

2.2 Power

The Seller has the power, without any further consent of any other person, to enter into and perform its obligations under this agreement.

2.3 Binding obligations

This agreement constitutes legal, valid and binding obligations of the Seller, enforceable against it in accordance with its terms.

2.4 No consequential breach

The execution, delivery and performance by the Seller of this Agreement does not and will not result in a breach of or default under:

- (a) any provision of the constitution of any Seller;
- (b) any term or provision of any security arrangement to which any Seller is a party or is subject or by which it is bound; or
- (c) any law, judgement, writ, order or injunction, rule or regulation to which any Seller is a party or is subject or by which it is bound.

2.5 No insolvency events

- (a) No meeting has been convened, resolution proposed, petition presented or order made for the winding up of the Seller.
- (b) No receiver, receiver and manager, provisional liquidator, liquidator or other officer of the court has been appointed in relation to all or any of the Shares of the Seller.
- (c) No mortgagee or chargee has taken, attempted or indicated an intention to exercise its rights under any security over the Shares of the Seller of which the Seller is the mortgagor or charger.
- (d) The Seller is not Insolvent.

- 
- 3 Target Group
- 3.1 Schedules
- The information in Schedule 2 ("Shares") and Schedule 4 ("Company and Subsidiaries") is complete, accurate and up-to-date.
- 3.2 Incorporation
- Each Group Company is validly incorporated and subsisting in accordance with all applicable laws.
- 3.3 Power and authority
- Each Material Operating Subsidiary and the Company has full corporate power and authority to own their respective assets and businesses and to carry on their respective businesses as now conducted.
- 3.4 No insolvency events
- No:
- (a) meeting has been convened, resolution proposed, petition presented or order made for the winding up of any Group Company;
  - (b) receiver, receiver and manager, provisional liquidator, liquidator or other officer of the court has been appointed in relation to all or any material asset of any Group Company;
  - (c) mortgagee or chargee has taken, or so far as the Seller is aware, attempted or indicated an intention to exercise its rights under any security of which any Group Company is the mortgagor or chargor; and
  - (d) Group Company is Insolvent.
- 3.5 Proportion of capital
- The shares in each Subsidiary (as shown in Schedule 4 ("Company and Subsidiaries")) comprise all of the issued capital of the relevant Subsidiary and are fully paid with no money owing in respect of them.
- 3.6 Issued Shares
- All of the issued shares in the capital of each Subsidiary (as shown in Schedule 4 ("Company and Subsidiaries")) are validly allotted and issued in compliance with the Subsidiary's Constitution and any law or regulation to which the Subsidiary is subject and were not allotted or issued or transferred in breach of any:
- (a) pre-emptive or similar rights of any person; or
  - (b) contract which is binding on the relevant Subsidiary.

3.7 Title

Each Group Company which is shown in Schedule 4 ("Company and Subsidiaries") as holding shares in another Group Company is the registered and beneficial owner of those shares free of any Encumbrance and there is no agreement to give or create any Encumbrance over the relevant shares.

3.8 No obligation to issue other Securities

None of the Subsidiaries is under any obligation, whether or not subject to any condition, to:

- (a) issue, allot, grant, create, sell, transfer or otherwise dispose of any Securities including Securities convertible into shares in the relevant Subsidiary;
- (b) enter into any agreement in respect of the rights to vote which are conferred in respect of any Securities; or
- (c) grant any warrant, option or right of first refusal or offer in respect of any Securities.

3.9 Agreements in relation to the shares

So far as the Seller is aware, there are no agreements, options, arrangements or understandings in place in relation to the shares in any Subsidiary to which the Subsidiary is a party or is subject or by which it is bound (including any shareholders' agreement, voting trust, proxy or other agreement or understanding relating to the relevant shares).

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4 Accounts

4.1 Audited Accounts

- (a) The Audited Accounts were prepared in accordance with Australian Accounting Standards applied on a consistent basis and on the presumption that the Group continues as a going concern under ownership of the Seller in the ordinary course.
- (b) The Seller is not aware of any matter that would cause the Seller to believe the Audited Accounts did not present a true and fair view of:
  - (i) the statement of financial position;
  - (ii) the statement of performance; and
  - (iii) the statement of cash flows,of the Group for the relevant period.
- (c) The Audited Accounts for each period were prepared on a consistent basis with each other.



4.2 Position since 30 June 2004

So far as the Seller is aware, since 30 June 2004:

- (a) each of the Group Companies have conducted their business in the ordinary course and have not entered into any material contracts or arrangements except in the ordinary course of business;
- (b) none of the Group Companies have disposed of any of their material assets or acquired any material assets except in the ordinary course of business;
- (c) none of the Group Companies have incurred material liabilities except in the ordinary course of business;
- (d) there has not been any material adverse change affecting the Business as a whole, the assets of the Group taken as a whole or the financial position of the Group taken as a whole;
- (e) no dividends, bonus issues or other distributions have been declared or made and no repayments of shareholders' loans or capital reductions, or payments of fees (except for payments of fees made in the ordinary course of business) have been made, to a Seller by a Group Company (except for movements in or forgiveness of intercompany balances ancillary to the transactions contemplated by this document);
- (f) none of the Group Companies have granted any Encumbrance over any of their material assets except in the ordinary course of business; and
- (g) no loans have been made by the Group Companies to employees, nor have any advances or loan money been accepted from any employees except for bonuses paid in the ordinary course of business.

4.3 Vendor claims

- (a) So far as the Seller is aware, all liabilities for customer rebates, discounts, returns, co-operative advertising, price protection and other sales incentive or marketing programs arising from sales recognised prior to the respective balance sheet dates are, on balance, materially reflected in the Audited Accounts.
- (b) So far as the Seller is aware, after allowance for provisions in the Audited Accounts, all vendor claims receivable or reductions of vendor accounts payable for amounts due from vendors as recorded in the Audited Accounts that are material to the Group as a whole are valid and recoverable claims approved by the vendor and there are no material disputes in relation to those Claims.

5 Title to Assets

5.1 Assets

The material assets used in the businesses of the Group Companies are:

(a) the property of a Group Company or in the possession of a Group Company under a finance or operating lease; and

(b) used solely by a Group Company.

## 5.2 Encumbrances

No Encumbrance or other third party interests or rights exist over any of the material assets of a Group Company other than the Permitted Encumbrances.

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## 6 Tangible Assets

All of the material tangible assets of the Group Companies (including Inventory), are in good repair and working condition, having regard to their age and conform with all applicable descriptions, specifications and standards relevant to their use.

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## 7 Properties

Details of all material documentation pursuant to which material Premises are owned, leased, used or occupied by the Group Companies have been provided to the Buyer in the Data Room Documentation.

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## 8 Intellectual Property Rights

### 8.1 Ownership

So far as the Seller is aware, all intellectual property rights used in the businesses of each Group Company are valid and subsisting and the Group Companies either own or have a lawful right to use them.

### 8.2 No third party rights

So far as the Seller is aware, no person other than the Group Companies has a right to an intellectual property right used in the businesses of the Group Companies, or may benefit from it.

### 8.3 No infringement

So far as the Seller is aware, the intellectual property rights used in the businesses of the Group Companies and material to the conduct by the Material Operating Subsidiaries of their businesses do not infringe against any industrial or intellectual or other property right of any other person or is to the knowledge of the Seller alleged to be, in breach of an obligation of confidence owed to any third party to the extent that such infringement or breach would have a material adverse effect on that Material Operating Subsidiary.

9	Litigation
9.1	<p>Material litigation</p> <p>There is no material prosecution, litigation, arbitration, proceeding or so far as the Seller is aware, investigation affecting any of the Group Companies, the assets of them or the Properties that:</p> <p>(a) is current; or</p> <p>(b) is pending or threatened in writing.</p>
9.2	<p>No facts giving rise to litigation</p> <p>So far as the Seller is aware, there are no facts or circumstances which are likely to give rise to any prosecution, litigation or proceeding involving any of the Group Companies which would be material to the relevant Group Company.</p>
9.3	<p>No unsatisfied judgments</p> <p>There are no unsatisfied judgments, awards, claims or demands against any of the Group Companies.</p>
10	Records
10.1	<p>Constitution</p> <p>There are accurate and up-to-date copies of the Constitutions of each of the Group Companies in the Data Room Documentation.</p>
10.2	<p>Registers</p> <p>None of the Group Companies has received notice of an application or intended application to rectify the register of members or another register it is required by law to maintain.</p>
11	Taxes and duties
	<p>(a) All Tax Returns required to be lodged with any Revenue Authority or self-assessed with respect to the affairs of the Company and each Group Company for the period up to Completion have been, or prior to Completion will be, duly submitted by the Company and each Group Company to the relevant Revenue Authority, or self-assessed.</p> <p>(b) All Taxes under the Tax Law payable by Company and each Group Company for the Tax Period up to and including 30 June 2004 and all Tax Periods since 12 June 2003 have been duly assessed (including by self-assessment) and paid or to the extent not paid and if required in conformity with Australian Accounting Standards, appropriate provisions have been made in the 30 June 2004 audited consolidated financial statements of the Company contained in Annexure A.</p>

12	Insurance
12.1	<p>Policies</p> <p>So far as the Seller is aware, the Data Room Documentation contains details of all material insurances (including policies of credit insurance) in respect of the assets and businesses of each of the Group Companies, and each of the material insurances (including policies of credit insurance) in respect of the assets and businesses of the Group Companies are fully effective, the premiums have been paid and nothing has been done or omitted to be done which would make any of them void, voidable or unenforceable.</p>
12.2	<p>Adequacy</p> <p>So far as the Seller is aware, each of the Material Operating Subsidiaries have valid insurance cover in respect of their material assets and employees and at all material times have had valid insurance:</p> <p>(a) against all risks normally insured against by companies carrying on similar businesses or having similar assets (including policies of credit insurance);</p> <p>(b) for the full amount required by law;</p> <p>(c) for the full replacement value of its material assets; and</p> <p>(d) from a reputable insurer.</p>
12.3	<p>Claims</p> <p>There is no claim material to the Group as a whole outstanding under an insurance contract of the Group Companies.</p>
13	Data Room Documentation
13.1	<p>Not deliberately misleading</p> <p>So far as the Seller is aware, the Seller does not believe that the Company or the Seller has deliberately included in the Disclosure Letter or the information disclosed in writing to the Buyer during the course of the Due Diligence that is materially misleading or inaccurate.</p>
13.2	<p>No intention to mislead</p> <p>So far as the Seller is aware, the Seller does not believe the Disclosure Letter or the information disclosed in writing to the Buyer during the course of the Due Diligence was compiled with the intention of misleading the Buyer.</p>
14	Register of Shares
	<p>None of the Shares are recorded in any register situated in any jurisdiction other than Bermuda.</p>

So far as the Seller is aware, the Seller does not believe that the Company has released any party from any of its obligations under the Hagemeyer Contracts and Hagemeyer Disclosure Letter.

