FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

FOR THE FISCAL YEAR ENDED JANUARY 2, 1999

OR

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

FOR THE TRANSITION PERIOD FROM ________ TO ___________

COMMISSION FILE NUMBER: 1-12203

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant at March 16, 1999 was $849,177,318 based on the closing sale price on such date of $18.75 per share.

The Registrant had 68,332,803 shares of Class A Common Stock, par value $.01 per share, and 74,722,166 shares of Class B Common Stock, par value $.01 per share, outstanding at March 16, 1999.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Annual Report to Shareowners for the fiscal year ended January 2, 1999 are incorporated by reference into Parts I and II of this Annual Report on Form 10-K. Portions of the Proxy Statement for the Registrant's Annual Meeting of Shareowners to be held May 19, 1999 are incorporated by reference into Part III of this Annual Report on Form 10-K.

PART I

ITEM 1. BUSINESS

In evaluating the business of Ingram Micro Inc., readers should carefully consider the important factors discussed under Exhibit 99.01 hereto and under "--Safe Harbor for Forward-Looking Statements."

OVERVIEW

Ingram Micro Inc. ("Ingram Micro" or the "Company") is the leading wholesale distributor of computer-based technology products and services worldwide. The Company markets computer hardware, networking equipment, and software products to more than 140,000 reseller customers in more than 130 countries. As a wholesale distributor, the Company markets its products to resellers as opposed to marketing directly to end-user customers.

Ingram Micro offers one-stop shopping to its reseller customers by providing a comprehensive inventory which, in the aggregate on a global basis, consists of more than 200,000 products (as measured by distinct manufacturer's part numbers) from over 1,500 suppliers, including most of the computer industry's leading hardware manufacturers, networking equipment suppliers, and software publishers. The Company's broad product offerings include: desktop and notebook personal computers, servers, and workstations; mass storage devices; CD-ROM drives; monitors; printers; scanners; modems; networking hubs, routers, and switches; network interface cards; business application software; entertainment software; and computer supplies. In addition, to enhance sales and to support its suppliers and reseller customers, the Company provides a wide range of outsourcing and value-added programs, such as order fulfillment, tailored financing programs, channel assembly, systems configuration, assembly of private label or unbranded systems, and marketing programs. The Company also provides virtual warehouse and distribution services for a number of resellers (internet and otherwise).

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

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

In November 1996, the Company completed the sale of 23,200,000 shares of its Class A Common Stock pursuant to an initial public offering (the "IPO") at an offering price of $18.00 per share. Immediately prior to the closing of the IPO, the Company was split-off from its then parent, Ingram Industries Inc. ("Ingram Industries"), in a tax-free reorganization (the "Split-Off").

THE INDUSTRY

The worldwide computer-based technology products and services distribution industry generally consists of suppliers, which sell directly to wholesalers, resellers, and end-users; wholesale distributors, which sell to resellers; and resellers, which sell to other resellers and directly to end-users. A variety of reseller categories exists, including corporate resellers, value-added resellers or "VARs," systems integrators, original equipment manufacturers, direct marketers, independent dealers, owner-operated chains, franchise chains, and computer retailers. Different types of resellers are defined and distinguished by the end-user market they serve, such as large corporate accounts, small and medium-sized businesses, or home users, and by the level of value they add to the basic products they sell. Wholesale distributors generally sell only to resellers and purchase a wide range of products in bulk directly from manufacturers. Different wholesale distribution models have evolved in particular countries and geographies depending on the characteristics of the local reseller environment, as well as other factors specific to a particular country or region.

Based on data compiled by market researcher International Data Corp., the growth of the computer-based technology products and services wholesale distribution industry continues to exceed the growth of the computer industry as a whole. To minimize costs and focus on their core capabilities in manufacturing, product development, and marketing, many suppliers are seeking to outsource an increasing portion of certain functions such as distribution, service, and technical support to the wholesale distribution channel. Growing product complexity, shorter product life cycles, and an increasing number of computer-based technology products due to the emergence of open systems architectures and the recognition of certain industry standards have led resellers to depend on wholesale distributors for more of their product, marketing, and technical support needs. In addition, resellers are relying to an increasing extent on wholesale distributors for inventory management and credit to avoid stocking large inventories and maintaining credit lines to finance their working capital needs. The Company believes that new opportunities for growth in the computer-based technology products and services wholesale distribution industry will emerge as new product categories, such as computer telephone integration ("CTI") and the digital video disc format, arise from the ongoing convergence of computing, communications, and consumer electronics.

Markets outside the United States, which represent over half of the computer-based technology industry's sales, are characterized by a more fragmented wholesale distribution channel than in the United States. Increasingly, suppliers and resellers pursuing global growth are seeking wholesale distributors with international sales and support capabilities.

A number of emerging industry trends are providing new opportunities and challenges for wholesale distributors of computer-based technology products and services. For example, the emergence of the internet provides distributors with an additional means to serve both suppliers and reseller customers through the development and use of effective electronic commerce tools. The growing presence and importance of such electronic commerce capabilities also provides distributors with new business opportunities as new categories of products, customers, and suppliers develop.

The Company believes that the chain of relationships between suppliers, manufacturers, distributors, resellers and end-users is transforming from a manufacturer-push business model to one that is governed by end-user demand. In the traditional industry model, distributors simply moved product from manufacturers to resellers who in turn service end-user businesses or customers. In contrast, the "demand chain" management model reverses these steps as follows: (1) the Company starts by listening to the needs of the end-user business or consumer, (2) with a clear understanding of these needs, the Company works with resellers who design, sell and support solutions to arrive at solutions that address the needs of the end-user business or consumer, and (3) the Company works closely with suppliers and manufacturers to ensure that these solutions can be delivered through or on behalf of the resellers in a cost effective and timely manner.

The challenges for this new model include the extent to which reseller and manufacturer partners of the Company embrace the model and the speed with which the Company's partners choose to make changes to their traditional way of doing business so as to support demand chain management. Some of these challenges within the last year have been the slower than anticipated speed of PC manufacturers to fully develop their channel assembly programs and the effort by some manufacturers to duplicate the success of the direct sales business model by launching limited direct sales initiatives focused on specific types of customers. However, the Company believes that this direct sales model presents vendor partnership opportunities for the Company. Overall, the Company believes that, with the largest global distribution network for computer-based technology products and services, it is well positioned in the long term to lead in the customer-driven marketplace.

The Company further believes that the dynamics of the computer-based technology products and services wholesale distribution business favor the largest distributors, which have access to financing and are able to achieve economies of scale, breadth of geographic coverage, and the strongest vendor relationships. Consequently, the distributors with these characteristics are tending to take share from smaller distributors as the industry undergoes a process of consolidation. However, smaller high value-added niche distributors may continue to compete successfully in the consolidated market. The Company also believes that the need for wholesale distributors to implement high volume/low cost operations on a worldwide basis is continuing to grow due to ongoing price competition, the increasing demand for value-added services, the increasing utilization of electronic commerce, and the increasing globalization of the computer-based technology products and services industry. In summary, the computer-based technology products and services wholesale distribution industry is growing rapidly while simultaneously consolidating, creating an industry environment in which market share leadership and cost efficiency are of paramount importance.

BUSINESS STRATEGY

The Company's strategic decisions and activities are guided by the following Vision and Mission statements:

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

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

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

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

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

The Company is pursuing a number of strategies to further enhance its leadership position within the computer-based technology products and services marketplace, including the following:

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

By providing greater worldwide market coverage, Ingram Micro also increases the scale of its business, which results in greater cost economies. In addition, as it increases its global reach, the Company diversifies its business across different markets, reducing its exposure to individual market downturns. In 1998, the Company acquired Macrotron AG, a Germany-based distributor with 1997 sales of approximately $1.2 billion; the assembly facilities of Tulip Computer N.V. in The Netherlands; and Nordemaq Comercial de Maquinas Nordeste Ltda. in Brazil. Effective September 1998, the Company purchased the remaining 30% of its Mexican subsidiary, Ingram Dicom, from the minority shareholders. As of February 19, 1999, the Company increased its ownership of Electronic Resources Ltd. ("ERL"), a leading distributor of electronic components and computer peripherals in Asia, from 21% to 95% (on a fully diluted basis). ERL will be subsequently renamed Ingram Micro Asia Ltd. In 1998, the Company also entered into strategic alliances with SOFTBANK Corp. ("SOFTBANK"), Japan's leading provider of information and distribution services for the digital information industry, and with Solectron Corporation ("Solectron"), a worldwide provider of electronics manufacturing services to leading original equipment manufacturers ("OEMs"). The overall goal of the Ingram Micro-SOFTBANK alliance is to provide global account services to value-added resellers, with Ingram Micro serving as SOFTBANK's exclusive supplier in markets outside Japan and Korea, and SOFTBANK fulfilling Ingram Micro's sales to the Japanese and Korean markets. The Ingram Micro-Solectron alliance enables both companies to leverage their combined resources, including existing facilities, systems and personnel, to provide global build-to-order and configure-to-order assembly services for personal computers, servers, and other related products in the United States, Canada, Europe, Asia, and Latin America.

The Company has grown its operations outside the United States principally through acquisitions, and currently has subsidiaries or offices in 28 countries and sales representatives in another five countries, including Argentina, Australia, Brazil, Canada, China, Colombia, Costa Rica, Chile, Ecuador, India, Indonesia, Japan, Malaysia, Mexico, New Zealand, Norway, Peru, Singapore, Switzerland, Thailand, Venezuela, and 11 countries of the European Union. The Company believes that it is the market share leader in the United States, Canada, and Mexico, the third largest full-line distributor in Europe, the second largest distributor in Asia (excluding Japan), and the second largest Pan-Latin America distributor, based on publicly available data and management's knowledge of the industry. The Company's objective is to achieve the number one market share position in each of the markets in which it operates either through operations or strategic alliances. In keeping with this objective, Ingram Micro continues efforts aimed at providing resellers of all sizes and types the means to meet their end-user requirements for products and support worldwide. To that end, Ingram Micro continues to strengthen its alliance with Allied Computing Services Ltd. ("ACSL"), an international network of computer resellers in North America, Europe, Latin America, and Asia. Within the alliance, Ingram Micro acts as a coordination center and, in some cases, as product supplier for the network while the ACSL resellers provide the local support and service.

The Company continues to pursue initiatives to expand its global product and service offerings in various categories, some of which include enterprise solutions, CTI, imaging, and computer consumable supplies and accessories. For example, in order to meet corporate resellers' increasing demand for enterprise solutions on a worldwide basis, Ingram Micro formed a global Enterprise Solutions Group ("ESG") in 1998. Through ESG, Ingram Micro provides reseller partners with enterprise solutions from multiple platforms, major operating systems, and advanced software providers, as well as customizes these solutions with a wide range of storage and connectivity options, and professional services. In the area of computer telephony integration, the Telecom Integration Division is focused on becoming a one-stop shop for CTI solutions. The Supplies and Accessories Division continues its initiatives to provide a broad line of computer consumable supplies and computer accessories to the Company's reseller customers on a global basis. The recently formed Imaging Division will provide a focused and dedicated approach to the consumer, professional, printing and publishing, and applied imaging markets.

LEAD IN STREAMLINING THE DEMAND CHAIN. The computer-based technology products and services distribution industry is changing at a rapid pace. The chain of relationships that spans across component suppliers, manufacturers, distributors, resellers and end-users is transforming from a manufacturer-push business model to one that is governed by end-user demand. The Company believes that the term "demand chain" describes the build-to-demand model to which the channel is evolving. In this industry model, the role of distributors is expanded from the traditional movement of products from manufacturers to resellers, to one that encompasses almost all aspects of demand chain management, including assembly, configuration, inventory management, order management, and end-user fulfillment. Ingram Micro believes that distributors with strong execution and broad product offerings will be best able to lead the movement to the demand chain model. The Company is committed to leading this industry evolution from a build-to-supply to a build-to-demand model, which is a customer-centric, multi-vendor channel model that enables the most efficient commerce between end-users and the developers of technology solutions.