Project Phoenix - Share Sale Agreement

Schedule 6 - Adjustment Statement

This is the Adjustment Statement for the purposes of the Share Sale Agreement between CVC Capital Partners Asia Pacific LP, Asia Investors LLC and Hagemeyer Caribbean Holding N.V., Ingram Micro Inc. and other parties dated [insert date] 2004 ("Share Sale Agreement").

	Estimated Net Tangible Assets A\$000's	Adjustment Statement Date A\$000's
TECHPAC HOLDINGS LTD		
-----		
Inventories	187,906	
Trade receivables	357,419	
Other receivables & prepayments	16,569	
Current assets	561,894	
Plant and equipment	10,051	
Deferred tax assets	10,467	
Deferred borrowing costs	3,681	
-----		
Non-current assets	24,199	
Intangible Assets	99,026	
-----		
Total assets	685,119	
-----		
Trade payables	262,046	
Accrued expenses and other payables	54,146	
Income tax provision	4,427	
Other provisions	772	
-----		
Current liabilities	321,391	
Deferred tax liabilities		
Other provisions	1,360	
Leases	18	
-----		
Non-current liabilities	1,378	
Senior Debt		
Mezzanine Debt	30,468	
Short term loans	205,008	

	Estimated Net Tangible Assets \$000's	Adjustment Statement Date A\$000's
TECHPAC HOLDINGS LTD		
-----		
Westpac Securitisation Facility		
Less Cash at bank	(40,983)	
-----		
Net Financial Funds	194,493	
-----		
Total liabilities	517,262	
-----		
Issued capital	138,997	
Subordinated shareholders loans	1,478	
Foreign currency translation reserve	(7,717)	
Retained earnings	35,099	
-----		
Shareholders equity	167,857	
-----		
Liabilities + Shareholders equity	685,119	
-----		
Net Assets	167,857	
Less: Intangible Assets	(99,026)	
-----		
Net Tangible Assets	68,831	
-----		

	A\$000's
-----	
Net Tangible Assets at Adjustment Statement Date	A\$[       ]
-----	
Less:	
Estimated Net Tangible Assets	A\$ 68,831
-----	
Adjustment Amount	A\$[       ]
-----	

Under clause 5.15 ("Payment of Adjustment Amount") of the Share Sale Agreement, the Adjustment Amount of A\$[ ] is payable by the [Seller/Buyer] to the [Buyer/Seller].

Schedule 7 - Adjustment Statement Accounting Policies

- 
- 1           General
- The Adjustment Statement must be prepared in the same format as that set out in Schedule 6 ("Adjustment Statement") and must be prepared:
- (a) in accordance with the specific accounting policies, standards, principles, procedures, adjustments and method of application of them set out in section 2 of this Schedule;
  - (b) to the extent not inconsistent with paragraph (a), in accordance with the accounting policies, standards, principles, procedures and method of application of them used in preparing the Audited Accounts for the six months ended 30 June 2004 consistently applied; and
  - (c) to the extent not inconsistent with paragraphs (a) or (b), in accordance with Australian Accounting Standards.
- 
- 2           Specific items
- To the extent that the following transactions and events are not already taken into account in the preparation of the Adjustment Statement, the following specific adjustments must be made, as required, in the preparation of the Adjustment Statement:
- (a) no write off in deferred borrowing costs as reflected in the accounts for the period ended 30 June 2004 except on account of capitalisation of fresh borrowing costs on new financing facilities entered into and routine amortisation of deferred borrowing costs over the life of existing financing facilities;
  - (b) accrual of liability for break fees estimated at A\$1,950,000 (or such lesser amount as the Seller Representative may be able to agree with the Mezzanine Lenders) to be incurred in relation to the early repayment of the mezzanine debt (which amount, for the avoidance of doubt, was not included in the calculation of the Estimated Net Tangible Assets);
  - (c) the Preference Shares must be classified as part of Issued Capital; and
  - (d) the item "subordinated shareholder loans" estimated at \$1.478 million as at 31 October 2004 must be treated as part of Shareholders Equity and it is acknowledged that they represent equity entitlements of certain Sellers to be paid out of the Purchase Price.



Any additional specific adjustments to be made to the Adjustment Statement otherwise than as contemplated by this Agreement require the agreement of both the Seller Representative and the Buyer.

Schedule 8 - Auditor's scope of work

Part 1: Scope of Work

The Auditor must be instructed by the Seller Representative and the Buyer on a basis consistent with the following:

- 1

Preparation of Adjustment Statement

The Adjustment Statement is to be prepared by the directors of the Company on the basis set out in this agreement.
- 2

Audit

The Auditor is to conduct a completion audit in accordance with Australian GAAS and undertake the key audit work program steps set out below, along with any other steps considered appropriate by the Auditor to provide reasonable assurance as to whether the Adjustment Statement is free of material misstatement and to form the audit opinion set out in the report below.
- 3

Materiality

The materiality for the completion audit of the Adjustment Statement is to be set at \$4,000,000 supplemented with qualitative considerations.
- 4

Unadjusted differences

A schedule of unadjusted differences will be presented to the Seller Representative and the Buyer at the conclusion of the completion audit of the Adjustment Statement. This schedule of unadjusted differences will detail all items with an individual impact in excess of \$500,000, together with the sum of all the positive and the sum of all the negative unadjusted differences identified with an individual impact below \$500,000.
- 5

Audit report

The Auditor is to report to the Seller Representative and the Buyer on the Adjustment Statement in accordance with the timetable set out in this agreement and in the form set out below.

## Key work program steps

Stock	existence and completeness	<p>stocktake at Adjustment Statement Date across all territories</p> <p>reconciliation of physical inventory count to costed physical inventory compilation</p>
	cut off testing	review stock in transit/returns cut off at Adjustment Statement Date
	valuation and recoverability	<p>consistency of valuation and stock provision methodology with reference to:</p> <ul style="list-style-type: none"> <li>- Adjustment Statement</li> <li>- Adjustment Statement Accounting Policies including landed cost calculation</li> <li>- review of stock ageing/usage</li> <li>- vendor price protection and stock rotation rights</li> </ul>
Debtors	existence and completeness	<p>positive debtors circularisation (plus since received testing) of the largest customer balances and a sample of significant balances over 60 days past due at Adjustment Statement Date across each territory</p> <p>reconcile sub-ledgers to general ledgers</p>
	cut off testing	review invoices/orders/credit notes cut off at Adjustment Statement Date
	valuation and recoverability	<p>consistency of valuation and debtors provision methodology with reference to:</p> <ul style="list-style-type: none"> <li>- Adjustment Statement</li> <li>- review of debtors ageing</li> <li>- price support rights with vendors</li> <li>- customer stock rotation rights</li> </ul>
Other	rebates/settlement	validity of rebates/settlement discounts accrued, including review

debtors discounts

of key vendor incentive programs and consistency of accrual methodology

test significant vendor program receivables were appropriately recorded and in compliance to vendor terms and conditions

reconcile sub-ledger to aged listing of vendor programs to general ledger balance

Creditor'  
accruals and  
provisions

- audit of a sample of key vendor statement reconciliations at Adjustment Statement Date
- purchases cut off testing at Adjustment Statement Date
- unearned revenue testing
- unrecorded liabilities testing
- audit of provisions for:
  - legal or other contingencies
  - net tax balances
  - employee entitlements including
  - annual leave/LSL
  - salaries
  - bonuses
  - restructuring/redundancy obligations
  - warranty claims
  - customer rebates
  - all other liabilities
- review for off balance sheet/contingent liabilities and commitments including open hedge commitments & derivative positions & obtaining legal confirmations

Intercompany balances	confirmation and reconciliation of all intercompany (Group Company, Seller or related bodies corporate) balances and related party transactions and commitments
Fixed assets	confirm appropriate treatment of capital expenditure and consistency with the Adjustment Statement Accounting Policies  agree sub-ledger to general ledger  test significant capital expenditures since June 30 2004  review proper amortisation  verify existence for sample of larger assets  review for material capex commitments
Cash	confirm cash balances with financial institutions  test bank reconciliations for propriety  review cash cut-off
Borrowings	positive confirmation of balance, terms and conditions (and security) of all external debt balances and facilities at Adjustment Statement Date including finance leases, letters of credit and bills of exchange
Other current assets	test validity review valuation and collectability

## Part 2: Audit report

### 1 Completion Audit Report

Independent Audit Report to the Directors of each of CVC Capital Partners Asia Pacific LP, Asia Investors LLC and Hagemeyer Caribbean Holding NV ("Seller Representative") and [insert full name of Buyer] ("Buyer").

In accordance with clause 5 of the Share Sale Agreement dated [insert date] 2004 between the Seller Representative, the Buyer and others ("Agreement"), we have performed an audit of the Adjustment Statement (as defined in the Agreement), being a special purpose consolidated financial report of the Group as at the Adjustment Statement Date (as defined in the Agreement), attached as Annexure A. The Adjustment Statement has been prepared by the Group in accordance with clauses 5.5 and 5.6 of the Agreement, which requires the Adjustment Statement to be prepared in accordance with the Adjustment Statement Accounting Policies set out in Schedule 7 to the Agreement.

The directors of Techpac Holdings Limited ("Company") are responsible for the preparation and presentation of the Adjustment Statement and have determined that the accounting policies used are consistent with the Adjustment Statement Accounting Policies set out in Schedule 7 to the Agreement. The directors of the Company have determined that the accounting policies used are appropriate to meet the requirements of the Agreement and are appropriate to meet the needs of the users of the Adjustment Statement, being the parties to the Agreement. No opinion is expressed as to whether the accounting policies used, and described in Schedule 7 to the Agreement, are appropriate to meet the needs of the parties to the Agreement.

The Adjustment Statement and our audit report thereon have been prepared solely for the purpose of fulfilling the financial reporting requirements set out in the Agreement in relation to the proposed sale of the Company to the Buyer. We disclaim any assumption of responsibility for any reliance on this audit report or on the Adjustment Statement to which it relates to any person other than the Seller Representative and the Buyer without our express written approval, and we deny any liability to any third party not entitled to rely on our report.

Our audit has been conducted in accordance with Australian GAAS. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the Adjustment Statement, and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the Adjustment Statement is presented fairly in accordance with the Adjustment Statement Accounting Policies set out in Schedule 7 to the Agreement.

The audit opinion expressed in this report has been formed on the above basis.

Words and expressions defined in the Agreement have the same meaning when used in this report.

In our opinion the Adjustment Statement presents fairly the Group's financial position as at the Adjustment Statement Date in accordance with the

Adjustment Statement Accounting Policies set out in Schedule 7 to the Agreement.

[  
Chartered Accountants

Sydney

[insert date]

Country	Corporate Searches	Intellectual Property Searches	Real Property Searches	Litigation Searches	Other Searches
Australia	Australian Securities and Investments Commission  New South Wales Department of Fair Trading or equivalent body in each state or territory of the Commonwealth of Australia:	Internet names worldwide  Australian Trademarks Office	New South Wales Land and Property Information	Federal Court of Australia   Supreme Court of New South Wales	
New Zealand	The Companies Office	Intellectual Property Office of New Zealand	Land Information New Zealand	High Court Registry in Auckland, Wellington and Christchurch  New Zealand Court of Appeal	Personal Property Securities Register
Belgium	Crossroads Bank for Enterprises  Registry of Commerce				



Country	Corporate Searches	Intellectual Property Searches	Real Property Searches	Litigation Searches	Other Searches
Thailand	Department of Commercial Registration, Ministry of Commerce	Department of Intellectual Property, Ministry of Commerce		Bankruptcy Court	
Philippines	Securities and Exchange Commission	Intellectual Property Office		Supreme Court of the Philippines Court of Appeals Court of Tax Appeals National Labor Relations Commission	
Malaysia	Companies Commission of Malaysia Jabatan Insolvensi Malaysia	Trade Marks Registry, Intellectual Property Corporation of Malaysia			
India	Registrar of Companies	Trade Marks Registry Patent & Designs Office Copyright Registry			
Mauritius	Registrar of Companies			Supreme Court of Mauritius	

Country	Corporate Searches	Intellectual Property Searches	Real Property Searches	Litigation Searches	Other Searches
Luxembourg	Tribunal of Commerce Register of Commerce and Companies Luxembourg  (Registre de commerce et des Societes Luxembourg)				
Singapore	Accounting and Corporate Regulatory Authority	Intellectual Property Office of Singapore, as well as its website:  www.ipos.gov.sg for some online searches	Singapore Land Authority	High Court and Subordinate Courts Registers  for companies:  Winding-up, Cause Book, Writs of Seizure and Sale, Judicial Management  for individuals:  Bankruptcy, Cause Book, Writs of Seizure and Sale	
Hong Kong	Companies Registry	Trade Marks Registry	Land Registry and New Territories Land Registries	TARGET On-Line Financial Limited	Official Receiver's Office
British Virgin Islands	British Virgin Islands Companies Registry			British Virgin Islands High Court Registry	

Country	Corporate Searches	Intellectual Property Searches	Real Property Searches	Litigation Searches	Other Searches
Bermuda	Register of Companies Register of Charges			Supreme Court of Bermuda Causes Register	

Signing page

SIGNED by )  
as attorney for CVC CAPITAL )  
PARTNERS ASIA PACIFIC LP )  
under power of attorney dated )  
in the presence of: )  
)  
)  
) /s/ Adrienne Showering  
----- ) /s/ Richard Mazzochi  
Signature of witness ) -----  
ADRIENNE SHOWERING ) By executing this agreement the  
----- ) attorney states that the attorney has  
Name of witness (block letters) ) received no notice of revocation of  
) the power of attorney

SIGNED by )  
as attorney for ASIA INVESTORS )  
LLC under power of attorney dated )  
                        in the presence )  
of: )  
                        ) )  
                        ) )  
/s/ Adrienne Showering )  
----- )     /s/ Richard Mazzochi  
Signature of witness ) -----  
ADRIENNE SHOWERING ) By executing this agreement the  
----- )     attorney states that the attorney has  
Name of witness (block letters) ) received no notice of revocation of  
                                      ) the power of attorney

SIGNED by )  
as attorney for HAGEMEYER )  
CARIBBEAN HOLDING NV under )  
power of attorney dated )  
in the presence of: )  
)  
)  
)  
)  
)  
) /s/ Adrienne Showering  
----- )  
Signature of witness ) /s/ Richard Mazzochi  
ADRIENNE SHOWERING ) -----  
----- ) By executing this agreement the  
Name of witness (block letters) ) attorney states that the attorney has  
) received no notice of revocation of  
) the power of attorney

SIGNED by )  
 as attorney for each of the )  
 Management Sellers in the presence )  
 of: )  
 )  
 )  
 /s/ Adrienne Showering )  
 ----- ) /s/ Richard Mazzochi  
 Signature of witness ) -----  
 ) By executing this agreement the  
 ADRIENNE SHOWERING ) attorney states that the attorney has  
 ----- ) received no notice of revocation of  
 Name of witness (block letters) ) the power of attorney

SIGNED by INGRAM MICRO )  
 ASIA HOLDINGS INC. by )  
 ) /s/ Kay D. Leyba  
 ) -----  
 ) By executing this agreement the  
 ) signatory warrants that the signatory  
 ) is duly authorised to execute this  
 ) agreement on behalf of  
 ) INGRAM MICRO ASIA HOLDINGS INC.  
 )  
 ) Kay D. Leyba  
 ) -----  
 ) Name of signatory  
 )  
 ) Assistant Treasurer  
 ) -----  
 ) Position held

SIGNED by INGRAM MICRO )  
 INC. by )  
 ) /s/ Kevin Murai  
 ) -----  
 ) By executing this agreement the  
 ) signatory warrants that the signatory  
 ) is duly authorised to execute this  
 ) agreement on behalf of INGRAM MICRO INC.  
 )  
 ) Kevin Murai  
 ) -----  
 ) Name of signatory  
 )  
 ) Assistant Treasurer  
 ) -----  
 ) Position held

INGRAM MICRO INC.  
2003 EQUITY INCENTIVE PLAN

INCENTIVE STOCK OPTION  
AWARD AGREEMENT

SECTION 1. GRANT OF OPTION. As of [DATE], Ingram Micro Inc. ("MICRO") hereby grants to [LEGAL NAME] ("OPTIONEE") an incentive stock option (the "OPTION") exercisable in whole or in part, to purchase, pursuant to the terms hereof, X,XXX shares of Class A Common Stock, \$.01 par value per share, of Micro's common stock (the "COMMON STOCK"), at a price of \$XX.XX per share pursuant to and subject to the terms and conditions set forth in the Ingram Micro Inc. 2003 Equity Incentive Plan (the "PLAN"). Capitalized terms used and not otherwise defined herein are used with the same meanings as in the Plan.

SECTION 2. INCENTIVE STOCK OPTION. This Option is intended to qualify as an incentive stock option as that term is used in Section 422 of the Code.

SECTION 3. TIME OF EXERCISE; EXPIRATION. (a) This Option shall become exercisable set forth below:

Shares -----	Vesting Date -----
XXX	[DATE]
XXX	[DATE]
XXX	[DATE]

(b) The Option may not be exercised after 5:00PM (PST) in Santa Ana, California, on [DATE].

SECTION 4. MANNER OF EXERCISE. This Option shall be exercised by Optionee (or other party entitled to exercise the Option under Section 6(b) of this Award Agreement) by delivering written notice to the stock plan administrator designated by Micro stating the number of shares of Common Stock being purchased and the address and social security number or global identification number of the purchaser, together with payment of the purchase price for the shares of Common Stock being purchased in a manner permitted by Section 6(d) of the Plan and plus an amount sufficient to satisfy the tax withholding requirement set forth in Section 14(e) of the Plan, if necessary.

SECTION 5. NONTRANSFERABILITY OF OPTION. This Option shall not be transferable by Optionee otherwise than by will or by the laws of descent and distribution. The terms of this Option shall be binding on the executors, administrators, heirs and Successors of Optionee.

SECTION 6. TERMINATION OF EMPLOYMENT (as defined under Section 11 of the Plan).

(a) If your employment is terminated for any reason other than death, Disability, Retirement or Cause, your vested Incentive Stock Options and related Stock Appreciation Rights will expire 90 days from your termination. Unless the Committee otherwise provides, if your employment with us or any of our Affiliates is terminated for any reason other than your death, Disability, Retirement or Cause, your Incentive Stock Options and any related Stock Appreciation Rights will expire 90 days (or, if later, on the 15th day following the end of any Micro-imposed restrictions in effect during such 90 day period on your ability to engage in transactions involving Shares (such 15th day, the "Extended Date" in which case such Options shall be deemed Non-Qualified Stock Options)) following such termination or the date your Options or Stock Appreciation Rights would otherwise expire by their terms had it not been for your termination date. Your Incentive Stock Options and related Stock Appreciation Rights will be exercisable prior to the expiration date only to the extent exercisable on the date your employment terminates.

(b) If your employment is terminated as a result of your death, the special incentive stock option tax treatment available for your vested Incentive Stock Options will expire 90 days from your date of death. Unless the Committee otherwise provides, if you die while employed by us or any of our Affiliates, the special tax treatment available under U.S. tax laws for incentive stock options will expire if your Incentive Stock Options which have become exercisable prior to your death are not exercised within 90 days from your death, but not later than the date your Options would otherwise expire by their terms. Any of these vested Incentive Stock Options which have not been exercised at the end of the 90-day period after your death will become Non-Qualified Stock Options and may be exercised through the first anniversary of your death, but not later than the date your Options would otherwise expire by their terms.

(c) If your employment is terminated as a result of your death, your unvested Incentive Stock Options will immediately vest as Non-Qualified Stock Options and will expire one year from your date of death. Unless the Committee otherwise provides, if you die while employed by us or any of our Affiliates, your unvested Incentive Stock Options will immediately vest as Non-Qualified Stock Options. Any related unvested Stock Appreciation Rights also will immediately vest at that time. Your estate will have the right to exercise these newly vested Non-Qualified Stock Options and Stock Appreciation Rights through the first anniversary of your death, but not later than the date your Options or Rights would otherwise expire by their terms.

(d) If your employment is terminated as a result of your Disability, the special incentive stock option tax treatment available for your vested Incentive Stock Options will expire 90 days from your date of termination. Unless the Committee otherwise provides, if you become disabled while employed by us or any of our Affiliates (as determined by the Committee), the special tax treatment

available under U.S. tax laws for incentive stock options will expire if your Incentive Stock Options which have become exercisable prior to your Disability are not exercised within 90 days from your date of termination, but not later than the normal expiration date. Any of these vested Incentive Stock Options which have not been exercised at the end of such 90-day period will become Non-Qualified Stock Options and may be exercised through the first anniversary of the last scheduled vesting date of the grant in which you received these Incentive Stock Options, but not later than the date your Options would otherwise expire by their terms.