The Company's commitment to streamlining the demand chain is evident in its investment in infrastructure and programs that enable the most efficient flow of products, services, and information up and down the demand chain. Frameworks(TM) Total Integration Services(TM) ("Frameworks") is the Company's vehicle to deliver world-class channel assembly, reconfiguration, contract manufacturing, and private label/unbranded solutions. Ingram Micro is rapidly enhancing and expanding electronic commerce tools that facilitate reseller to end-user commerce. Another key element of the Company's demand chain focus is Affiniti(TM) ("Affiniti"), a comprehensive suite of value-added services matched precisely to the needs of its supplier and reseller partners. Equally important to streamlining the demand chain is the development of industry-wide performance metrics and standards that enable close collaboration among demand chain partners through better information management. Ingram Micro has spearheaded this effort through its key role in the formation of RosettaNet, an independent, self-funded, non-profit organization dedicated to promoting an industry-wide initiative to adopt common electronic business interfaces worldwide.

EXPLOIT INFORMATION SYSTEMS LEADERSHIP AND ENHANCE ELECTRONIC COMMERCE CAPABILITIES. Ingram Micro continually invests in its information systems, which are crucial in supporting the Company's growth and its ability to maintain high service and performance levels. The Company has a scalable, full-featured information system, IMpulse, which the Company believes is critical to its ability to deliver worldwide, real-time information to both suppliers and reseller customers. IMpulse is an industry-leading information system, used across substantially all of the Company's markets worldwide, which has been customized to suit local market requirements. The Company believes that it is the only full-line wholesale distributor of computer-based technology products and services in the world with such a centralized global system that is capable of supporting future growth and new business ventures.

The Company's information systems provide the infrastructure that allows the implementation of a customer-centric channel model. It provides the information necessary for Ingram Micro to act as the agent of commerce among suppliers, resellers, and end-users. The Company is rapidly enhancing and deploying seamless, easy-to-use electronic commerce solutions that provide resellers with the ability to do business with Ingram Micro and with end-users with greater ease and at lower cost. The Company's electronic commerce capabilities have expanded to include: SpeedSource, an electronic commerce ordering tool which gives resellers quick access to real-time ordering, product allocation, order status, product search, pricing and availability; InsideLine, a direct communication link, currently in selected use, which furnishes resellers with real-time access to the Company's mainframe inventory systems; and Prime Access, currently in production, which, upon completion of rollout to resellers, will equip them with personalized Web storefronts that are linked directly to Ingram Micro's order processes and inventory systems.

PROVIDE SUPERIOR EXECUTION FOR RESELLER CUSTOMERS. Consistent with its overall emphasis on "winning customers for life," Ingram Micro continually refines and integrates its systems and business processes to provide superior execution and service to resellers. The Company's electronic commerce tools will enable resellers to do business with their end-user customers quickly, easily, and at lower cost. To ensure efficient product delivery, the Company continues to expand and upgrade its distribution network. For example, the Company has begun construction of new distribution centers in Lickdale, Pennsylvania (600,000 square feet), Ontario, Canada (500,000 square feet) and Straubing, Germany (400,000 square feet); and plans have been announced for a 550,000 square foot Pan-European facility in Heerlen, The Netherlands, which will be one of the largest and most technologically advanced distribution centers in Europe. Also, Ingram Micro has implemented processes that will allow most of its U.S. distribution centers to increase operating capacity from 20 hours a day to 24 hours a day. The Company works continuously to improve its formal systems for evaluating and tracking key performance metrics such as responsiveness to customers, processing accuracy, and order fulfillment. Ingram Micro uses these metrics as well as customer satisfaction surveys to measure improvements on all the key elements that are believed to be important to the customer.

Ingram Micro strives to maximize order fill rates by maintaining optimum quantities of product in its 54 distribution centers worldwide. Together with the Company's control systems and processes, this results in substantially all orders in the United States received by 5:00 p.m. being shipped on the same day, with highly accurate shipping performance. Another indication of the quality of Ingram Micro's processes is the ISO 9002 certification of all its distribution centers in the U.S. and a number of locations outside the U.S., as well as its customer service, configuration, returns operation and consolidation center. In addition, the Company has implemented a number of programs that significantly reduce the time required for resellers to obtain product. For example, Delivery Plus is an enhanced direct shipment program in which Ingram Micro sets up a permanent location either on site or adjacent to a supplier's manufacturing facility. Ingram Micro takes possession of product at the supplier's location and then ships it to the reseller or end-user, depending on the reseller's specification.

DELIVER WORLD-CLASS OUTSOURCING AND VALUE-ADDED PROGRAMS TO SUPPLIERS AND RESELLERS. As a global service-focused organization, Ingram Micro strives to compete on the basis of total value rather than solely on price. By understanding and anticipating customer needs, the Company continually develops and provides innovative business solutions that provide full back-room outsourcing services to resellers and suppliers. The Affiniti program aims to transform the Company's relationships with its customers from pure transactional relationships to consultative partnerships where Ingram Micro satisfies not only the customers' product needs but also their service requirements. Such relationships will enable the Company to transition from a commodity business to a full solution provider, with expected benefits in revenue generation and margin enhancement. Under the Affiniti initiative, the Company identifies and deploys value-added services to its supplier and reseller partners such as co-location, product reconfiguration, channel assembly, electronic commerce tools, outsourcing services, financing programs, etc. Together, these services are intended to link reseller customers and suppliers to Ingram Micro as a one-stop provider of computer-based technology products and related services, while meeting demand by suppliers and resellers to outsource their non-core business activities and thereby lower their operating costs.

MAINTAIN LOW COST LEADERSHIP THROUGH CONTINUOUS IMPROVEMENTS IN SYSTEMS AND PROCESSES. Intense competition and narrow margins characterize the computer-based technology products and services distribution industry, and as a result, achieving economies of scale and controlling operating expenses are critical to achieving and maintaining profitable growth. Over the past five years, the Company has been successful in reducing SG&A expenses (including expenses allocated from Ingram Industries prior to the Split-Off) as a percentage of net sales, to 4.1% in 1998 from 5.1% in 1994.

The Company initiated a number of new programs in 1998 that are designed to continue reducing operating expenses as a percentage of net sales. Many U.S.-developed programs are slated for implementation in the Company's international operations, while other programs are region-specific. Current productivity improvement programs include: (i) system enhancements to automatically route orders to the most cost-efficient warehouse based on customer needs and warehouse capacity; (ii) increased utilization of most of the Company's existing warehouse locations resulting from the expansion of operating hours from 20 to 24 hours per day; (iii) automated proof-of-delivery notifications to improve collection on past due invoices; (iv) creation of "co-location" programs with key vendors to ship product directly from the vendor to the end user; and (v) the expansion of the Company's electronic commerce tools, including deployment of Internet ordering capabilities in 13 countries to date, to increase the number of orders placed without the assistance of a telesales representative. See "--Information Systems."

The Company will, on an ongoing basis, examine its business processes and systems to determine how it can continue to improve, while simultaneously lowering costs.

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

Transferring functional skills and implementing cross-training programs across all Ingram Micro locations have proven to be important factors in the Company's growth and global expansion. The Ingram Micro Leadership Institute has been established as the vehicle for defining the required, recommended, and elective training opportunities for all levels of management in the Company. In conjunction with these programs, the Company is expanding its human resource systems worldwide to provide enhanced applicant tracking, hiring screens, career and succession planning, education assistance, stock ownership participation, and benefits administration. Also, the Company continues to seek top quality associates worldwide through local, professional, and college recruiting programs. Recognizing that hiring and retaining associates hinges, in part, on providing a competitive salary and benefits package, the Company has developed a global salary structure based on a comprehensive review of competitive salaries and benefits by region. Based on feedback from the Company's annual associate surveys and leadership behavior questionnaires, Ingram Micro has modified many aspects of its programs and processes. This continual improvement process contributed to Ingram Micro earning a place on Fortune magazine's 1999 list of the "100 Best Companies to Work for in America."

Continued development of the Company's values-based management program, which includes the Company's Partners in Excellence initiative, continues to be a top priority. Partners in Excellence serves as a guidepost for all associates that links individual rewards and incentive programs to the Company's values. As program rollout continues, more emphasis will be placed on global integration and best practices replication.

CUSTOMERS

Ingram Micro sells to more than 140,000 reseller customers in more than 130 countries worldwide. No single customer accounted for more than 4% of Ingram Micro's net sales in 1998, 1997, or 1996.

The Company conducts business with most of the leading resellers of computer-based technology products around the world including, in the United States, CDW Computer Centers, CompuCom/Dataflex, CompUSA/Computer City, Elcom Services Group, En Pointe Technologies, Entex Information Services, Micro Warehouse, Office Max, and Staples. The Company's reseller customers outside the United States include DGS Retail Limited, Future Shop, IMS, Info Products UK PLC, Laboratorios Magneticos, Nueva Wall Mart, Price Club (Mexico), SHL Computer, and Telenor. The Company has certain limited contracts with its reseller customers, most of which have a short term, or are terminable at will, and have no minimum purchase requirements. The Company's business is not substantially dependent on any such contracts.

SALES AND MARKETING

As of the end of fiscal 1998, Ingram Micro's telesales department had approximately 2,700 telesales representatives worldwide, of whom more than 1,380 representatives are located in the United States, 800 representatives are located in Europe, 240 representatives are located in Canada and 200 representatives are located in Latin America. These telesales representatives assist resellers with product specifications, system configuration, new product/service introductions, pricing, and availability. The Company's two main United States telesales centers are located in Santa Ana, California and Williamsville (Buffalo), New York and are supported by an extensive national field sales organization. Ingram Micro also had approximately 200 field sales representatives worldwide, including more than 50 in the United States, at fiscal year end 1998.

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

SELLING ARRANGEMENTS. The Company offers various credit terms to qualifying customers as well as prepay, credit card, and COD terms. The Company closely monitors customers' credit worthiness through its on-line computer system, which contains detailed information on each customer's payment history and other relevant information. In addition, the Company participates in a national credit association whose members exchange credit rating information on customers. In most markets, the Company utilizes various levels of credit insurance to allow sales expansion and control credit risks. The Company establishes reserves for estimated credit losses in the normal course of business. Historically, the Company has not experienced credit losses materially in excess of established credit loss reserves. However, if the Company's receivables experience a substantial deterioration in their collectibility or if the Company cannot obtain credit insurance at reasonable rates, the Company's financial condition and results of operations may be adversely impacted.

The Company also sells to certain customers in the United States through master reseller arrangements that involve higher volume sales on limited lines of product. These sales are generally funded by floor plan financing companies whose fees are subsidized by the Company's suppliers. Historically, the Company received payment from these financing institutions within three business days from the date of the sale, allowing the Company's master reseller business to operate at much lower relative working capital levels than the Company's wholesale distribution business. Starting in the second half of 1998, certain of the industry's leading hardware manufacturers reduced their flooring fee subsidies. As a result, payments from institutions that finance master reseller sales with these reduced subsidies are now received within 15 days. This delay in payment has increased the Company's average borrowing levels and interest costs.

PRODUCTS AND SUPPLIERS

Ingram Micro believes that it has the largest inventory of products in the industry, based on a review of publicly available data with respect to its major competitors. The Company distributes and markets more than 200,000 products from the industry's premier computer hardware manufacturers, networking equipment suppliers, and software publishers worldwide. Product assortments vary by market, and the relative importance of manufacturers to Ingram Micro varies from country to country. On a worldwide basis, the Company's sales mix is more heavily weighted toward hardware products and networking equipment than software products. Net sales of software products have decreased as a percentage of total net sales in recent years due to a number of factors, including bundling of software with microcomputers and declines in software prices. The Company believes that this is a trend that applies to the computer-based technology products distribution industry as a whole, and the Company expects it to continue.

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

The Company's suppliers generally warrant the products distributed by the Company and allow the Company to return defective products, including those that have been returned to the Company by its customers. The Company does not independently warrant the products it distributes; however, the Company does warrant the following: (i) its services with regard to products which it configures for its customers, and (ii) products which it builds to order from components purchased from other sources.

The Company has written distribution agreements with many of its suppliers; however, these agreements usually provide for nonexclusive distribution rights and often include territorial restrictions that limit the countries in which Ingram Micro is permitted to distribute the products. The agreements are also generally short term, subject to periodic renewal, and often contain provisions permitting termination by either party without cause upon relatively short notice. A supplier who elects to terminate a distribution agreement generally will repurchase from the distributor the supplier's products carried in the distributor's inventory. The Company does not believe that its business is substantially dependent on the terms of any such agreements.

The Company's business, like that of other wholesale distributors, is subject to the risk that the value of its inventory will be affected adversely by suppliers' price reductions or by technological changes affecting the usefulness or desirability of the products comprising the inventory. It is the policy of most suppliers of technology products to protect distributors, such as the Company, who purchase directly from such suppliers from the loss in value of inventory due to technological change or the supplier's price reductions. Under many such agreements, the distributor has the right to return for credit or exchange for other products a portion of those inventory items purchased, within a designated period of time. In addition, under the terms of many distribution agreements, suppliers will credit the distributor for declines in inventory value resulting from the supplier's price reductions if the distributor complies with certain conditions. However, major PC suppliers in the last year have decreased the availability of price protection for distributors. The shorter time periods during which distributors may receive rebates or credit for decreases in manufacturer prices on unsold inventory have made it more difficult for the Company to match its inventory levels with the price protection periods. Consequently, the Company's risk of loss due to declines in value of inventory held by the Company after such price protection periods have passed has increased. The Company is taking various actions, including closer monitoring of its inventory levels and decreased purchases, to lessen such risk.

While the industry practices discussed above are sometimes not embodied in written agreements and do not protect the Company in all cases from declines in inventory value, management believes that these practices provide a significant level of protection from such declines. No assurance can be given, however, that such practices will continue or that they will adequately protect the Company against declines in inventory value. The Company's risk of inventory loss could be greater outside the United States, where agreements with suppliers are more restrictive with regard to price protection and the Company's ability to return unsold inventory. The Company establishes reserves for estimated losses due to obsolete inventory in the normal course of business. Historically, the Company has not experienced losses due to obsolete inventory materially in excess of established inventory reserves.

FRAMEWORKS

To better serve both global and regional customers, the Company introduced Frameworks, worldwide channel assembly and configuration initiative, in 1997, to deliver customized, fully tested computer systems to its reseller customers and to assist with reducing manufacturers' inventory overhead. Frameworks currently provides the Company with four distinct business opportunities: reconfiguration; channel assembly; private label and unbranded offerings; and OEM manufacturing.

Reconfiguration consists of opening "name" brand finished product, already assembled and packaged by a vendor, and upgrading it with features such as memory, components, accessories, and third party software. Channel assembly consists of assembling individual OEM components into a manufacturer-authorized computer. Private label or unbranded systems are computers specially assembled for resellers at the Frameworks facility, using components, accessories, and software from various manufacturers. Private label systems display the reseller's brand on the box, system, and monitor. Unbranded systems, with no resellers' name or brand on the box, system and monitor, were developed at the request of reseller customers who build unbranded or private label systems themselves. By participating in this unbranded systems program, customers can outsource assembly operations that they currently perform, allowing them to focus on selling, servicing and supporting their customers. Finally, the Company also provides manufacturing services to OEMs.

Frameworks has the capability to produce over 2.5 million units annually from facilities in Memphis, Tennessee and `s-Hertogenbosch, The Netherlands. In addition, the Company entered into a strategic alliance with Solectron Corporation in June 1998 to provide assembly services in the United States, Canada, Europe, Asia and Latin America. This alliance is expected to allow Frameworks eventually to deliver customized, fully tested computer systems to customers from up to 10 locations worldwide.

INFORMATION SYSTEMS

Ingram Micro's systems are primarily mainframe-based and provide the high level of scalability and performance required to manage such a large and complex business operation. IMpulse, Ingram Micro's enterprise wide system, is a single, standardized, real-time information system and operating environment, used across substantially all of the Company's worldwide operations. It has been customized as necessary for use in all countries in which the Company operates and has the capability to handle multiple languages and currencies. On a daily basis, the Company's systems typically handle 50 million on-line transactions, 80,000 orders, and 150,000 shipments. This compares to 12 million on-line transactions, 26,000 orders, and 37,000 shipments handled on a daily basis by IMpulse in 1996. The Company has designed IMpulse as a scalable system that has the capability to support increased transaction volume. The overall on-line response time for the Company's network of over 14,000 user stations (terminals, printers, personal computers, and radio frequency hand held terminals) is less than one second.

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

In the United States, the Company has implemented CTI technology, which provides the telesales representatives with Automatic Number Identification capability and advanced telecommunications features such as on-screen call waiting and automatic call return, thereby reducing the time required to process customer orders.

To complement Ingram Micro's telesales, customer service, and technical support capabilities, IMpulse offers a number of different electronic products and services through which customers can conduct business with the Company, such as the Customer Automated Purchasing System, Electronic Data Interchange, the Bulletin Board Service, the Ingram Micro Web site "www.ingrammicro.com," internet-based Electronic Catalog, In-Depth Library, and Auction Block. The Electronic Catalog provides reseller customers with access to product pricing and availability, with the capability to search by product category, name, or manufacturer. The In-Depth Library is a comprehensive multi-manufacturer database of timely and accurate product, sales, marketing, and technical information, which is updated nightly for new information. Auction Block is a real-time, on-line bidding service that allows reseller customers to competitively bid on unopened products that are not returnable to suppliers (e.g., discontinued products, products with cosmetic damage to their packaging, returned products not conforming to the supplier's return policies; etc.).

The Company's information systems provide the infrastructure that allows the implementation of a customer-centric channel model. It provides the information necessary for Ingram Micro to act as the agent of commerce among suppliers, resellers, and end-users. The Company is rapidly enhancing and deploying seamless, easy-to-use electronic commerce solutions that provide resellers with the ability to do business with Ingram Micro and with end-users with greater ease and at lower cost. The Company's electronic commerce capabilities have expanded to include: SpeedSource, an electronic commerce ordering tool which gives resellers quick access to real-time ordering, product allocation, order status, product search, pricing and availability; InsideLine, a direct communication link, currently in selected use, which furnishes resellers with real-time access to the Company's mainframe inventory systems; and Prime Access, currently in production, which, upon completion of rollout to resellers, will equip them with personalized Web storefronts that are linked directly to Ingram Micro's order processes and inventory systems.

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

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

The Company believes that in order to remain competitive, it will be necessary to upgrade its information systems on a continuing basis. The Company has begun to migrate its IMpulse system from a mainframe-based system using Cobol language to a client-server based system using Oracle database management systems. The Company believes that this new information system architecture will address the Company's need for a distributed computing environment and will increase system scalability and fault tolerance.

EURO CONVERSION AND YEAR 2000

See "--Euro Conversion" and "--Year 2000 Matters" under "Item 7. -- Management's Discussion and Analysis of Financial Condition and Results of Operations" for discussion relating to the impact of the euro conversion and Year 2000 matters.

NON-U.S. OPERATIONS AND EXPORT SALES

OPERATIONS OUTSIDE THE UNITED STATES. The Company has subsidiaries or offices in 28 countries and sales representatives in another five countries, including Argentina, Australia, Brazil, Canada, China, Colombia, Costa Rica, Chile, Ecuador, India, Indonesia, Japan, Malaysia, Mexico, New Zealand, Norway, Peru, Singapore, Switzerland, Thailand, Venezuela, and 11 countries of the European Union. In 1998, 1997, and 1996, 34.7%, 30.4%, and 33.0%, respectively, of the Company's net sales were derived from operations outside of the United States. The Company expects its net sales from operations outside the United States to increase as a percentage of total net sales in the future due to both organic growth and growth from acquisitions, including the mid-1998 acquisitions of Macrotron in Germany and an assembly facility and related business acquired from Tulip Computer N.V. in The Netherlands.

In February 1999, the Company completed a tender offer for the remaining outstanding shares of common stock and warrants for ERL. Ingram Micro's ownership in ERL has increased to approximately 95% of the issued shares (on a fully diluted basis). The Company's net sales from operations outside the United States are primarily denominated in currencies other than the U.S. dollar. Accordingly, the Company's operations outside the United States impose risks upon its business as a result of exchange rate fluctuations. Although the Company attempts to mitigate the effect of exchange rate fluctuations on its business, primarily by attempting to match the currencies of sales and costs, as well as through the use of foreign currency borrowings and derivative financial instruments such as forward exchange contracts, the Company does not seek to remove all risk associated with such fluctuations. See "Item 7. -- Management's Discussion and Analysis of Financial Condition and Results of Operations."

EXPORT MARKETS. The Company's Export operations continue to serve those markets where the Company does not have a stand-alone, in-country presence. The Miami, Florida; Santa Ana, California; and Brussels, Belgium Export operations (which have been reorganized as part of the Latin America, U.S. and European operations, respectively) serve more than 1,750 resellers in approximately 100 countries. In addition, the Export branch in Latin America has field sales representatives based in Buenos Aires, Argentina; Bogota, Colombia; San Jose, Costa Rica; Caracas, Venezuela; and Quito, Ecuador.

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

COMPETITION

The Company operates in a highly competitive environment, both in the United States and internationally. The computer-based technology products distribution industry is characterized by intense competition, based primarily on price, product availability, speed and accuracy of delivery, effectiveness of sales and marketing programs, credit availability, ability to tailor specific solutions to customer needs, quality and breadth of product lines and service, and availability of technical and product information. The Company believes it competes favorably with respect to each of these factors. In addition, the Company believes that as customers move their back-room operations to distribution partners, outsourcing and value-added capabilities (such as channel assembly, configuration, innovative financing programs, and order fulfillment programs) will become more important competitive factors. With the emergence of the Internet reseller storefronts, the Company seeks to provide virtual warehouse and distribution operations.

Ingram Micro's U.S. competitors include full-line distributors Tech Data, Merisel and Pinacor (MicroAge's distribution arm), as well as specialty distributors such as Gates/Arrow (desktop and enterprise products), Daisytek (consumables), Access Graphics (enterprise products) and Avnet (industrial and enterprise products). Ingram Micro competes internationally with a variety of national and regional distributors. In the European market, competitors include international distributors such as CHS Electronics and Tech Data (which acquired C2000, a European competitor), and several regional and local distributors, including Actebis, Raab Karcher and Scribona. In Canada, Ingram Micro competes with Merisel, Globelle, Beamscope and Tech Data. In Latin America, Ingram Micro competes with international distributors including CHS Electronics and Tech Data, and several regional and local distributors including MPS Mayorista, Alvimer and Sonda-Beamscope S.A. In the Asia Pacific market, Ingram Micro (through a majority interest in ERL and a strategic agreement with SOFTBANK), faces both regional and local competitors, of whom the largest are Tech Pacific, a broadline distributor which operates in eight countries, and SiS Distribution Ltd., a Hong Kong-based distributor of microcomputer products which is 80% owned by CHS Electronics.

The Company is constantly seeking to expand its business into areas closely related to its core computer-based technology products distribution business. As the Company enters new business areas, including value-added services, it may encounter increased competition from current competitors and/or from new competitors, some of which may be current customers of the Company. For example, as the Company continues to develop the Frameworks unbranded systems program, there may be competition from current vendors and customers in addition to other distributors. Also, as electronic purchases of software become more prevalent in the industry, electronic software distributors may become significant competitors of the Company.

Ingram Micro also competes with hardware manufacturers and software publishers that sell directly to reseller customers and end-users. As hardware manufacturers look to increase direct sales volumes while tightening terms and conditions, some customers are buying more products directly from the manufacturer rather than through distribution. Together with the risk of decreased purchase discounts and rebates, the Company's sales volumes and profit margins may be adversely affected.

ASSET MANAGEMENT

The Company maintains sufficient quantities of product inventories to achieve high order fill rates. The Company believes that the risks associated with slow moving and obsolete inventory are substantially mitigated by price protection and stock return privileges provided by suppliers. In the event of a supplier price reduction, the Company generally receives a credit for products in its inventory. In addition, the Company has the right to return a certain percentage of purchases, subject to certain limitations. Historically, price protection, stock return privileges, and inventory management procedures have helped to reduce the risk of decline in the value of inventory. However, major PC suppliers have stated that it is their intention to reduce the amount of inventory in the channel, particularly in light of the growth of vendor direct and channel assembly strategies. In the last year, these suppliers have decreased the availability of price protection for distributors. The shorter time periods during which distributors may receive rebates or credit for decreases in manufacturer prices on unsold inventory have made it more difficult for the Company to match its inventory levels with the price protection periods. Consequently, the

Company's risk of loss due to declines in value of inventory held by the Company after such price protection periods have passed has increased. The Company is taking various actions, including closer monitoring of its inventory levels and decreased purchases, to lessen such risk. The Company's risk of decline in the value of inventory could also be greater outside the United States, where agreements with suppliers are more restrictive with regard to price protection and the Company's ability to return unsold inventory.