(e) If your employment is terminated as a result of your Disability, your unvested Incentive Stock Options will continue to vest as Non-Qualified Stock Options while you remain disabled and will expire one year from the last vesting date. Unless the Committee otherwise provides, if you become disabled (as determined by the Committee) while employed by us or any of our Affiliates, your unvested Incentive Stock Options will continue to vest in accordance with their original schedule as Non-Qualified Stock Options while you remain disabled. Any related unvested Stock Appreciation Rights also will continue to vest during this period. You will have the right to exercise these newly vested Non-Qualified Stock Options and Stock Appreciation Rights through the first anniversary of the last vesting date, but not later than the date your Options or Rights would otherwise expire by their terms.

(f) If your employment is terminated as a result of your Retirement, the special incentive stock option tax treatment for your vested Incentive Stock Options will expire 90 days from your date of termination. Unless the Committee otherwise provides, if you retire while employed by us or any of our Affiliates, the special tax treatment available under U.S. tax laws for incentive stock options will expire if your Incentive Stock Options which have become exercisable prior to your Retirement are not exercised within 90 days from your Retirement date. Any of these vested Incentive Stock Options which have not been exercised at the end of such 90-day period will become Non-Qualified Stock Options and, along with any related Stock Appreciation Rights, may be exercised through the fifth anniversary of your Retirement date, but not later than the normal expiration date. Unless the Committee otherwise permits, the Committee has determined that the term "Retirement" means that your employment has terminated other than by reason of death, Disability or Cause and that all of the following criteria have been satisfied at the time of termination: (1) you are at least 50 years of age, (2) you have completed at least five years of service with the Company and our Affiliates.

(g) If your employment is terminated for Cause. If your employment is terminated for Cause, your Incentive Stock Options and Stock Appreciation Rights will expire and terminate on the date of such termination.

(h) If you are employed outside the United States. Unless the Committee otherwise provides, in the event of your termination of employment for any reason other than death, Disability, Retirement or Cause, if you are employed outside the United States, your right to exercise any Incentive Stock Option and



related Stock Appreciation Rights shall terminate and such Options and related Stock Appreciation Rights shall expire and lapse, on the earlier of (x) the 90th day (or, if later, the Extended Date in which case such Options will be deemed a Non-Qualified Stock Options) following the first to occur of (1) the time Micro or its Affiliate (your employer) gives notice to you of your termination of employment, or (2) you give notice to Micro or its Affiliate (your employer) to terminate your employment, or (3) if no such notice is given, on the date your employment with Micro or its Affiliate (your employer) is terminated (whichever the first to occur of (1), (2) or (3) collectively, "Notice/Termination") or (y) the date such Option or Stock Appreciation Right would have expired had it not been for the Notice/Termination. You shall have the right to exercise such Option and related Stock Appreciation Right prior to such expiration to the extent it was exercisable at the date of Notice/Termination and shall not have been exercised. You shall not be entitled, and by accepting the grant of any Incentive Stock Option, whether or not in conjunction with a Stock Appreciation Right, shall be deemed irrevocably to have waived any entitlement, by way of compensation for loss of office or damages for breach of contract or otherwise howsoever to any sum or other benefit to compensate for the loss of any rights under the Plan.

SECTION 7. RESTRICTIONS ON PURCHASE AND SALE OF SHARES. Micro shall not be obligated to sell or issue any shares of Common Stock pursuant to this Option unless the shares are at that time effectively registered or exempt from registration under the Securities Act of 1933, as amended.

SECTION 8. ADJUSTMENT. The number of shares of Common Stock subject to this Option and the price per share of such shares may be adjusted by Micro from time to time pursuant to the Plan.

SECTION 9. EXCESSIVE SHARES. In the event that the number of shares of Common Stock subject to this Option exceeds any maximum number established under the Code which may be treated as incentive stock options, this Option shall not be treated as an incentive stock option to the extent of such excess number of shares but shall otherwise remain in full force and effect.

SECTION 10. NO RIGHTS UNTIL EXERCISE. Optionee shall have no rights hereunder as a shareholder with respect to any shares subject to this Option until he or she becomes the registered holder of such shares.

SECTION 11. AMENDMENT. This Option may be amended as provided in the Plan.

SECTION 12. PLAN AND PROSPECTUS. This Option is subject to all the terms of the Plan and the related prospectus, a copy of which has been received by the Optionee.

SECTION 13. DISQUALIFYING DISPOSITIONS. If stock acquired by exercise of this incentive stock option is disposed of within two years after the grant date or within one year after the date of such exercise (as determined under Section 4 of

this Award Agreement), the Optionee, immediately prior to the disposition, shall promptly notify Micro in writing of the date and terms of the disposition and shall provide such other information regarding the disposition as Micro may reasonably require.

SECTION 14. SEVERABILITY. The provisions of this Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

SECTION 15. ACKNOWLEDGEMENT.

(a) Nature of Grant.

In accepting the grant, you acknowledge that:

- (i) the Plan is established voluntarily by Micro, it is discretionary in nature and it may be modified, suspended or terminated by Micro at any time, unless otherwise provided in the Plan and this Award Agreement;
- (ii) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted repeatedly in the past;
- (iii) all decisions with respect to future option grants, if any, will be at the sole discretion of Micro;
- (iv) your participation in the Plan shall not create a right to further employment with your employer and shall not interfere with the ability of your employer to terminate your employment relationship at any time with or without cause;
- (v) you are voluntarily participating in the Plan;
- (vi) the Option is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to Micro or your employer, and which is outside the scope of your employment contract, if any;
- (vii) the Option is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments;
- (viii) in the event that you are an employee of a subsidiary or Affiliate of Micro, the option grant will not be interpreted to form an

employment contract or relationship with Micro; and furthermore, the option grant will not be interpreted to form an employment contract with your employer or any subsidiary or Affiliate of Micro;

- (ix) the future value of the underlying shares is unknown and cannot be predicted with certainty;
- (x) if the underlying shares do not increase in value, the Option will have no value;
- (xi) if you exercise your Option and obtain shares, the value of those shares acquired upon exercise may increase or decrease in value, even below the Option price;
- (xii) in consideration of the option grant, no claim or entitlement to compensation or damages shall arise from termination of the Options or diminution in value of the Option or shares purchased through exercise of the Option resulting from termination of your employment by Micro or your employer (for any reason whatsoever and whether or not in breach of local labor laws) and you irrevocably release Micro and your employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing this Award Agreement, you shall be deemed irrevocably to have waived your entitlement to pursue such claim; and
- (xiii) notwithstanding any terms or conditions of the Plan to the contrary, in the event of involuntary termination of your employment (whether or not in breach of local labor laws), your right to receive options under the Plan, if any, will terminate effective as of the date that you are no longer actively employed and will not be extended by any notice period mandated under local law (e.g., active employment would not include a period of "garden leave" or similar period pursuant to local law); furthermore, in the event of involuntary termination of employment (whether or not in breach of local labor laws), your right to exercise the Option after termination of employment, if any, will not be extended by any notice period mandated under local law.

(b) Tax Reporting and Payment Liability. Regardless of any action Micro or your employer takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that Micro and/or your employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option grant, including the grant, vesting or exercise of the Option and the subsequent sale of

shares; and (2) do not commit to structure the terms of the grant or any aspect of the Option to reduce or eliminate your liability for Tax-Related Items.

Prior to the exercise of the Option, you shall pay or make adequate arrangements satisfactory to Micro or your employer to satisfy all withholding and payment on account obligations of Micro or your employer. In this regard, you authorize Micro or your employer to withhold all applicable Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by Micro and/or your employer or from proceeds of the sale of the shares. Alternatively, or in addition, if permissible under local law, Micro or your employer may withhold in shares, provided that Micro or your employer only withholds the amount of shares necessary to satisfy the minimum withholding amount. Finally, you shall pay to Micro or your employer any amount of Tax-Related Items that Micro or your employer may be required to withhold as a result of your participation in the Plan or your purchase of shares that cannot be satisfied by the means previously described. Micro or your employer may refuse to honor the exercise and refuse to deliver the shares if you fail to comply with your obligations in connection with the Tax-Related Items as described in this section.

(c) Data Privacy Consent. You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by and among, as applicable, your employer and Micro for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that Micro and your employer hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in Micro, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Data"). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom you may elect to deposit any shares of stock acquired upon exercise of the Option. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan as determined by Micro. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing

your local human resources representative. You understand, however, that refusing or withdrawing your consent may adversely affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

(d) Governing Law. The option grant is governed by and subject to, the laws of the state of Delaware, as provided in the Plan.

(e) Language. If you have received this or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

(f) Electronic Delivery. Micro may, in its sole discretion, decide to deliver any documents related to the Option granted hereunder, or future options that may be granted under the Plan, by electronic means or request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the Plan through an on-line or electronic system established and maintained by Micro or another third party designated by Micro.

SECTION 15. ACCEPTANCE OF OPTION. IN ORDER TO EXERCISE THIS OPTION, YOU MUST SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT. IT WILL NOT BE POSSIBLE TO EXERCISE THIS OPTION UNTIL THE SIGNED AWARD AGREEMENT HAS BEEN RETURNED TO MICRO.

INGRAM MICRO INC.

-----

Accepted and agreed as to the foregoing:

OPTIONEE

- -----  
Name

- -----  
Date

INGRAM MICRO INC.  
2003 EQUITY INCENTIVE PLAN

NON-QUALIFIED STOCK OPTION  
AWARD AGREEMENT

SECTION 1. GRANT OF OPTION. As of [DATE], Ingram Micro Inc. ("MICRO") hereby grants to [LEGAL NAME] ("OPTIONEE") a non-qualified stock option (the "OPTION") exercisable in whole or in part, to purchase, pursuant to the terms hereof, X,XXX shares of Class A Common Stock, \$.01 par value per share, of Micro's common stock (the "COMMON STOCK"), at a price of \$XX.XX per share pursuant to and subject to the terms and conditions set forth in the Ingram Micro Inc. 2003 Equity Incentive Plan (the "PLAN"). Capitalized terms used and not otherwise defined herein are used with the same meanings as in the Plan.

SECTION 2. NON-QUALIFIED STOCK OPTION. This Option is not intended to qualify as an incentive stock option as that term is used in Section 422 of the Code.

SECTION 3. TIME OF EXERCISE; EXPIRATION. (a) This Option shall become exercisable set forth below:

Shares -----	Vesting Date -----
XXX	DATE
XXX	DATE
XXX	DATE

(b) The Option may not be exercised after 5:00PM (PST) in Santa Ana, California, on [DATE].

SECTION 4. MANNER OF EXERCISE. This Option shall be exercised by Optionee (or other party entitled to exercise the Option under Section 6(b) of this Award Agreement) by delivering written notice to the stock plan administrator stating the number of shares of Common Stock being purchased and the address and Social Insurance number of the purchaser, together with payment of the purchase price for the shares of Common Stock being purchased in a manner permitted by Section 6(d) of the Plan and plus an amount sufficient to satisfy the tax withholding requirement set forth in Section 14(e) of the Plan, if necessary.