The Company establishes reserves for estimated losses due to obsolete inventory in the normal course of business. Historically, the Company has not experienced losses due to obsolete inventory materially in excess of established inventory reserves. Inventory levels may vary from period to period, due in part to the addition of new suppliers or new lines with current suppliers and large cash purchases of inventory due to advantageous terms offered by suppliers. In addition, payment terms with inventory suppliers may vary from time to time, and could result in less inventory being financed by vendors and a greater amount of inventory being financed by the Company's debt.

EMPLOYEES

As of January 2, 1999, the Company employed over 14,400 associates located as follows: United States--8,620, Europe--3,965, all other regions--1,832. As a result of the Company's acquisition of ERL in February 1999, the Company has approximately 880 additional associates in Asia. Ingram Micro believes that its success depends on the skill and dedication of its associates. The Company strives to attract, develop, and retain outstanding personnel. Certain of the Company's operations in Europe, Latin America and Canada are subject to collective bargaining or similar arrangements. The Company considers its employee relations to be good.

On March 11, 1999, the Company announced that the Company is accelerating a number of actions to increase flexibility and service and maximize cost savings and efficiencies. Outside of the United States, the Company has been increasing its cost effectiveness through attrition and personnel redeployment since late 1998. In the United States, the Company is instituting many structural changes, including the closing of its California-based consolidation center, re-alignment of its sales forces and the creation of a merchandising organization that integrates its purchasing, vendor sales and product marketing functions. In addition, new programs and process improvements to increase productivity are being deployed in the Company's distribution centers. These and other changes are reducing the Company's worldwide work force by approximately 1,400 full-time employee equivalents.

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth certain information with respect to each person who is an executive officer of the Company as of March 16, 1999:

NAME	AGE	PRESENT AND PRIOR POSITIONS HELD(1)	YEARS POSITIONS HELD
Jerre L. Stead(2)	56	Chairman of the Board and Chief Executive Officer	Aug. 1996-Present
		Chief Executive Officer and Chairman of the Board, Legent Corporation, a software development company	Jan. 1995-Aug. 1995
		Executive Vice President, Chairman and Chief Executive Officer, AT&T Corp. Global Information Solutions (NCR Corp.), a computer manufacturer	May 1993-Dec. 1994
		President and Chief Executive Officer, AT&T Corp. Global Business Communication Systems, a communications company	Sept. 1991-Apr. 1993

NAME	AGE	PRESENT AND PRIOR POSITIONS HELD(1)	YEARS POSITIONS HELD
Jeffrey R. Rodek(3)	45	President; Worldwide Chief Operating Officer	Dec. 1994-Present
		Senior Vice President, Americas and Caribbean, Federal Express, an express shipping firm	July 1991-Sept. 1994
Michael J. Grainger	46	Executive Vice President; Worldwide Chief Financial Officer	Oct. 1996-Present
		Chief Financial Officer	May 1996-Oct. 1996
		Vice President and Controller, Ingram Industries	July 1990-Oct. 1996
Douglas R. Antone	46	Executive Vice President; President, Frameworks Worldwide	July 1998-Present
		Senior Vice President, Marketing	July 1997-July 1998
		Senior Vice President; President, Ingram Alliance	June 1994-July 1997
		Senior Vice President, Worldwide Sales and Marketing, Borland International, a software development company	Nov. 1993-May 1994
Philip D. Ellett	44	Executive Vice President; President, Ingram Micro North America	Mar. 1999-Present
		Executive Vice President; President, Ingram Micro Europe	June 1998-Feb. 1999
		Senior Vice President; President, Ingram Micro Europe	May 1997-June 1998
		Senior Vice President; Chief Operating Officer, Ingram Micro Europe	Jan. 1997-April 1997
		Senior Vice President; General Manager, U.S. Consumer Markets Division	Jan. 1996-Jan. 1997
		President, Gates/Arrow, an electronics distributor	Aug. 1994-Dec. 1995
		President and Chief Executive Officer, Gates/F.A. Distributing, Inc., an electronics distributor	Oct. 1991-Aug. 1994
Robert D. Grambo	34	Executive Vice President; President, Ingram Micro Europe	Feb. 1999-Present
		Senior Vice President; Chief Operating Officer, Ingram Micro Europe	July 1998-Feb. 1999
		Senior Vice President, Sales, Ingram Micro U.S.	Sept. 95-July 1998
		Vice President, Sales, Ingram Micro U.S.	Apr. 94-Sep. 1995
		Vice President, Product Marketing	Apr. 93-Apr. 1994
Guy P. Abramo	37	Senior Vice President, Marketing, Worldwide	Sept. 1998-Present
		Partner, Yankelovich Partners, a marketing professional services company	May 1998-Oct. 1998
		Managing Director, Marketing Intelligence, Peat Marwick LLP, an accounting and professional services company	Feb. 1995-May 1998
		Manager, Marketing, Mobil Corporation an international oil company	June 1984-Feb. 1995

NAME	AGE	PRESENT AND PRIOR POSITIONS HELD(1)	YEARS POSITIONS HELD
James E. Anderson, Jr.	51	Senior Vice President, Secretary and General Counsel	Jan. 1996-Present
		Vice President, Secretary and General Counsel, Ingram Industries	Sept. 1991-Nov. 1996
David M. Carlson	58	Senior Vice President, Chief Technology Officer	Feb. 1997-Present
		President, Consumer Focused Technology, a consulting firm	Jan. 1996-Feb. 1997
		Vice President, Technology and Network Services, Florist Transworld Delivery Corp.	Mar. 1995-Dec. 1995
		Senior Vice President, Corporate Information Systems, Kmart Corporation, a retail company	July 1985-Jan. 1995
David M. Finley	58	Senior Vice President, Human Resources, Worldwide	July 1996-Present
		Senior Vice President, Human Resources, Budget Rent a Car, a car rental company	May 1995-July 1996
		Vice President, Human Resources, The Southland Corporation, a convenience retail company	Jan. 1977-May 1995
Henri T. Koppen	56	Senior Vice President; President, Ingram Micro Latin America	Jan. 1998-Present
		President, Latin America, General Electric Capital Information Technology Solutions, a systems integrator/reseller company	July 1996-Dec. 1997
		Vice President, Latin America, Ameridata Global Inc., a systems integrator/reseller company	May 1995-July 1996
		General Manager, Mexico, Control Data Systems Inc., a systems manufacturer and integrator	May 1994-May 1995
		Director, North America Marketing, Control Data Systems Inc., a systems manufacturer and integrator	May 1992-April 1994
Gregory M.E. Spierkel	42	Senior Vice President; President, Ingram Micro Asia-Pacific	July 1998-Present
		Vice President, Global Sales & Marketing, March 1996-June 1997 Mitel Inc., a manufacturer of telecommunications and semiconductor products	
		President, North America, Mitel Inc., a manufacturer of telecommunications and semiconductor products	April 1992-March 1996
James F. Ricketts	52	Vice President; Worldwide Treasurer	Sept. 1996-Present
		Vice President; Treasurer Sundstrand Corporation, a manufacturer of aerospace and related technology systems	Feb. 1992-Sept. 1996

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

(2) Mr. Stead is a director of Armstrong World Industries, Inc., Thomas & Betts, and Conexant Systems, Inc.

(3) Mr. Rodek is a director of Hyperion Solutions and a member of its Compensation Committee; and a director of EXE Technologies and a member of its Audit Committee.

TRADEMARKS AND SERVICE MARKS

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

SAFE HARBOR FOR FORWARD-LOOKING INFORMATION

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

(1) Intense competition may lead to reduced prices, lower sales or reduced sales growth, and lower gross margins.

(2) The Company's narrow margins magnify the impact on operating results of variations in operating costs. A number of factors may reduce the Company's margins even further. For example, if PC manufacturers substantially reduce or terminate price protection programs, if PC manufacturers substantially raise the threshold on sales volume before distributors may qualify for discounts and/or rebates, if the Company's receivables experience a substantial deterioration in their collectibility or if the Company cannot obtain credit insurance at reasonable rates, the Company's financial condition and results of operations may be adversely impacted.

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

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

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

(6) A failure of the Company's information systems may adversely impact the Company's results of operations. In addition, the failure of the Company or its vendors, resellers, customers, shipping companies, and other third party systems to achieve substantial Y2K readiness may adversely impact the Company's financial condition and results of operations.

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

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

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

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

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

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

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

(14) If the Company's inventory suppliers terminate or substantially reduce the subsidies relating to floor planning financing for the Company's master reseller business, such change in policy may adversely impact the Company's financial condition and results of operations.

Reference is made to Exhibit 99.01 hereto for additional discussion of the foregoing factors, as well as additional factors which may affect the Company's actual results and cause such results to differ materially from those projected, forecasted, estimated, budgeted or otherwise expressed in forward-looking statements.

ITEM 2. PROPERTIES

Ingram Micro's worldwide executive headquarters, as well as its West Coast sales and support offices, are located in a three-building office complex in Santa Ana, California. The Company also maintains an East Coast operations center in Williamsville (Buffalo), New York.

As of March 22, 1999, the Company operates seven distribution centers in the continental United States located in Carrollton, Texas, Carol Stream, Illinois, Fremont, California, Fullerton, California, Harrisburg, Pennsylvania, Millington, Tennessee, and Miami, Florida. The Company also operates 71 distribution centers outside of the U.S.--in Australia, Brazil, Canada, Chile, China, India, Hong Kong, Malaysia, Mexico, New Zealand, Norway, Peru, Singapore, Switzerland, Thailand and most countries of the European Union.

As of March 22, 1999, the Company operates two integration centers located in Memphis, Tennessee and `s-Hertogenbosch, The Netherlands in addition to three returns centers, two in Santa Ana, California and one in Toronto, Canada. As of the same date, the Company operates a freight consolidation center in Fremont, California, which, along with one of the Company's Santa Ana returns centers, will be closed by the second quarter of 1999.

As of March 22, 1999, all of the Company's facilities are leased, with the exception of the distribution center in Roncq, France. These leases have varying terms. The Company does not anticipate any material difficulty in renewing any of its leases as they expire or securing replacement facilities, in each case on commercially reasonable terms. In addition, the Company owns two undeveloped properties in Santa Ana, California totaling approximately 16.27 acres, and has options on approximately 60 acres in Millington, Tennessee.

ITEM 3. LEGAL PROCEEDINGS

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

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

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

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

PART II

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

As of March 29, 1999, there were 578 holders of record of the Class A Common Stock and 140 holders of record of the Class B Common Stock. The Company believes that there are approximately 27,000 beneficial holders of the Class A Common Stock.

Information as to the Company's quarterly stock prices is included on the inside back cover of the Company's 1998 Annual Report to Shareowners, which is included as part of Exhibit 13.01 and is incorporated in this Annual Report on Form 10-K.

Information as to the principal market on which the Class A Common Stock is traded is included on the inside back cover of the Company's 1998 Annual Report to Shareowners, which is included as part of Exhibit 13.01 and is incorporated in this Annual Report on Form 10-K.