SECTION 5. NONTRANSFERABILITY OF OPTION. This Option shall not be transferable by Optionee otherwise than by will or by the laws of descent and

distribution. The terms of this Option shall be binding on the executors, administrators, heirs and Successors of Optionee.

SECTION 6. TERMINATION OF EMPLOYMENT (as defined under Section 11 of the Plan).

(a) If your employment is terminated for any reason other than death, Disability, Retirement or Cause your vested Non-Qualified Stock Options and Stock Appreciation Rights will expire 90 days from your termination. Unless the Committee otherwise provides, if your employment with us or any of our Affiliates is terminated for any reason other than your death, Disability, Retirement or Cause your Non-Qualified Stock Options and Stock Appreciation Rights will expire 90 days (or, if later, on the 15th day following the end of any Micro-imposed restrictions in effect during such 90 day period on your ability to engage in transactions involving Shares (such 15th day, the "Extended Date")) following such termination, or the date your Options or Stock Appreciation Rights would otherwise expire by their terms, had it not been for your termination date. Your Non-Qualified Stock Options or Stock Appreciation Rights will be exercisable prior to the expiration date only if they would be exercisable on the date of your termination of employment. Any time you spend in the status of "leave without pay" extends the period otherwise required for purposes of determining the extent to which any Award or portion has vested or become exercisable or nonforfeitable.

(b) If your employment is terminated as a result of your death, your vested Non-Qualified Stock Options and Stock Appreciation Rights will expire one year from your date of death. Unless the Committee otherwise provides, if you die while employed by us or any of our Affiliates, your estate will have the right to exercise your vested Non-Qualified Stock Options and Stock Appreciation Rights through the first anniversary of your death, but not later than the date your Options or Rights would otherwise expire by their terms.

(c) If your employment is terminated as a result of your death, your unvested Non-Qualified Stock Options and Stock Appreciation Rights will immediately vest and will expire one year from your date of death. Unless the Committee otherwise provides, if you die while employed by us or any of our Affiliates, your unvested Non-Qualified Stock Options and Stock Appreciation Rights will immediately vest. Your estate will have the right to exercise your newly vested Non-Qualified Stock Options and Stock Appreciation Rights through the first anniversary of your death, but not later than the date your Options or Rights would otherwise expire by their terms.

(d) If your employment is terminated as a result of your Disability, your vested Non-Qualified Stock Options and Stock Appreciation Rights will expire one year from the last vesting date. Unless the Committee otherwise provides, if you

become disabled (as determined by the Committee) while employed by us or any of our Affiliates, you will have the right to exercise your vested Non-Qualified Stock Options and Stock Appreciation Rights through the first anniversary of the last scheduled vesting date of the grant in which you received these Non-Qualified Stock Options or Stock Appreciation Rights, but not later than the date your Options or Rights would otherwise expire by their terms.

(e) If your employment is terminated as a result of your Disability, your unvested Non-Qualified Stock Options and Stock Appreciation Rights will continue to vest while you remain disabled and will expire one year from the last vesting date. Unless the Committee otherwise provides, if you become disabled (as determined by the Committee) while employed by us or any of our Affiliates, your unvested Non-Qualified Stock Options and Stock Appreciation Rights will continue to vest in accordance with their original schedule while you remain disabled. You will have the right to exercise your newly vested Non-Qualified Stock Options and Stock Appreciation Rights through the first anniversary of the last vesting date, but not later than the date your Options or Rights would otherwise expire by their terms.

(f) If your employment is terminated due to Retirement, your vested Non-Qualified Options and Stock Appreciation Rights will expire five years from your retirement date. Unless the Committee otherwise provides, if you retire from employment with us or any of our Affiliates, you will have the right to exercise your vested Non-Qualified Stock Options and Stock Appreciation Rights through the fifth anniversary of your retirement date, but not later than the date your Options or Rights would otherwise expire by their terms. Unless the Committee otherwise permits, the Committee has determined that the term "Retirement" means that your employment has terminated other than by reason of death, Disability or Cause and that all of the following criteria have been satisfied at the time of termination: (1) you are at least 50 years of age, (2) you have completed at least five years of service with the Company and our Affiliates.

(g) If your employment is terminated for Cause. If your employment is terminated for Cause, your Non-Qualified Stock Options and Stock Appreciation Rights will expire and terminate on the date of such termination.

(h) If you are employed outside the United States. Unless the Committee otherwise provides, in the event of your termination of employment for any reason other than death, Disability, Retirement or Cause, if you are employed outside the United States, your right to exercise any Non-Qualified Stock Option and Stock Appreciation Rights shall terminate, and such Option or Stock Appreciation Right shall expire and lapse, on the earlier of (x) the 90th day (or if later, the Extended Date) following the first to occur of (1) the time Micro or its Affiliate (your employer) gives notice to you of your termination of employment, or (2) you give notice to Micro or its Affiliate (your employer) to terminate your employment, or



(3) if no such notice is given, on the date your employment with Micro or its Affiliate (your employer) is terminated (whichever the first to occur of (1), (2) or (3) collectively, "Notice/Termination") or (y) the date such Option or Stock Appreciation Right would have expired had it not been for the Notice/Termination. You shall have the right to exercise such Option or Stock Appreciation Right prior to such expiration to the extent it was exercisable at the date of Notice/Termination and shall not have been exercised. You shall not be entitled and, by accepting the grant of any Non-Qualified Stock Option or Stock Appreciation Right, shall be deemed irrevocably to have waived any entitlement, by way of compensation for loss of office or damages for breach of contract or otherwise, to any sum or other benefit to compensate for the loss of any rights under the Plan.

SECTION 7. RESTRICTIONS ON PURCHASE AND SALE OF SHARES. Micro shall not be obligated to sell or issue any shares of Common Stock pursuant to this Option unless the shares are at that time effectively registered or exempt from registration under the Securities Act of 1933, as amended.

SECTION 8. ADJUSTMENT. The number of shares of Common Stock subject to this Option and the price per share of such shares may be adjusted by Micro from time to time pursuant to the Plan.

SECTION 9. NO RIGHTS UNTIL EXERCISE. Optionee shall have no rights hereunder as a shareholder with respect to any shares subject to this Option until he or she becomes the registered holder of such shares.

SECTION 10. AMENDMENT. This Option may be amended as provided in the Plan.

SECTION 11. PLAN AND PROSPECTUS. This Option is subject to all the terms of the Plan and the related prospectus, a copy of which has been received by the Optionee.

SECTION 12. SEVERABILITY. The provisions of this Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

SECTION 13. ACKNOWLEDGEMENT.

(a) Nature of Grant.

In accepting the grant, you acknowledge that:

(i) the Plan is established voluntarily by Micro, it is discretionary in nature and it may be modified, suspended or terminated by Micro

at any time, unless otherwise provided in the Plan and this Award Agreement;

- (ii) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted repeatedly in the past;
- (iii) all decisions with respect to future option grants, if any, will be at the sole discretion of Micro;
- (iv) your participation in the Plan shall not create a right to further employment with your employer and shall not interfere with the ability of your employer to terminate your employment relationship at any time with or without cause;
- (v) you are voluntarily participating in the Plan;
- (vi) the Option is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to Micro or your employer, and which is outside the scope of your employment contract, if any;
- (vii) the Option is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments;
- (viii) in the event that you are an employee of a subsidiary or Affiliate of Micro, the option grant will not be interpreted to form an employment contract or relationship with Micro; and furthermore, the option grant will not be interpreted to form an employment contract with your employer or any subsidiary or Affiliate of Micro;
- (ix) the future value of the underlying shares is unknown and cannot be predicted with certainty;
- (x) if the underlying shares do not increase in value, the Option will have no value;
- (xi) if you exercise your Option and obtain shares, the value of those shares acquired upon exercise may increase or decrease in value, even below the Option price;

(xii) in consideration of the option grant, no claim or entitlement to compensation or damages shall arise from termination of the Options or diminution in value of the Option or shares purchased through exercise of the Option resulting from termination of your employment by Micro or your employer (for any reason whatsoever and whether or not in breach of local labor laws) and you irrevocably release Micro and your employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing this Award Agreement, you shall be deemed irrevocably to have waived your entitlement to pursue such claim; and

(xiii) notwithstanding any terms or conditions of the Plan to the contrary, in the event of involuntary termination of your employment (whether or not in breach of local labor laws), your right to receive options under the Plan, if any, will terminate effective as of the date that you are no longer actively employed and will not be extended by any notice period mandated under local law (e.g., active employment would not include a period of "garden leave" or similar period pursuant to local law); furthermore, in the event of involuntary termination of employment (whether or not in breach of local labor laws), your right to exercise the Option after termination of employment, if any, will not be extended by any notice period mandated under local law.

(b) Tax Reporting and Payment Liability. Regardless of any action Micro or your employer takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that Micro and/or your employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option grant, including the grant, vesting or exercise of the Option and the subsequent sale of shares; and (2) do not commit to structure the terms of the grant or any aspect of the Option to reduce or eliminate your liability for Tax-Related Items.

Prior to the exercise of the Option, you shall pay or make adequate arrangements satisfactory to Micro or your employer to satisfy all withholding and payment on account obligations of Micro or your employer. In this regard, you authorize Micro or your employer to withhold all applicable Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by Micro and/or your employer or from proceeds of the sale of the shares. Alternatively, or in addition, if permissible under local law, Micro or your employer may withhold in shares, provided that Micro or your employer only

withholds the amount of shares necessary to satisfy the minimum withholding amount. Finally, you shall pay to Micro or your employer any amount of Tax-Related Items that Micro or your employer may be required to withhold as a result of your participation in the Plan or your purchase of shares that cannot be satisfied by the means previously described. Micro or your employer may refuse to honor the exercise and refuse to deliver the shares if you fail to comply with your obligations in connection with the Tax-Related Items as described in this section.

(c) Data Privacy Consent. YOU HEREBY EXPLICITLY AND UNAMBIGUOUSLY CONSENT TO THE COLLECTION, USE AND TRANSFER, IN ELECTRONIC OR OTHER FORM, OF YOUR PERSONAL DATA AS DESCRIBED IN THIS DOCUMENT BY AND AMONG, AS APPLICABLE, YOUR EMPLOYER AND MICRO FOR THE EXCLUSIVE PURPOSE OF IMPLEMENTING, ADMINISTERING AND MANAGING YOUR PARTICIPATION IN THE PLAN.