DIVIDEND POLICY

The Company has not declared or paid any dividends on its Class A or Class B Common Stock in the preceding two fiscal years. The Company currently intends to retain its future earnings to finance the growth and development of its business and, therefore, does not anticipate declaring or paying cash dividends on its Class A or Class B Common Stock for the foreseeable future. Any future decision to declare or pay dividends will be at the discretion of the Board of Directors and will be dependent upon the Company's financial condition, results of operations, capital requirements, and such other factors as the Board of Directors deems relevant. In addition, certain of the Company's debt facilities contain restrictions on the declaration and payment of dividends.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial information of Ingram Micro for the five year period ended January 2, 1999 is included on page 18 of the Company's 1998 Annual Report to Shareowners, which is included as part of Exhibit 13.01 and is incorporated in this Annual Report on Form 10-K. It should be read in conjunction with the consolidated financial statements included on pages 30 through 50 of the Company's 1998 Annual Report to Shareowners which are also included as part of Exhibit 13.01 and incorporated in this Annual Report on Form 10-K and the financial statement schedule below in Item 14 of this Annual Report on Form 10-K.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations is included on pages 19 through 29 of the Company's 1998 Annual Report to Shareowners, which are also included as part of Exhibit 13.01 and are incorporated in this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The required disclosure is included on page 26 of the Company's 1998 Annual Report to Shareowners, which are also included as part of Exhibit 13.01 and incorporated in this Annual Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements are included on pages 30 through 50 of the Company's 1998 Annual Report to Shareowners, which are also included as part of Exhibit 13.01 and incorporated in this Annual Report on Form 10-K. Reference is made to the Index to the Financial Statements in Item 14 below.

A financial statement schedule for the Company, and report thereon, are included on pages 24 and 25, respectively, of this Annual Report on Form 10-K. Reference is made to the Index to Financial Statements in Item 14 below.

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

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

PART III

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

The Notice and Proxy Statement for the 1999 Annual Meeting of Shareowners, to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, which is incorporated by reference in this Annual Report on Form 10-K pursuant to General Instruction G(3) of Form 10-K, will provide the remaining information required under Part III (Items 10, 11, 12, and 13).

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

(a) 1. The consolidated financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated February 10, 1999, except as to Note 14, which is as February 19, 1999 all appearing on pages 30 through 51 in the 1998 Annual Report to Shareowners, are incorporated in this Annual Report on Form 10-K. With the exception of the aforementioned information and the information incorporated in Items 5, 6, 7, and 8, the 1998 Annual Report to Shareowners is not deemed filed as part of this Annual Report on Form 10-K.

INGRAM MICRO INC.	PAGE NO. IN ANNUAL REPORT TO SHAREOWNERS
Index to Financial Information	17
Consolidated Balance Sheet at January 2, 1999 and January 3, 1998	30
Consolidated Statement of Income for the years ended January 2, 1999, January 3, 1998, and December 28, 1996	31
Consolidated Statement of Stockholders' Equity for the years ended January 2, 1999, January 3, 1998, and December 28, 1996	32
Consolidated Statement of Cash Flows for the years ended January 2, 1999, January 3, 1998, and December 28, 1996	33
Notes to Consolidated Financial Statements	34-50
Report of Independent Accountants	51

Pages 18 through 52 and the inside back cover page of the 1998 Annual Report to Shareowners of Ingram Micro Inc. include the Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, the Consolidated Financial Statements and related notes thereto, the Independent Accountants' Report, Shareholder Information and Quarterly Stock Prices. These pages are filed with the Securities and Exchange Commission as Exhibit 13.01 to this Annual Report on Form 10-K.

2. Financial Statement Schedules:

Report of Independent Accountants on Financial Statement Schedule
Schedule II - Valuation and Qualifying Accounts

3. List of Exhibits:

3.01	--	Form of Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.01 to the Company's Registration Statement on Form S-1 (File No. 333-08453) (the "IPO S-1"))
3.02	--	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.02 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 1998)
10.01	--	Ingram Micro Inc. Executive Incentive Bonus Plan (incorporated by reference to Exhibit 10.01 to the IPO S-1)
10.02	--	Ingram Micro Inc. Management Incentive Bonus Plan (incorporated by reference to Exhibit 10.02 to the IPO S-1)
10.03	--	Ingram Micro Inc. General Employee Incentive Bonus Plan (incorporated by reference to Exhibit 10.03 to the IPO S-1)
10.04	--	Agreement dated as of December 21, 1994 between the Company and Jeffrey R. Rodek (incorporated by reference to Exhibit 10.04 to the IPO S-1)
10.05	--	Agreement dated as of April 25, 1988 between the Company and Sanat K. Dutta (incorporated by reference to Exhibit 10.05 to the IPO S-1)
10.06	--	Amendment No. 1 to the Ingram Micro Inc. Amended and Restated 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.06 to the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 1998)
10.07	--	Ingram Micro Inc. Rollover Stock Option Plan (incorporated by reference to Exhibit 10.07 to the IPO S-1)
10.08	--	Ingram Micro Inc. Key Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.08 to the IPO S-1)
10.09	--	Ingram Micro Inc. 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.09 to

the IPO S-1)

10.10	--	Ingram Micro Inc. Amended and Restated 1996 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 to the IPO S-1)
10.11	--	Severance Agreement dated as of June 1, 1996 among the Company, Ingram Industries, Linwood A. Lacy, Jr., and NationsBank, N.A., as trustee of the Linwood A. Lacy, Jr. 1996 Irrevocable Trust dated February 1996 (incorporated by reference to Exhibit 10.11 to the IPO S-1)
10.12	--	Credit Agreement dated as of October 30, 1996 among the Company and Ingram European Coordination Center N.V., Ingram Micro Singapore Pte Ltd., and Ingram Micro Inc., as Borrowers and Guarantors, certain financial institutions, as the Lenders, NationsBank of Texas, N.A., as Administrative Agent for the Lenders and The Bank of Nova Scotia as Documentation Agent for the Lenders (incorporated by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 (File No. 333-16667) (the "Thrift Plan S-1"))
10.13	--	Amended and Restated Reorganization Agreement dated as of October 17, 1996 among the Company, Ingram Industries, and Ingram Entertainment (incorporated by reference to Exhibit 10.13 to the Thrift Plan S-1)
10.14	--	Registration Rights Agreement dated as of November 6, 1996 among the Company and the persons listed on the signature pages thereof (incorporated by reference to Exhibit 10.14 to the Thrift Plan S-1)
10.15	--	Board Representation Agreement dated as of November 6, 1996 (incorporated by reference to Exhibit 10.15 to the Thrift Plan S-1)
10.16	--	Thrift Plan Liquidity Agreement dated as of November 6, 1996 among the Company and the Ingram Thrift Plan (incorporated by reference to Exhibit 10.16 to the Thrift Plan S-1)
10.17	--	Tax Sharing and Tax Services Agreement dated as November 6, 1996 among the Company, Ingram Industries, and Ingram Entertainment (incorporated by reference to Exhibit 10.17 to the Thrift Plan S-1)
10.18	--	Agreement with Douglas R. Antone dated May 15, 1998, as amended October 28, 1998
10.19	--	Employee Benefits Transfer and Assumption Agreement dated as of November 6, 1996 among the Company, Ingram Industries, and Ingram Entertainment (incorporated by reference to Exhibit 10.19 to the Thrift Plan S-1)
10.20	--	Data Center Services Agreement dated as of November 6, 1996 among the Company, Ingram Book Company, and Ingram Entertainment Inc. (incorporated by reference to Exhibit 10.20 to the Thrift Plan S-1)
10.21	--	Amended and Restated Exchange Agreement dated as of November 6, 1996 among the Company, Ingram Industries, Ingram Entertainment and the other parties thereto (incorporated by reference to Exhibit 10.21 to the Thrift Plan S-1)
10.22	--	Agreement dated as of August 26, 1996 between the Company and Jerre L. Stead (incorporated by reference to Exhibit 10.22 to the IPO S-1)
10.23	--	Definitions for Ingram Funding Master Trust Agreements (incorporated by reference to Exhibit 10.23 to the IPO S-1)
10.24	--	Asset Purchase and Sale Agreement dated as of February 10, 1993 between Ingram Industries and Ingram Funding Inc. (incorporated by reference to Exhibit 10.24 to the IPO S-1)
10.25	--	Pooling and Servicing Agreement dated as of February 10, 1993 among Ingram Funding, Ingram Industries and Chemical Bank (incorporated by reference to Exhibit 10.25 to the IPO S-1)
10.26	--	Amendment No. 1 to the Pooling and Servicing Agreement dated as of February 12, 1993, the Asset Purchase and Sale Agreement dated as of February 12, 1993, and the Liquidity Agreement dated as of February 12, 1993 (incorporated by reference to Exhibit 10.26 to the IPO S-1)
10.27	--	Certificate Purchase Agreement dated as of July 23, 1993 (incorporated by reference to Exhibit 10.27 to the IPO S-1)

10.28	--	Schedule of Certificate Purchase Agreements (incorporated by reference to Exhibit 10.28 to the IPO S-1)
10.29	--	Series 1993-1 Supplement to Ingram Funding Master Trust Pooling and Servicing Agreement dated as of July 23, 1993 (incorporated by reference to Exhibit 10.29 to the IPO S-1)
10.30	--	Schedule of Supplements to Ingram Funding Master Trust Pooling and Servicing Agreement dated as of July 23, 1993 (incorporated by reference to Exhibit 10.30 to the IPO S-1)
10.31	--	Letter of Credit Reimbursement Agreement dated as of February 10, 1993 (incorporated by reference to Exhibit 10.31 to the IPO S-1)
10.32	--	Liquidity Agreement dated as of February 10, 1993 (incorporated by reference to Exhibit 10.32 to the IPO S-1)
10.33	--	Amendment No. 2 to the Pooling and Servicing Agreement dated as of February 12, 1993, the Asset Purchase and Sale Agreement dated as of February 12, 1993, and the Liquidity Agreement dated as of February 12, 1993 (incorporated by reference to Exhibit 10.33 to the IPO S-1)
10.34	--	Agreement dated as of October 10, 1996 between the Company and Michael J. Grainger (incorporated by reference to Exhibit 10.34 to the IPO S-1)
10.35	--	Form of Repurchase Agreement (incorporated by reference to Exhibit 10.35 to the IPO S-1)
10.36	--	First Amendment to the Credit Agreement dated as of October 28, 1997 (incorporated by reference to Exhibit 10.36 to the Company's Registration Statement on Form S-3 (File No. 333-39457) (the "Rollover/Thrift Plan S-3"))
10.37	--	European Credit Agreement dated as of October 28, 1997 among the Company and Ingram European Coordination Center N.V., as Borrowers and Guarantors, certain financial institutions, as the Lenders, The Bank of Nova Scotia, as Administrative Agent for the Lenders and NationsBank of Texas, N.A. as Documentation Agent for the Lenders, as arranged by The Bank of Nova Scotia and NationsBanc Capital Markets, Inc., as the Arrangers (incorporated by reference to Exhibit 10.37 to the Rollover/Thrift Plan S-3)
10.38	--	Canadian Credit Agreement dated as of October 28, 1997 among the Company and Ingram Micro Inc. (Canada), as Borrowers and Guarantors, certain financial institutions, as the Lenders, The Bank of Nova Scotia., as Administrative Agent for the Lenders, Royal Bank of Canada as the Syndication Agent for the Lenders, and Bank of Tokyo-Mitsubishi (Canada) as the Co-Agent (incorporated by reference to Exhibit 10.38 to the Rollover/Thrift Plan S-3)
10.39	--	Retirement Agreement between the Company and David P. Dukes (incorporated by reference to Exhibit 10.39 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 4, 1998)
10.40	--	Second Amendment to Credit Agreement dated as of September 25, 1998, among the Company, Ingram European Coordination Center N.V. ("IECC"), and Ingram Micro Inc. (Canada), as Borrowers and Guarantors, and certain financial institutions as the Relevant Required Lenders, amending the US $1,000,000,000 Credit Agreement dated as of October 30, 1996, also among certain financial institutions, as the Lenders, NationsBank, N.A (successor in interest by merger with NationsBank of Texas, N.A.), as Administrative Agent for the Lenders, and The Bank of Nova Scotia, as Documentation Agent for the Lenders and certain named Co-Agents (incorporated by reference to Exhibit 10.40 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended October 3, 1998 ("the Q3 98 10-Q"))
10.41	--	First Amendment to European Credit Agreement dated as of September 25, 1998, among the Company and IECC as the Primary Borrowers and Guarantors, and certain financial institutions as the Relevant Required Lenders, amending the US $500,000,000 European Credit Agreement dated as of October 28, 1997, also among the Company and IECC, as the Primary Borrowers and Guarantors, certain financial institutions as the Lenders, The Bank of Nova Scotia, as Administrative Agent for the Lenders and NationsBank, N.A. (successor in interest by merger to NationsBank of Texas, N.A.), as Documentation Agent for the Lenders, as arranged by The Bank of Nova Scotia and NationsBanc Capital Markets, Inc., as the Arrangers (incorporated by reference to Exhibit 10.41 to the Q3 98 10-Q)

10.42	--	First Amendment to Canadian Credit Agreement dated as of September 25, 1998, among the Company and Ingram Micro Inc. (Canada) as the Borrowers and Guarantors, and certain financial institutions as the Relevant Required Lenders, amending the US $150,000,000 Canadian Credit Agreement dated as of October 28, 1997, also among the Company, Ingram Micro Inc. (Canada) as the Borrowers and Guarantors, certain financial institutions as the Lenders, The Bank of Nova Scotia, as Administrative Agent for the Lenders, Royal Bank of Canada, as Syndication Agent for the Lenders, and Bank of Tokyo-Mitsubishi (Canada) as the Co-Agent (incorporated by reference to Exhibit 10.42 to the Q3 98 10-Q)
10.43	--	Ingram Micro Inc. 1998 Equity Incentive Plan
13.01	--	Portions of Annual Report to Shareowners for the year ended January 2, 1999
21.01	--	Subsidiaries of the Registrant
23.01	--	Consent of Independent Accountants regarding certain Registration Statements on Form S-8
23.02	--	Consent of Independent Accountants regarding Registration Statements on Form S-3
27.01	--	Financial Data Schedule (included in electronic version only)
99.01	--	Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the three months ended January 2, 1999.

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

Description	Balance at beginning of year	Charged to costs and expenses	Deductions	Other(*)	Balance at end of year
Allowance for doubtful accounts receivable & sales returns:					
1998	$ 48,541	$ 32,534	$(31,200)	$ 6,029	$ 55,904
1997	38,622	31,652	(27,102)	5,369	48,541
1996	30,791	28,619	(25,394)	4,606	38,622
Inventory obsolescence:					
1998	$ 18,886	$ 26,129	$(27,554)	$ 933	$ 18,394
1997	13,326	21,524	(20,201)	4,237	18,886
1996	12,245	13,836	(12,602)	(153)	13,326

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

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors
of Ingram Micro Inc.

Our audits of the consolidated financial statements referred to in our report dated February 10, 1999, except as to Note 14, which is as of February 19, 1999 appearing in the 1998 Annual Report to Shareowners of Ingram Micro Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

Costa Mesa, California
February 10, 1999, except as to Note 14,
which is as of February 19, 1999

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

INGRAM MICRO INC.

By: /s/ James E. Anderson, Jr.

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

April 1, 1999

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

SIGNATURE	TITLE	DATE
/s/ Jerre L. Stead Jerre L. Stead	Chief Executive Officer (Principal Executive Officer); Chairman of the Board	April 1, 1999
/s/ Michael J. Grainger Michael J. Grainger	Executive Vice President and Worldwide Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	April 1, 1999
/s/ Martha R. Ingram Martha R. Ingram	Director	April 1, 1999
/s/ John R. Ingram John R. Ingram	Director	April 1, 1999
/s/ Philip M. Pfeffer Philip M. Pfeffer	Director	April 1, 1999
/s/ Don H. Davis, Jr. Don H. Davis, Jr.	Director	April 1, 1999
/s/ J. Phillip Samper J. Phillip Samper	Director	April 1, 1999
/s/ Joe B. Wyatt Joe B. Wyatt	Director	April 1, 1999

EXHIBIT INDEX

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EXHIBIT INDEX (Continued)

Exhibit Number		Description
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23.01	--	Consent of Independent Accountants regarding certain Registration Statements on Form S-8
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27.01	--	Financial Data Schedule (included in electronic version only)
99.01	--	Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act

of 1995

EXHIBIT 10.18

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT is entered into between Douglas R. Antone ("Associate") and Ingram Micro Inc., a Delaware corporation ("Ingram"), in recognition of Associate's service to Ingram and in order to induce Associate to continue in his position as an officer and employee of Ingram. In consideration of the mutual promises and agreements contained in this document, intending to be legally bound, Associate and Ingram contract and agree as follows:

1. Continued Employment. Subject to the conditions set forth in this Agreement, Ingram will provide Associate with the benefits provided herein if Associate elects to resign as an officer of Ingram at any time on or after December 31, 1998 or Ingram removes Associate as an officer of Ingram for any reason other than cause at any time after the date hereof. The date of any such resignation or removal is hereinafter referred to as the "Separation Date". Nothing herein shall require Associate to resign, or refrain from resigning, as an officer of Ingram at any time, nor shall anything herein be construed as giving Associate the right to be retained as an officer or employee of Ingram for any period of time. As used herein, "cause" shall exist if the Board of Directors of Ingram, or a committee thereof, determines, in its sole discretion, that Associate has committed acts of dishonesty or disloyalty, or acts substantially detrimental to the welfare of Ingram.

2. Health Plan Coverage. Subject to Paragraph 12 hereof, if Associate is eligible and elects to obtain continuation of medical and dental insurance coverage from Ingram after the Separation Date under COBRA, during the period from the Separation Date through June 30, 1999, Ingram will charge Associate for such coverage only the amount which it charges its employees for the same type of coverage.

3. 1998 Incentive Bonus. Subject to Paragraph 12 hereof, in March 1999, Associate will receive an incentive payment per the 1998 Executive Incentive Plan calculated on the terms of Associate's award letter dated March 31, 1998, and prorated to reflect the period in 1998 in which Associate was an officer of Ingram.

4. Stock Options. Subject to Paragraph 12 hereof and notwithstanding any contrary provisions in any plan or relevant agreement, Associate's currently existing stock options and grants will continue to vest as scheduled after the Separation Date through June 30, 1999, but not thereafter. Associate shall have the right to exercise all such vested stock options and grants through August 31, 1999, unless options or grants expire at an earlier date per the terms of the underlying agreements for such options and grants. A list of all of Associate's current stock options is attached as Exhibit A hereto.

5. Key Employee Stock Purchase Plan. Subject to Paragraph 12 hereof, notwithstanding the provisions of Section 6(b)(i) of the Acquisition Agreement dated June 27, 1996 between Ingram and Associate relating to Associate's purchase of 60,000 shares of Ingram Class B Common Stock under the Ingram Key Employee Stock Purchase Plan (the "Acquisition Agreement"), Ingram shall not exercise any right it may have to repurchase the 25% of the Shares (as such term is defined in the Acquisition Agreement) that become Unrestricted Shares (as such term is defined in the Acquisition Agreement) on April 1, 1999 . Ingram shall repurchase the remaining 25% of the Shares promptly after the Separation Date. Except as modified hereby, the Acquisition Agreement shall continue in full force and effect in accordance with its terms.

6. Non-disclosure. Associate acknowledges his obligation not to disclose, during or after employment, any trade secrets or proprietary and/or confidential data or records of Ingram or its Affiliates or to utilize any such information for private profit. Each of the parties hereto agrees that such party will not release, publish, announce or otherwise make available to the public in any manner whatsoever any information or announcement regarding this Agreement or the transactions contemplated hereby without the prior written consent of the other party hereto, except as required by law or legal process, including, in the case of Ingram, filings with the Securities and Exchange Commission. Associate agrees not to communicate with, including responding to questions or inquiries presented by, the media, employees or investors of Ingram, its Affiliates or any third party relating to the terms of this Agreement, without first obtaining the prior written consent of Ingram. Notwithstanding the foregoing, Associate may make disclosure to his spouse, attorneys and financial advisors of the existence and terms of this Agreement provided that they agree to be bound by the provisions of this Paragraph 6. Each party agrees not to make statements or take any action to disparage, dissipate or negatively affect the reputation of the other with employees, customers, suppliers, competitors, vendors, stockholders or lenders of Ingram, its Affiliates or any third party.

7. Return of Property. Associate acknowledges his obligation to promptly return to Ingram all property of Ingram and its Affiliates in his possession, including without limitation all keys, credit cards, computers, office equipment, documents, files and instruction manuals on or before the Separation Date, or earlier if Ingram so requests it.

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

   a. Associate will not directly or indirectly make known to any person, firm, corporation, partnership or other entity any list, listing or other compilation, whether prepared or maintained by Associate, Ingram or any of Ingram's Affiliates, which contains information that is confidential to Ingram or any of its Affiliates about their customers

("Ingram Customers"), including but not limited to names and addresses, or, at any time on or before June 30, 1999, call on or solicit, or attempt to call on or solicit, in either case with the intent to divert business or potential business from Ingram or any of its Affiliates, any of the Ingram Customers with whom he has become acquainted during his employment with Ingram or any of its Affiliates, either for his own benefit or for the benefit of any other person, firm, corporation, partnership or other entity.

b. Through June 30, 1999, Associate will not (i) knowingly solicit, entice, or persuade any associates of Ingram or any of its Affiliates ("Ingram Associates") to leave the services of Ingram or any of its Associates for any reason, or (ii) solicit for employment, hire, or engage any Ingram Associate as an employee, independent contractor or consultant; provided, however, that Associate shall not be prohibited hereby from hiring, either himself or on behalf of his employer, an Ingram Associate who independently initiates contact with Associate for the purpose of seeking new employment.

c. Associate acknowledges that he has unique knowledge of Ingram and its Affiliates and unique knowledge of the computer and software sales and distribution industry. Based on his unique status, he agrees that through June 30, 1999, he will not be employed or hired as an employee or consultant by, or otherwise directly or indirectly provide services for, any of Tech Data, Merisel, Inacom, Computer 2000, MicroAge, Ameriquest, Globelle, Gates Arrow, CHS Electronics, Trilogy, PC Order, Marshall, Hallmark, Hamilton Avnet, Daisytek, Azerti, Azlan, Northamber, Tech Pacific, Synnex, GE Capital Information Technology Solutions-North America, Inc. and/or Softbank, and any subsidiary or affiliate of these entities in a business or line of business conducted by any such entity which competes with any line of business conducted by Ingram or any of its Affiliates. Notwithstanding the foregoing, should Associate be employed by an entity that is not a subsidiary or affiliate of one of these entities at the time he commences such employment, but subsequently becomes a subsidiary or affiliate of, or becomes merged into, one of these entities on or before June 30, 1999, he shall not be deemed to be in breach of the provisions of this Paragraph 8.c due to such employment provided that at the time he commenced his employment there had been no public announcement of an agreement pursuant to which his employer would become a subsidiary or affiliate of, or merged into, one of these entities or discussions that could lead to such an agreement and Associate had no knowledge of the existence of any such agreement or discussions. Associate further agrees that he will not own any interest in, provide financing to, be connected with, or be a principal, partner or agent of such competitive distributor or aggregator; provided, he may own less than 1% of the outstanding shares of any such entity whose shares are traded in the public market.

d. Subject to Associate's other commitments, upon request of Ingram or any of its Affiliates through June 30, 1999, Associate will make himself available to provide reasonable assistance to Ingram or any such Affiliate up to a maximum of 15 hours per month and will use reasonable efforts to arrange his commitments so as to make himself available for such assistance on a basis which is consistent with the requests of Ingram or any of its Affiliates. Such assistance may include telephone conversations, correspondence, attendance and participation in meetings, transfer of knowledge or information regarding operational or other issues, litigation preparation and trials. During such period, such assistance shall be treated, and compensated, as Consulting Services and Ingram shall reimburse Associate for any out-of-pocket expenses he may incur in connection with such assistance in accordance with Ingram's reimbursement policies. After June 30, 1999, Associate shall continue to provide such assistance as requested by Ingram and, in such event, shall be compensated at a rate per day (minimum charge, one half day) commensurate with the daily rate he was earning based on his current monthly base salary.

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

9. Rights in Event of Breach. In the event of Associate's breach of this Agreement, excluding breach of this Agreement due to death or total disability and provided that in the event of a breach of Paragraph 8.c or 8.d such breach shall have continued for 15 days after the sooner of Associate's discovery thereof or receipt of notice from Ingram thereof, Ingram shall have no obligation to make any further payments hereunder or permit any stock options to continue to vest or any vested stock options to be exercised, and may purchase any remaining Restricted Shares under the Acquisition Agreement. In the event that Ingram elects to terminate such obligations, Associate's obligations under Paragraph 8.c and 8.d also will terminate.