YOU UNDERSTAND THAT MICRO AND YOUR EMPLOYER HOLD CERTAIN PERSONAL INFORMATION ABOUT YOU, INCLUDING, BUT NOT LIMITED TO, YOUR NAME, HOME ADDRESS AND TELEPHONE NUMBER, DATE OF BIRTH, SOCIAL INSURANCE NUMBER OR OTHER IDENTIFICATION NUMBER, SALARY, NATIONALITY, JOB TITLE, ANY SHARES OF STOCK OR DIRECTORSHIPS HELD IN MICRO, DETAILS OF ALL OPTIONS OR ANY OTHER ENTITLEMENT TO SHARES OF STOCK AWARDED, CANCELED, EXERCISED, VESTED, UNVESTED OR OUTSTANDING IN YOUR FAVOR, FOR THE PURPOSE OF IMPLEMENTING, ADMINISTERING AND MANAGING THE PLAN ("DATA"). YOU UNDERSTAND THAT DATA MAY BE TRANSFERRED TO ANY THIRD PARTIES ASSISTING IN THE IMPLEMENTATION, ADMINISTRATION AND MANAGEMENT OF THE PLAN, THAT THESE RECIPIENTS MAY BE LOCATED IN YOUR COUNTRY OR ELSEWHERE, AND THAT THE RECIPIENT'S COUNTRY MAY HAVE DIFFERENT DATA PRIVACY LAWS AND PROTECTIONS THAN YOUR COUNTRY. YOU UNDERSTAND THAT YOU MAY REQUEST A LIST WITH THE NAMES AND ADDRESSES OF ANY POTENTIAL RECIPIENTS OF THE DATA BY CONTACTING YOUR LOCAL HUMAN RESOURCES REPRESENTATIVE. YOU AUTHORIZE THE RECIPIENTS TO RECEIVE, POSSESS, USE, RETAIN AND TRANSFER THE DATA, IN ELECTRONIC OR OTHER FORM, FOR THE PURPOSES OF IMPLEMENTING, ADMINISTERING AND MANAGING YOUR PARTICIPATION IN THE PLAN, INCLUDING ANY REQUISITE TRANSFER OF SUCH DATA AS MAY BE REQUIRED TO A BROKER OR OTHER THIRD PARTY WITH WHOM YOU MAY ELECT TO DEPOSIT ANY SHARES OF STOCK ACQUIRED UPON EXERCISE OF THE OPTION. YOU UNDERSTAND THAT DATA WILL BE HELD ONLY AS LONG AS IS NECESSARY TO IMPLEMENT, ADMINISTER AND MANAGE YOUR PARTICIPATION IN THE PLAN AS DETERMINED BY MICRO. YOU UNDERSTAND THAT YOU MAY, AT ANY TIME, VIEW DATA, REQUEST ADDITIONAL INFORMATION ABOUT THE STORAGE AND PROCESSING OF DATA, REQUIRE ANY NECESSARY AMENDMENTS TO DATA OR REFUSE OR WITHDRAW THE CONSENTS HEREIN, IN ANY CASE WITHOUT COST, BY CONTACTING IN WRITING YOUR LOCAL HUMAN RESOURCES REPRESENTATIVE. YOU UNDERSTAND, HOWEVER, THAT REFUSING OR WITHDRAWING YOUR CONSENT MAY ADVERSELY AFFECT YOUR ABILITY TO PARTICIPATE IN THE PLAN. FOR MORE INFORMATION ON THE CONSEQUENCES OF YOUR REFUSAL TO CONSENT OR WITHDRAWAL OF CONSENT, YOU UNDERSTAND THAT YOU MAY CONTACT YOUR LOCAL HUMAN RESOURCES REPRESENTATIVE.

(d) Governing Law. The option grant is governed by and subject to, the laws of the state of Delaware, as provided in the Plan.

(e) Language. If you have received this or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

(f) Electronic Delivery. Micro may, in its sole discretion, decide to deliver any documents related to the Option granted hereunder, or future options that may be granted under the Plan, by electronic means or request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the Plan through an on-line or electronic system established and maintained by Micro or another third party designated by Micro.

SECTION 14. Reserved

SECTION 15. IN ORDER TO EXERCISE THIS OPTION, YOU MUST SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT. IT WILL NOT BE POSSIBLE TO EXERCISE THIS OPTION UNTIL THE SIGNED AWARD AGREEMENT HAS BEEN RETURNED TO MICRO.

INGRAM MICRO INC.

-----

Accepted and agreed as to the foregoing:

OPTIONEE

- -----  
Name

- -----  
Date

ADDENDUM A:

SECTION 14. BELGIUM NOTICE. You understand that if the Award Agreement is not specifically accepted by signing and returning this agreement to Michelle Enstminger, Manager, Stock Plan Administration, at Ingram Micro Inc., 1600 E. St. Andrew Place, Santa Ana, CA 92799-5125 by [INSERT DATE THAT IS 120 DAYS AFTER GRANT DOCUMENTS ARE SENT TO BELGIUM EMPLOYEES], your Option will be deemed rejected and forfeited. In this case, you will not be entitled to retain any right to your Option. You acknowledge that you have been encouraged to discuss this matter with your financial or tax advisor and that any acceptance is made knowingly. You further acknowledge that if you do not accept the Option, you will not be entitled to any payment or benefit in lieu of the Option.

ADDENDUM A:

SECTION 14. SINGAPORE NOTICE. If you are a director, associate director or shadow director of a Singapore affiliate of Micro, you are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singapore affiliate in writing when you receive an interest (e.g., options, shares) in Micro or any related companies. Please contact Micro to obtain a copy of the notification form. You must also notify the Singapore affiliate when you sell shares of Micro or any related company (including when you sell shares acquired under the Plan). These notifications must be made within two days of acquiring or disposing of any interest in Micro or any related company. In addition, a notification must be made of your interests in Micro or any related company within two days of becoming a director.

## INGRAM MICRO INC.

2003 EQUITY INCENTIVE PLAN  
RESTRICTED STOCK AWARD AGREEMENT

SECTION 1. GRANT OF RESTRICTED STOCK AWARD. As of [DATE], Ingram Micro Inc., a Delaware corporation ("MICRO") hereby grants [LEGAL NAME] ("AWARDEE") X,XXX shares (the "RESTRICTED STOCK AWARD") of Class A Common Stock, \$.01 par value per share, of Micro's common stock (the "COMMON STOCK"), pursuant to and subject to the terms and conditions set forth in the Ingram Micro Inc. 2003 Equity Incentive Plan (the "PLAN"). Capitalized terms used and not otherwise defined herein are used with the same meanings as in the Plan.

SECTION 2. RESTRICTED STOCK AWARD. This Restricted Stock Award is not intended to qualify as an incentive stock option award as that term is used in Section 422 of the Code.

SECTION 3. TIME OF EXERCISE; EXPIRATION. (a) This Restricted Stock Award shall become vested as set forth below:

NUMBER OF SHARES AWARDED	VESTING DATE (DATE THAT RESTRICTIONS LAPSE)	RESTRICTION PERIOD AND/OR OTHER CONDITIONS
X,XXX	[DATE]	[FROM DATE TO DATE]. See Section 6 below and Section 11(c) of the plan

SECTION 4. NONTRANSFERABILITY OF RESTRICTED STOCK AWARD. This Restricted Stock Award shall not be transferable by Awardee otherwise than by will or by the laws of descent and distribution. The terms of this Restricted Stock Award shall be binding on the executors, administrators, heirs and successors of Awardee.

SECTION 5. TERMINATION OR SUSPENSION OF EMPLOYMENT OR SERVICE (as defined under Section 11 of the Plan).

(a) Except as otherwise determined by the Committee at the time of grant or as required to comply with applicable law, and as set forth under Section 3 above, upon termination of employment or service of the Awardee for any reason during the restriction period noted under Section 3 above, shares of the Restricted Stock Award still subject to restriction shall be forfeited by Awardee and reacquired by Micro at the price (if any) paid by Awardee for such Restricted



Stock. In the event of Awardee's Retirement, Disability, or death, the forfeiture or vesting of Awardee's shares of the Restricted Stock Award will be determined generally under rules of the Plan applicable to Restricted Stock (Section 11(c)(i), (ii), (iii) and (iv) of the Plan). In cases of special circumstances, the Committee may, in its sole discretion, when it finds that a waiver would be in the best interests of Micro, waive in whole or in part any or all remaining restrictions with respect to such Awardee's shares of the Restricted Stock Award. Any time spent by Awardee in the status of "leave without pay" shall extend the period otherwise required for purposes of determining the extent to which any such Award or portion thereof has vested or otherwise become exercisable or nonforfeitable.

(b) In the case of Awardee employed outside the United States, except to the extent (if any) provided in the Plan, in the case of termination of such Awardee's employment by reason of death, Disability or Retirement, any rights of such Awardee relating to the Restricted Stock Award shall lapse and no longer be capable of exercise at the date of Notice/Termination. Any such Awardee shall not be entitled and, by applying for or accepting any such Award or accepting the same he shall be deemed irrevocably to have waived any entitlement, by way of compensation for loss of office or damages for breach of contract or otherwise howsoever, to any sum or other benefit to compensate for the loss of any rights under the Plan.

(c) Except as the Committee may otherwise determine, termination of Awardee's employment or service for any reason shall occur on the date such Awardee ceases to perform services for Micro or any Affiliate without regard to whether such Awardee continues thereafter to receive any compensatory payments therefrom or is paid salary thereby in lieu of notice of termination or, with respect to a member of the Board who is not also an employee of Micro or any Affiliate, the date such Awardee is no longer a member of the Board.

SECTION 6. RESTRICTIONS ON PURCHASE AND SALE OF SHARES. Micro shall not be obligated to sell or issue any shares of Common Stock pursuant to this Restricted Stock Award unless the shares are at that time effectively registered or exempt from registration under the U.S. Securities Act of 1933, as amended.

SECTION 7. ADJUSTMENT. The number of shares of Common Stock subject to this Restricted Stock Award and the price per share of such shares may be adjusted by Micro from time to time pursuant to the Plan.

SECTION 8. NO RIGHTS UNTIL ISSUANCE. Awardee shall have no rights hereunder as a shareholder with respect to any shares subject to this Restricted Stock Award until the date of the issuance of the stock certificate for such shares.

SECTION 9. AMENDMENT. This Restricted Stock Award may be amended as provided in the Plan.

INGRAM MICRO INC.

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ACCEPTED AND AGREED AS TO THE FOREGOING:  
AWARDEE

- -----  
Name

- -----  
Date

INGRAM MICRO INC.  
 2003 EQUITY INCENTIVE PLAN  
 NON-QUALIFIED STOCK OPTION  
 AWARD AGREEMENT  
 (MEMBERS OF THE BOARD OF DIRECTORS)

SECTION 1. GRANT OF OPTIONS. As of [DATE], Ingram Micro Inc., a Delaware corporation ("MICRO") hereby grants to [LEGAL NAME] ("OPTIONEE") non-qualified stock options (the "Options") exercisable in whole or in part, to purchase, pursuant to the terms hereof, XX,XXX shares of Class A Common Stock, \$.01 par value per share, of Micro's common stock (the "COMMON STOCK"), at a price of \$XX.XX per share pursuant to and subject to the terms and conditions set forth in the Ingram Micro Inc. 2003 Equity Incentive Plan (the "PLAN"). Capitalized terms used and not otherwise defined herein are used with the same meanings as in the Plan.

SECTION 2. NON-QUALIFIED STOCK OPTIONS. The Options are not intended to qualify as incentive stock options as that term is used in Section 422 of the Code.

SECTION 3. TIME OF EXERCISE; EXPIRATION. (a) The Options shall become exercisable as set forth below:

Shares -----	Vesting Date -----
X,XXX	[Date]
X,XXX	[Date]
X,XXX	[Date]
X,XXX	[Date]
X,XXX	[Date]
X,XXX	[Date]
X,XXX	[Date]
X,XXX	[Date]
X,XXX	[Date]
X,XXX	[Date]
X,XXX	[Date]
X,XXX	[Date]

(b) The Options may not be exercised after 5:00PM (PST) in Santa Ana, California, on [DATE].

SECTION 4. MANNER OF EXERCISE. The Options shall be exercised by Optionee (or other party entitled to exercise the Options under Section 6 of this Agreement) by delivering written notice to the stock plan administrator stating the number of shares of Common Stock being purchased and the address and social security number or global identification number of the purchaser, together with payment of the purchase price for the shares of Common Stock being purchased in a manner permitted by Section 6(d) of the Plan, plus an amount sufficient to satisfy the tax withholding requirement set forth in Section 14(e) of the Plan, if necessary.

SECTION 5. NONTRANSFERABILITY OF OPTIONS. The Options shall not be transferable by Optionee except by will or by the laws of descent and distribution. The terms of the Options shall be binding on the executors, administrators, heirs and successors of Optionee.

SECTION 6. TERMINATION OF SERVICE (as defined under Section 11 of the Plan).

(a) If Optionee's service with Micro is terminated for any reason other than death, disability or retirement, Optionee's vested Options will expire 90 days from Optionee's termination. Unless the Committee otherwise provides, if Optionee's service with Micro is terminated for any reason other than Optionee's death, disability or retirement, the Options will expire 90 days following such termination, or the date the Options would otherwise expire by their terms, if that date is earlier than Optionee's termination date. The Options will be exercisable prior to the expiration date only if they would be exercisable on the date of Optionee's termination of service.

(b) If Optionee's service is terminated as a result of Optionee's death, Optionee's unvested Options will immediately vest and will expire one year from Optionee's date of death. Unless the Committee otherwise provides, if Optionee dies while providing service to Micro, the Options which remain unvested will immediately vest. Optionee's estate will have the right to exercise Optionee's newly vested Options through the first anniversary of Optionee's death, but not later than the date the Options would otherwise expire by their terms.

(c) If Optionee's service is terminated as a result of Optionee's death, Optionee's vested Options will expire one year from Optionee's date of death. Unless the Committee otherwise provides, if Optionee dies while providing service to Micro, Optionee's estate will have the right to exercise the Options which are vested through the first anniversary of Optionee's death, but not later than the date the Options would otherwise expire by their terms.

(d) If Optionee's service is terminated as a result of Optionee's disability, Optionee's unvested Options will continue to vest while Optionee remains disabled and will expire one year from the last vesting date. Unless the Committee otherwise provides, if Optionee becomes disabled (as determined by the Committee) while providing service to Micro, Optionee's unvested Options will continue to vest in accordance with their original schedule while Optionee remains disabled. Optionee will have the right to exercise such newly vested Options through the first anniversary of the last vesting date, but not later than the date the Options would otherwise expire by their terms.

(e) If Optionee's service is terminated as a result of Optionee's disability, Optionee's vested Options will expire one year from the last vesting date. Unless the Committee otherwise provides, if Optionee becomes disabled (as determined by the Committee) while providing service to Micro, Optionee will have the right to exercise the Options which are vested through the first anniversary of the last scheduled vesting date of the grant in which Optionee received the Options, but not later than the date the Options would otherwise expire by their terms.

(f) If Optionee's service is terminated due to retirement, Optionee's vested Options will expire on the date set forth in section 3(b) above.

SECTION 7. RESTRICTIONS ON PURCHASE AND SALE OF SHARES. Micro shall not be obligated to sell or issue any shares of Common Stock pursuant to the Options unless the shares are at that time effectively registered or exempt from registration under the Securities Act of 1933, as amended.

SECTION 8. ADJUSTMENT. The number of shares of Common Stock subject to the Options and the price per share of such shares may be adjusted by Micro from time to time pursuant to the Plan.

SECTION 9. NO RIGHTS UNTIL EXERCISE. Optionee shall have no rights hereunder as a shareholder with respect to any shares subject to the Options until the date of the issuance of the stock certificate (or the equivalent) for such shares.

SECTION 10. AMENDMENT. The Options may be amended as provided in the Plan.

SECTION 11. PLAN AND PROSPECTUS. The Options are subject to all the terms of the Plan and the related prospectus, a copy of which has been received by the Optionee.

SECTION 13. ACKNOWLEDGEMENT.

(a) Nature of Grant.

In accepting the grant, you acknowledge that:

(i) the Plan is established voluntarily by Micro, it is discretionary in nature and it may be modified, suspended or terminated by Micro at any time, unless otherwise provided in the Plan and this Award Agreement;

(ii) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted repeatedly in the past;

(iii) all decisions with respect to future option grants, if any, will be at the sole discretion of Micro;

(iv) your participation in the Plan shall not create a right to further service with Ingram Micro and shall not interfere with the ability of Ingram Micro to terminate your service relationship at any time with or without cause;

(v) you are voluntarily participating in the Plan;

(vi) the Option is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to Micro, and which is outside the scope of your service contract, if any;

(vii) the Option is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments;

(viii) in the event that you are an employee of a subsidiary or Affiliate of Micro, the option grant will not be interpreted to form a service contract or relationship with Micro; and furthermore, the option grant will not be interpreted to form a service contract with Ingram Micro or any subsidiary or Affiliate of Micro;

(ix) the future value of the underlying shares is unknown and cannot be predicted with certainty;

(x) if the underlying shares do not increase in value, the Option will have no value;

(xi) if you exercise your Option and obtain shares, the value of those shares acquired upon exercise may increase or decrease in value, even below the Option price;

(xii) in consideration of the option grant, no claim or entitlement to compensation or damages shall arise from termination of the Options or diminution in value of the Option or shares purchased through exercise of the Option resulting from termination of your service by Micro (for any reason whatsoever and whether or not in breach of local labor laws) and you irrevocably release Micro from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing this Award Agreement, you shall be deemed irrevocably to have waived your entitlement to pursue such claim; and

(xiii) notwithstanding any terms or conditions of the Plan to the contrary, in the event of involuntary termination of your service (whether or not in breach of local labor laws), your right to receive options under the Plan, if any, will terminate effective as of the date that you are no longer actively employed and will not be extended by any notice period mandated under local law (e.g., active service would not include a period of "garden leave" or similar period pursuant to local law); furthermore, in the event of involuntary termination of service (whether or not in breach of local labor laws), your right to exercise the Option after termination of service, if any, will not be extended by any notice period mandated under local law.

(b) Tax Reporting and Payment Liability. Regardless of any action Micro takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that Micro (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option grant, including the grant, vesting or exercise of the Option and the subsequent sale of shares; and (2) do not commit to structure the terms of the grant or any aspect of the Option to reduce or eliminate your liability for Tax-Related Items.

Prior to the exercise of the Option, you shall pay or make adequate arrangements satisfactory to Micro to satisfy all withholding and payment on account obligations of Micro. In this regard, you authorize Micro to withhold all applicable Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by Micro or from proceeds of the sale of the shares. Alternatively, or in addition, if permissible under local law, Micro may withhold in shares, provided that Micro only withholds the amount of shares necessary to satisfy the minimum withholding amount. Finally, you shall pay to Micro any amount of Tax-Related Items that Micro may be required to withhold as a result of your participation in the Plan or your purchase of shares that cannot be satisfied by the means previously described. Micro may refuse to honor the exercise and refuse to deliver the shares if you fail to comply with your obligations in connection with the Tax. Related Items as described in this section.

(c) Data Privacy Consent. You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by and among, as applicable, and Micro for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that Micro hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in Micro, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Data"). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom you may elect to deposit any shares of stock acquired upon exercise of the Option. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan as determined by Micro. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may adversely affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

(d) Governing Law. The option grant is governed by and subject to, the laws of the state of Delaware, as provided in the Plan.

(e) Language. If you have received this or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

(f) Electronic Delivery. Micro may, in its sole discretion, decide to deliver any documents related to the Option granted hereunder, or future options that may be granted under the Plan, by electronic means or request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, agree to participate in the Plan through an on-line or electronic system established and maintained by Micro or another third party designated by Micro.

SECTION 14. IN ORDER FOR THIS OPTION GRANT TO BE EXERCISABLE, YOU MUST SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT. IT WILL NOT BE POSSIBLE TO EXERCISE THIS OPTION UNTIL THE SIGNED AWARD AGREEMENT HAS BEEN RETURNED TO MICRO.

INGRAM MICRO INC.

-----

Accepted and agreed as to the foregoing:

OPTIONEE

- -----

Name

- -----

Date



[INGRAM MICRO LOGO]

BOARD OF DIRECTORS  
[Insert Year] COMPENSATION ELECTION FORM

NAME: SOCIAL SECURITY NUMBER (IF US RESIDENT OR CITIZEN):

In addition to the cash fee of \$1,000 which I will receive for each meeting I attend of the Ingram Micro Inc. Board of Directors and its committees on which I serve, I hereby elect the following fixed compensation for my services as a member of the Corporation's Board of Directors for the period January 1, [Insert Year] through December 31, [Insert Year]. The "projected value" of the fixed compensation, equal to \$167,000 and \$182,000 for committee chairman, is set forth below:

A. CASH REMUNERATION:

I elect to receive a cash retainer in the amount noted at "A" (\$0.00 - \$67,000 or \$82,000 if committee chairman), to be paid in four equal quarterly installments, unless I make an election to defer receipt.

A. \$ \_\_\_\_\_

B. STOCK OPTIONS:

I elect to receive stock options with the "projected value" noted at "B" (must be, when combined with the amount noted at "C", \$100,000 or greater). Options will be granted as NQSOs, effective the first business day in February [Insert Year]. The number of options granted will be equal to the "projected value", noted at "B", divided by the Black-Scholes value of the Corporation's stock options, using the average closing price of the Corporation's Class A Common Stock on the NYSE during the 90 day period ending December 31, [Insert Year], rounded up to the next whole share. The options will be exercisable at the closing price of the Corporation's stock on the NYSE on the date of grant, vest one-twelfth per month and have a term of 10 years.