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

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

12. Release by Associate. As a condition to Ingram's obligations pursuant to Paragraphs 2, 3, 4 and 5, Associate shall deliver an executed release and waiver as of the Separation Date in the form of Exhibit B hereto.

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

14. Sole Remedy. Associate agrees that, in the event Ingram breaches any provision of this Agreement, his sole remedy for such breach shall be enforcement of the terms of this Agreement or, in the case of a breach of Paragraph 4 or 5 hereof, at Associate's election, recovery of any provable damages as a result of such breach.

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

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

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

18. Entire Agreement. This instrument contains and accurately recites the complete and entire agreement among the parties, and it expressly terminates, cancels, and supersedes any and all prior agreements or understandings, if any, among the parties. This Agreement may not be modified except in writing signed by the parties.

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

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

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

Executed and delivered to Associate by Ingram on May 15, 1998 and executed by Associate on the date set out below.

"Ingram"

INGRAM MICRO INC..

By: /s/ Sanat Dutta

Sanat Dutta
President, Ingram Micro US

"Associate"

/s/ Douglas A. Antone

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

Date Douglas R. Antone

EXHIBIT B

RELEASE AND WAIVER

The undersigned, Douglas R. Antone, in consideration of the payments and benefits to be received from Ingram Micro Inc., a Delaware corporation ("Ingram"), pursuant to the terms of that certain Separation Agreement dated as of May 15, 1998, by and between the undersigned and Ingram (the "Separation Agreement") after the Separation Date, as such term is defined in the Separation Agreement, does hereby covenant and agree with Ingram as follows:

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

2. Waiver. The undersigned hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code which provides:

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

The undersigned understands and acknowledges that the significance and consequence of this waiver of Section 1542 of the Civil Code is that even if the undersigned should eventually suffer damages arising out of his employment relationship with Ingram and its Affiliates, or termination of such employment, the undersigned will not be permitted to make any claim for those damages except as expressly permitted by this Release and Waiver. Furthermore, the undersigned acknowledges that he intends these consequences even as to claims for injuries and/or damages that may exist as of the date of this Release and Waiver but which the undersigned does not know exist, and which, if known, would materially affect his decision to execute this Release and Waiver.

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

IN WITNESS WHEREOF, the undersigned has signed and delivered to Ingram this Release and Waiver this _____ day of _____, 199___.

Douglas R. Antone

FIRST AMENDMENT TO SEPARATION AGREEMENT

This First Amendment to Separation Agreement amends the Separation Agreement entered into between Douglas R. Antone ("Associate") as of May 15, 1998 and Ingram Micro Inc., a Delaware corporation ("Ingram"), as of May 1, 1998 (the "Separation Agreement"). Capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the Separation Agreement.

For good and valuable consideration, the sufficiency of which is acknowledged by both parties, and intending to be legally bound, Associate and Ingram contract and agree as follows:

1. Paragraph 1 of the Separation Agreement is hereby amended to read in its entirety as follows:

   > "Subject to the conditions set forth in this Agreement, Ingram will provide Associate with the benefits provided herein if Ingram removes Associate as an officer of Ingram for any reason other than cause at any time after the date hereof and prior to June 30, 1999. The date of any such removal is hereinafter referred to as the "Separation Date". Nothing herein shall be construed as giving Associate the right to be retained as an officer or employee of Ingram for any period of time. As used herein, "cause" shall exist if the Board of Directors of Ingram, or a committee thereof, determines, in its sole discretion, that Associate has committed acts of dishonesty or disloyalty, or acts substantially detrimental to the welfare of Ingram."

2. Except as set forth in Paragraph 1 above, the Separation Agreement shall be unamended. The Separation Agreement, as amended herein, is hereby ratified and confirmed and shall continue in full force and effect.

In witness whereof, the parties have executed and delivered this First Amendment to Separation Agreement as of the respective dates set forth opposite their signature lines below.

INGRAM MICRO INC.

Date: October 28, 1998

By: /s/ Jeffrey R. Rodek

Jeffrey R. Rodek
President and Worldwide
Chief Operating Officer

Date: ________________________

/s/ Douglas R. Antone

Douglas R. Antone

EXHIBIT 10.43

INGRAM MICRO INC.

1998 EQUITY INCENTIVE PLAN

SECTION 1. PURPOSE. The purposes of the Ingram Micro Inc. 1998 Equity Incentive Plan are to promote the interests of Ingram Micro Inc. and its shareowners by (i) attracting and retaining exceptional directors, executive personnel and other key employees of Micro and its Affiliates, as defined below; (ii) motivating such employees and directors by means of performance-related incentives to achieve longer-range performance goals; and (iii) enabling such employees and directors to participate in the long- term growth and financial success of Micro.

SECTION 2. DEFINITIONS. As used in the Plan, the following terms shall have the meanings set forth below:

"AFFILIATE" means (i) any entity that is, directly or indirectly, controlled by Micro and (ii) any other entity in which Micro has a significant equity interest or which has a significant equity interest in Micro, in either case as determined by the Committee.

"AWARD" means any Option, Stock Appreciation Right, Restricted Stock Award, Performance Award or Other Stock-Based Award.

"AWARD AGREEMENT" means any written agreement, contract, or other instrument or document evidencing any Award, which may, but need not, be executed or acknowledged by a Participant.

"BOARD" means the Board of Directors of Micro.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

"COMMITTEE" means a committee of the Board designated by the Board to administer the Plan and composed of not less than the minimum number of persons from time to time required by Rule 16b-3, each of whom, to the extent necessary to comply with Rule 16b-3 only, is a "Non-Employee Director" within the meaning of Rule 16b-3. Until otherwise determined by the Board, the Human Resources Committee or any successor or replacement thereof designated by the Board shall be the Committee under the Plan.

"EMPLOYEE" means an employee of Micro or any Affiliate and any member of the Board.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXECUTIVE OFFICER" means, at any time, an individual who is an executive officer of Micro within the meaning of Exchange Act Rule 3b-7 or who is an officer of Micro within the meaning of Exchange Act Rule 16a-1(f).

"FAIR MARKET VALUE" means with respect to the Shares, as of any given date or dates, the reported closing price of a share of such class of common stock on such exchange or market as is the principal trading market for such class of common stock. If such class of common stock is not traded on an exchange or principal trading market on such date, the fair market value of a Share shall be determined by the Committee in good faith taking into account as appropriate recent sales of the Shares, recent valuations of the Shares, the lack of liquidity of the Shares, the fact that the Shares may represent a minority interest and such other factors as the Committee shall in its discretion deem relevant or appropriate.

"INCENTIVE STOCK OPTION" means a right to purchase Shares from Micro that is granted under Section 6 of the Plan and that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

"MICRO" means Ingram Micro Inc., a Delaware corporation, together with any successor thereto.

"NON-QUALIFIED STOCK OPTION" means a right to purchase Shares from Micro that is granted under Section 6 of the Plan and that is not intended to be an Incentive Stock Option.

"OPTION" means an Incentive Stock Option or a Non-Qualified Stock Option.

"OTHER STOCK-BASED AWARD" means any right granted under Section 10 of the Plan.

"PARTICIPANT" means any Employee selected by the Committee to receive an Award under the Plan (and to the extent applicable, any heirs or legal representatives thereof).

"PERFORMANCE AWARD" means any right granted under Section 9 of the Plan.

"PERSON" means any individual, corporation, limited liability company, partnership, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.

"PLAN" means this Ingram Micro Inc. 1998 Equity Incentive Plan.

"RESTRICTED STOCK" means any Shares granted under Section 8 of the Plan.

"RESTRICTED STOCK UNIT" means any unit granted under Section 8 of the Plan.

"RULE 16b-3" means Rule 16b-3 as promulgated and interpreted by the SEC under the Exchange Act, or any successor rule or regulation thereto as in effect from time to time.

"SEC" means the Securities and Exchange Commission or any successor thereto.

"SHARES" means shares of Class A common stock, $.01 par value, of Micro or such other securities as may be designated by the Committee from time to time.

"STOCK APPRECIATION RIGHT" means any right granted under Section 7 of the Plan.

"SUB-PLAN" means any sub-plan or sub-plans adopted by the Committee under Section 14(q) hereof.

"SUBSTITUTE AWARDS" means Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by Micro or with which Micro combines.

SECTION 3. ADMINISTRATION.

(a) AUTHORITY OF COMMITTEE. The Plan shall be administered by the Committee. Subject to the terms of the Plan, applicable law and contractual restrictions affecting Micro, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to an eligible Employee; (iii) determine the number of Shares to be covered by, or with respect to which payments, rights, or other matters are to be calculated in connection with, Awards; (iv) determine the terms and conditions of any Award and Award Agreement; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited, or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (ix) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan; and (x) adopt and administer one or more Sub-Plans. Without limiting the foregoing, the Committee may impose such conditions with respect to the exercise and/or settlement of any Awards, including without limitation, any relating to the application of Federal or state securities laws or the laws, rules or regulations of any jurisdiction outside the United States, as it may deem necessary or advisable.

(b) COMMITTEE DISCRETION BINDING. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all Persons, including Micro, any Affiliate, any Participant, any holder or beneficiary of any Award, any shareholder and any Employee.

SECTION 4. SHARES AVAILABLE FOR AWARDS.

(a) SHARES AVAILABLE. Subject to adjustment as provided in Section 4(b) and 4(c), the number of Shares with respect to which Awards may be granted under the Plan and all Sub-Plans shall be 15,000,000. If, after the effective date of the Plan, any Shares covered by an Award granted under the Plan or to which such an Award relates, are forfeited, or if such an Award is settled for cash or otherwise terminates or is canceled without the delivery of Shares, then the Shares covered by such Award, or to which such Award relates, or the number of Shares otherwise counted against the aggregate number of Shares with respect to which Awards may be granted, to the extent of any such settlement, forfeiture, termination or cancellation, shall, in the calendar year in which such settlement, forfeiture, termination or cancellation occurs, again become Shares with respect to which Awards may be granted unless any dividends have been paid thereon prior to such settlement, forfeiture, termination or cancellation. Notwithstanding the foregoing and subject to adjustment as provided in Section 4(b), no Employee of Micro may receive Awards under the Plan in any calendar year that relate to more than 500,000 Shares.

(b) ADJUSTMENTS. In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, reclassification, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of Micro, issuance of warrants or other rights to purchase Shares or other securities of Micro, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number of Shares of Micro (or number and kind of other securities or property) with respect to which Awards may thereafter be granted, (ii) the number of Shares or other securities of Micro (or number and kind of other securities or property) subject to outstanding Awards, and (iii) the grant or exercise price with respect to any Award, or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; provided, in each case, that except to the extent deemed desirable by the Committee (A) with respect to Awards of Incentive Stock Options no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422(b)(1) of the Code, as from time to time amended, and (B) with respect to any Award no such adjustment shall be authorized to the extent that such authority would be inconsistent with the Plan's meeting the requirements of Section 162(m) of the Code, as from time to time amended.

(c) SUBSTITUTE AWARDS. Any Shares underlying Substitute Awards shall not, except in the case of Shares with respect to which Substitute Awards are granted to Employees who are officers or directors of Micro for purposes of Section 16 of the Exchange Act or any successor section thereto, be counted against the Shares available for Awards under the Plan.

(d) SOURCES OF SHARES DELIVERABLE UNDER AWARDS. Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

SECTION 5. ELIGIBILITY. Any Employee, including any officer or employee-director of Micro or any Affiliate, and any member of the Board, shall be eligible to be designated a Participant.

SECTION 6. STOCK OPTIONS.

(a) GRANT. Subject to the provisions of the Plan and contractual restrictions affecting Micro, the Committee shall have sole and complete authority to determine the Employees to whom Options shall be granted, the number of Shares to be covered by each Option, the option price therefor and the conditions and limitations applicable to the exercise of the Option. The Committee shall have the authority to grant Incentive Stock Options, or to grant Non-Qualified Stock Options, or to grant both types of options. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code, as from time to time amended, and any regulations implementing such statute.

(b) EXERCISE PRICE. The Committee in its sole discretion shall establish the exercise price at the time each Option is granted.