B. \$ \_\_\_\_\_

C. RESTRICTED STOCK:

I elect to receive shares of restricted stock from the Corporation with the "projected value" noted at "C" (must be, when combined with the amount noted at "B", \$100,000 or greater). Shares of restricted stock will be granted effective the first business day in February [Insert Year]. The number of restricted shares granted will equal the "projected value", noted at "C", divided by the closing price on the NYSE of the Corporation's Class A Common Stock on that day, rounded up to the next whole share. Restrictions on disposition of these shares will lapse twelve months from the date of grant, unless I make an election to defer the lapse date.

C. \$ \_\_\_\_\_

D. TOTAL FIXED COMPENSATION:

TOTAL:

The sum of compensation noted at "A", "B" and "C" shall equal \$167,000 and \$182,000 for committee chairman.

D. \$167,000 and  
\$182,000 for  
committee  
chairman

E. STOCK OWNERSHIP:

As a member of the Corporation's Board of Directors, I agree that I will own personally or beneficially stock of the Corporation of at least 15,000 shares of Ingram Micro common stock (with vested but unexercised stock options counted as outstanding shares) beginning five years from the date of my election to the Board.

-----  
Signature

-----  
Date

NON-EMPLOYEE DIRECTOR  
[Insert Year] COMPENSATION DEFERRAL AGREEMENT

This Compensation Deferral Agreement, dated as of [Insert date], is by and between INGRAM MICRO INC., a Delaware corporation (the "Company"), and [LEGAL NAME] ("Non-Employee Director").

1. DEFERRAL OF CASH REMUNERATION. During and in respect of the period commencing on January 1, [Insert Year] and ending on December 31, [Insert Year] (the "Compensation Period"), Non-Employee Director elects to defer receipt of cash remuneration otherwise payable to him/her pursuant to his/her [Insert Year] Compensation Election Form with the Company as indicated on the attached [Insert Year] Non-Employee Director Deferral Election Form (the "Deferred Cash Compensation"). The Deferred Cash Compensation, with earnings thereon calculated pursuant to Section 2 hereof, shall be paid to Non-Employee Director as provided in Section 3 hereof.

2. EARNINGS. Subject to Section 4 hereof, the Deferred Cash Compensation shall be increased or decreased, as the case may be, by the imputed earnings or losses which would have accrued to such amounts had Non-Employee Director been eligible and chosen to defer such amounts pursuant to the Ingram Micro Supplemental Investment Savings Plan from the dates payment or credit would, but for this Agreement, be made, to the most recent date prior to the date of actual payment practicable to permit the calculations of the amount due to be made and payment to be processed ("Earnings"). For purposes of determining Earnings, Non-Employee Director may choose in the manner designated by the Company from time to time, and in such proportions as he/she may determine (provided that the allocations shall be in 5% increments), among any or all of the investment options provided by the Ingram Micro Supplemental Investment Savings Plan. Non-Employee Director's initial investment option selections are indicated on the attached [Insert Year] Non-Employee Director Deferral Election Form.

3. PAYMENT OF DEFERRED CASH REMUNERATION. Subject to Section 4 hereof, the Deferred Cash Compensation and Earnings thereon shall be paid to Non-Employee Director in accordance with the most recent Non-Employee Director's Distribution Election Form filed by Non-Employee Director with the Company.

4. SOURCE OF PAYMENTS. The obligations of the Company under this Agreement represent an unsecured, unfunded promise to pay Non-Employee Director and/or his/her beneficiaries, and shall not entitle Non-Employee Director or such beneficiaries to a preferential claim to any asset of the Company. All payments of Deferred Cash Compensation and Earnings shall be paid in cash from the general funds of the Company and no special or separate fund shall be established and no other segregation of assets shall be made to assure the payment of such deferred amounts. Non-Employee Director shall have no right, title, or interest whatever in or to any investments which the Company may make to aid it in meeting its obligation hereunder. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall

create or be construed to create a trust of any kind or a fiduciary relationship between the Company and Non-Employee Director or any other person. To the extent Non-Employee Director has or acquires any rights to receive payments from the Company, such rights shall be no greater than the right of an unsecured creditor.

5. NEW DIRECTOR COMPENSATION DEFERRAL PLAN. Notwithstanding Section 2 or Section 3, in the event that the Company adopts a plan pursuant to which non-employee directors of the Company may elect to defer payment of compensation, the determination of Earnings and the terms and conditions of payment of Deferred Cash Compensation and Earnings shall be governed by and subject to the terms and conditions of such plan.

6. GENERAL PROVISIONS. The Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and Non-Employee Director, his/her designees, and his/her estate. Neither Non-Employee Director, his/her designees, nor his/her estate shall commute, pledge, encumber, sell or otherwise dispose of the right to receive the payments provided for in this Agreement, which payments and the rights thereto are expressly declared to be nontransferable and nonassignable. This Agreement shall be governed by the laws of the State of Delaware without reference to principles of conflicts of laws. This Agreement represents the entire agreement between Non-Employee Director and the Company with respect to the subject matter hereof, and this Agreement may not be amended or modified except by a writing signed by the parties hereto, provided that nothing herein shall affect Non-Employee Director's rights under, or right to become covered by, any benefit program provided by the Company to the non-employee members of its Board of Directors generally.

IN WITNESS WHEREOF, the parties have executed this Agreement, to be effective as of the day and year first written above.

Non-Employee Director: INGRAM MICRO INC.

Signature \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_

[INSERT YEAR] NON-EMPLOYEE DIRECTOR DEFERRAL ELECTION FORM

FIRST NAME \_\_\_\_\_ LAST NAME \_\_\_\_\_

SSN \_\_\_\_\_

=====

1. DEFERRAL ELECTION

I hereby irrevocably elect to defer the payment of the following compensation for my services as a member of the Ingram Micro Inc. Board of Directors in [INSERT YEAR]:

CASH RETAINER: \_\_\_\_\_% of the annual cash retainer elected to be paid in four quarterly installments (not to exceed \$67,000 or \$82,000 for committee chairmen)

MEETING FEES: \_\_\_\_\_% of the \$1,000 for each meeting I attend during [INSERT YEAR] of the Ingram Micro Inc. Board of Directors and its committees on which I serve.

2. INITIAL INVESTMENT ELECTIONS: CHOOSE AMONG OF THE FOLLOWING:

The elections must be in whole percentages and must be divisible by 5%. The total percentage must be 100%. You may obtain a fund prospectus for any of the funds by contacting [Ingram Micro's 401(k) plan administrator]\*.

[Fund Elections]

\_\_\_\_\_  
NON-EMPLOYEE DIRECTOR'S SIGNATURE

\_\_\_\_\_  
DATE

\*To contact [Ingram Micro's 401(k) plan administrator], please call them at \_\_\_\_\_ or log on to the world wide web at \_\_\_\_\_.

[INSERT YEAR] NON-EMPLOYEE DIRECTOR  
DISTRIBUTION ELECTION AND BENFICIARY DESIGNATION FORM

FIRST NAME \_\_\_\_\_ LAST NAME \_\_\_\_\_

SSN \_\_\_\_\_

=====

A. DISTRIBUTION ELECTION: You may change your form of distribution, provided you complete a new Distribution Election form at least one (1) year prior to your distribution date. Once distribution begins, you may elect another form of distribution, however, you will be subject to a 10% penalty.

If the value of my deferred compensation account is \$25,000 OR GREATER as of the last day of the month in which I retire or terminate my service on the board, I elect the following form of distribution:

- \_\_\_\_\_ 20 Quarterly Installments (5 years) - Beginning the first full quarter after the quarter of retirement or termination of service.
- \_\_\_\_\_ 40 Quarterly Installments (10 years) - Beginning the first full quarter after the quarter of retirement or termination of service.
- \_\_\_\_\_ 60 Quarterly Installments (15 years) - Beginning the first full quarter after the quarter of retirement or termination of service.
- \_\_\_\_\_ Lump Sum Payment - 60 days after date of termination of service or retirement. Your deferred compensation account will be valued and frozen on the 60th day. A check will be generated from Ingram Micro within 2 weeks of that date and mailed to your home address.
- \_\_\_\_\_ Lump Sum Payment - January 31st of the Calendar Year following termination of service or retirement. Your deferred account will be valued and frozen on January 31st . A check will be generated from Ingram Micro within 2 weeks of January 31st and mailed to your home address.

B. BENEFICIARY DESIGNATION: In the event of my death, the following beneficiaries are to share equally, unless otherwise specified, in my deferred compensation account.

Name	Relationship	Social Security Number	Percentage
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-----	-----	-----	-----
-----	-----	-----	-----
-----	-----	-----	-----
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By signing below, I authorize Ingram Micro to distribute my deferred compensation account according to the distribution election chosen above. I understand that my distribution will be reported as taxable income on my 1099 in the year(s) of distribution.

Non-Employee Director's Signature \_\_\_\_\_ Date \_\_\_\_\_

FOR BENEFITS DEPARTMENT USE ONLY

Effective Date: 1/1/2004      Date Received:      Benefits Dept. Representative:

**Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Kent B. Foster, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ingram Micro Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2004

/s/ Kent B. Foster

Name: Kent B. Foster

Title: Chairman and Chief Executive Officer  
(Principal Executive Officer)

**Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Thomas A. Madden, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ingram Micro Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2004

/s/ Thomas A. Madden

Name: Thomas A. Madden  
Title: Executive Vice President and Chief  
Financial Officer  
(Principal Financial Officer)

**Exhibit 32.1**

**Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

The certification below is being submitted to the Securities and Exchange Commission solely for the purpose of complying with Section 1350 of Chapter 63 of Title 18 of the United States Code.

In my capacity as chief executive officer of Ingram Micro Inc., I hereby certify that, to the best of my knowledge, Ingram Micro Inc.'s quarterly report on Form 10-Q for the fiscal period ended October 2, 2004 as filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Ingram Micro Inc.

Dated: November 8, 2004

/s/ Kent B. Foster

Name: Kent B. Foster

Title: Chairman and Chief Executive Officer



**Exhibit 32.2**

**Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

The certification below is being submitted to the Securities and Exchange Commission solely for the purpose of complying with Section 1350 of Chapter 63 of Title 18 of the United States Code.

In my capacity as chief financial officer of Ingram Micro Inc., I hereby certify that, to the best of my knowledge, Ingram Micro Inc.'s quarterly report on Form 10-Q for the fiscal period ended October 2, 2004 as filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Ingram Micro Inc.

Dated: November 8, 2004

/s/ Thomas A. Madden

Name: Thomas A. Madden

Title: Executive Vice President and Chief  
Financial Officer