(c) EXERCISE. Each Option shall be exercisable at such times and subject to such terms and conditions as the Committee may, in its sole discretion, specify in the applicable Award Agreement or thereafter.

(d) PAYMENT. No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the option price therefor is received by Micro. Such payment may be made: (i) in cash; (ii) in Shares already owned by the Participant (the value of such Shares shall be their Fair Market Value on the date of exercise); (iii) by a combination of cash and Shares; (iv) if approved by the Committee, in accordance with a cashless exercise program under which either (A) if so instructed by the Participant, Shares may be issued directly to the Participant's broker or dealer upon receipt of the purchase price in cash from the broker or dealer, or (B) Shares may be issued by Micro to a Participant's broker or dealer in consideration of such broker's or dealer's irrevocable commitment to pay to Micro that portion of the proceeds from the sale of such Shares that is equal to the exercise price of the Option(s) relating to such Shares, or (v) in such other manner as permitted by the Committee at the time of grant or thereafter.

SECTION 7. STOCK APPRECIATION RIGHTS.

(a) GRANT. Subject to the provisions of the Plan and contractual restrictions affecting Micro, the Committee shall have sole and complete authority to determine the Employees to whom Stock Appreciation Rights shall be granted, the number of Shares to be covered by each Stock Appreciation Right Award, the grant price thereof and the conditions and limitations applicable to the exercise thereof. Stock Appreciation Rights may be granted in tandem with another Award, in addition to another Award, or freestanding and unrelated to another Award. Stock Appreciation Rights granted in tandem with or in addition to an Award may be granted either at the same time as the Award or at a later time. Stock Appreciation Rights shall not be exercisable earlier than six months after grant and shall have a grant price as determined by the Committee on the date of grant.

(b) EXERCISE AND PAYMENT. A Stock Appreciation Right shall entitle the Participant to receive an amount equal to the excess of the Fair Market Value of a Share on the date of exercise of the Stock Appreciation Right over the grant price thereof. The Committee shall determine whether a Stock Appreciation Right shall be settled in cash, Shares or a combination of cash and Shares.

(c) OTHER TERMS AND CONDITIONS. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine, at or after the grant of a Stock Appreciation Right, the term, methods of exercise, methods and form of settlement, and any other terms and conditions of any Stock Appreciation Right. Any such determination by the Committee may be changed by the Committee from time to time and may govern the exercise of Stock Appreciation Rights granted or exercised prior to such determination as well as Stock Appreciation Rights granted or exercised thereafter. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it shall deem appropriate.

SECTION 8. RESTRICTED STOCK AND RESTRICTED STOCK UNITS

(a) GRANT. Subject to the provisions of the Plan and contractual provisions affecting Micro, the Committee shall have sole and complete authority to determine the Employees to whom Shares of Restricted Stock and Restricted Stock Units shall be granted, the number of Shares of Restricted Stock and/or the number of Restricted Stock Units to be granted to each Participant, the duration of the period during which, and the conditions under which, the Restricted Stock and Restricted Stock Units may be forfeited to Micro, and the other terms and conditions of such Awards.

(b) PAYMENT. Each Restricted Stock Unit shall have a value equal to the Fair Market Value of a Share. Restricted Stock Units shall be paid in cash, Shares, other securities, or other property, as determined in the sole discretion of the Committee, upon the lapse of the restrictions applicable thereto, or otherwise in accordance with the applicable Award Agreement.

(c) DIVIDENDS AND DISTRIBUTIONS. Dividends and other distributions paid on or in respect of any Shares of Restricted Stock may be paid directly to the Participant, or may be reinvested in additional Shares of Restricted Stock or in additional Restricted Stock Units, as determined by the Committee in its sole discretion.

SECTION 9. PERFORMANCE AWARDS.

(a) GRANT. Subject to the provisions of the Plan and contractual provisions affecting Micro, the Committee shall have sole and complete authority to determine the Employees who shall receive a "Performance Award", which shall consist of a right which is (i) denominated in cash or Shares, (ii) valued, as determined by the Committee, in accordance with the achievement of such performance goals during such performance periods as the Committee shall establish, and (iii) payable at such time and in such form as the Committee shall determine.

(b) TERMS AND CONDITIONS. Subject to the terms of the Plan, any contractual provisions affecting Micro and any applicable Award Agreement, the Committee shall determine the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award and the amount and kind of any payment or transfer to be made pursuant to any Performance Award.

(c) PAYMENT OF PERFORMANCE AWARDS. Performance Awards may be paid in a lump sum or in installments following the close of the performance period or in accordance with procedures established by the Committee, on a deferred basis.

SECTION 10. OTHER STOCK-BASED AWARDS. The Committee shall have authority to grant to eligible Employees an "Other Stock-Based Award", which shall consist of any right which is (i) not an Award described in Sections 6 through 9 above and (ii) an Award of Shares or an Award denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as deemed by the Committee to be consistent with the purposes of the Plan; provided that any such rights must comply with applicable law, and to the extent deemed desirable by the Committee, with Rule 16b-3. Subject to the terms of the Plan, any contractual provisions affecting Micro and any applicable Award Agreement, the Committee shall determine the terms and conditions of any such Other Stock-Based Award.

SECTION 11. TERMINATION OR SUSPENSION OF EMPLOYMENT OR SERVICE.

The following provisions shall apply in the event of the Participant's termination of employment or service unless the Committee shall have provided otherwise, either at the time of the grant of the Award or thereafter.

(a) NON-QUALIFIED STOCK OPTIONS AND STOCK APPRECIATION RIGHTS. (i) Termination of Employment or Service. (A) Except as the Committee may at any time otherwise provide or as required to comply with applicable law, if the Participant's employment or service with Micro or its Affiliates is terminated for any reason other than death, disability, or retirement, the Participant's right to exercise any Non-Qualified Stock Option or Stock Appreciation Right shall terminate, and such Option or Stock Appreciation Right shall expire, on the earlier of (x) the sixtieth day following such termination of employment or service or (y) the date such Option or Stock Appreciation Right would have expired had it not been for the termination of employment or services. The Participant 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 such termination of employment or service and shall not have been exercised.

(b) Notwithstanding any of the provisions of Section 11(a)(i)(A), in respect of a Participant employed outside the United States, such Participant's 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 sixtieth day following the first to occur of the time (1) such Participant's employer gives notice to the Participant of termination of Participant's employment, or (2) such Participant gives notice to such Participant's employer to terminate Participant's employment, or (3) if no such notice is given, on the date Participant's employment 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. The Participant 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. Any such Participant shall not be entitled, and by applying for or 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 howsoever to any sum or other benefit to compensate for the loss of any rights under the Plan.

(ii) DEATH. Except as the Committee may at any time otherwise provide or as required to comply with applicable law, if the Participant's employment or service with Micro or its Affiliates is terminated by reason of death all then non-exercisable Non-Qualified Stock Options and Stock Appreciation Rights held by such Participant shall be immediately exercisable and the Participant or his successor shall have the right to exercise any Non-Qualified Stock Option or Stock Appreciation Right during the one year period following such termination of employment or service, but in no event shall such Option or Stock Appreciation Right be exercisable later than the date the Option or Stock Appreciation Right would have expired had it not been for the termination of such employment or service.

(iii) DISABILITY. Except as the Committee may at any time otherwise provide or as required to comply with applicable law, if the Participant's employment or service with Micro or its Affiliates is terminated by reason of disability, all then non-exercisable Non-Qualified Stock Options and Stock Appreciation Rights held by such Participant shall continue to vest pursuant to the vesting schedule in effect on the date of disability and the Participant shall have the right to exercise such Non-Qualified Stock Option or Stock Appreciation Right through the one year period following the last vesting date, but in no event shall such Option or Stock Appreciation Right be exercisable later than the date the Option or Stock Appreciation Right would have expired had it not been for the termination of such employment or service. The meaning of the term "disability" shall be determined by the Committee.

(iv) RETIREMENT. Except as the Committee may at any time otherwise provide or as required to comply with applicable law, if the Participant's employment or service with Micro or its Affiliates is terminated by reason of retirement, the Participant shall have the right to exercise any Non- Qualified Stock Option or Stock Appreciation Right exercisable on the retirement date during the one year period following such termination of employment or service, but in no event shall such option be exercisable later than the date the Option or Stock Appreciation Right would have expired had it not been for the termination of such employment or service. The meaning of the term "retirement" shall be determined by the Committee.

(v) ACCELERATION OR EXTENSION OF EXERCISABILITY. Notwithstanding the foregoing, the Committee may, in its discretion, provide at any time (A) that an Option or Stock Appreciation Right granted to a Participant may terminate at a date earlier than that set forth above, (B) that an Option or Stock Appreciation Right granted to a Participant may terminate at a date later than that set forth above, provided such date shall not be beyond the date the Option or Stock Appreciation Right would have expired had it not been for the termination of the Participant's employment or service and (C) that an Option or Stock Appreciation Right may become immediately exercisable when it finds that such acceleration would be in the best interests of Micro.

(b) INCENTIVE STOCK OPTIONS AND RELATED STOCK APPRECIATION RIGHTS.

(i) TERMINATION OF EMPLOYMENT OR SERVICE. (A) Except as the Committee may at any time otherwise provide or as required to comply with applicable law, if the Participant's employment or service with Micro or its Affiliates is terminated for any reason other than death, disability, or retirement, the Participant's right to exercise any Incentive Stock Option or related Stock Appreciation Right shall terminate, and such Option or related Stock Appreciation Right shall expire, on the earlier of (x) the ninetieth day following such termination of employment or service or (y) the date such Option or related Stock Appreciation Right would have expired had it not been for the termination of employment or services. The Participant shall have the right to exercise such Option or related Stock Appreciation Right prior to such expiration to the extent it was exercisable at the date of such termination of employment or service and shall not have been exercised.

(B) Notwithstanding any of the provisions of Section 11(b)(i)(A), in respect of a Participant employed outside the United States, such Participant's right to exercise any Incentive Stock Option and related Stock Appreciation Rights shall terminate and such Option and related Stock Appreciation Right shall expire and lapse, on the earlier of (x) the ninetieth day following Notice/Termination or (y) the date such Option and related Stock Appreciation Right would have expired had it not been for the Notice/Termination. The Participant 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. Any such Participant shall not be entitled, and by applying for or 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.

(ii) DEATH, DISABILITY OR RETIREMENT. Except as the Committee may at any time otherwise provide or as required to comply with applicable law, if the Participant's employment or service with Micro or its Affiliates is terminated by reason of death, disability or retirement, the Participant or his successor (if employment or service is terminated by death) shall have the right to exercise any exercisable Incentive Stock Option or related Stock Appreciation Right during the 90 day period following such termination of employment or service, but in no event shall such option be exercisable later than the date the Incentive Stock Option would have expired had it not been for the termination of such employment or services. To the extent such Incentive Stock Option or related Stock Appreciation Right is not exercised prior to the termination of such 90 day period, the unexercised balance of such Option automatically will be deemed a Non-Qualified Stock Option, and such Option and related Stock Appreciation Right will vest and be exercisable as provided in Section 11(a)(ii), (iii) or (iv), hereof, as the case may be, but in no event shall such Option or related Stock Appreciation Right be exercisable later than the date the Option or related Stock Appreciation Right would have expired had it not been for the termination of such employment or service, provided that in the event that the Participant dies in such 90-day period the Option will continue to be an Incentive Stock Option to the extent provided by Section 421 or Section 422 of the Code, or any successor provision, and any regulations promulgated thereunder.

(iii) ACCELERATION OR EXTENSION OF EXERCISABILITY. Notwithstanding the foregoing, the Committee may, in its discretion, provide at any time (A) that an Option and related Stock Appreciation Right granted to a Participant may terminate at a date earlier than that set forth above, (B) that an Option and related Stock Appreciation Right granted to a Participant may terminate at a date later than that set forth above, provided such date shall not be beyond the date the Option and related Stock Appreciation Right would have expired had it not been for the termination of the Participant's employment or service and (C) that an Option and related Stock Appreciation Right may become immediately exercisable when it finds that such acceleration would be in the best interests of Micro.

(c) RESTRICTED STOCK.

(i) Except as otherwise determined by the Committee at the time of grant or as required to comply with applicable law, upon termination of employment or service for any reason during the restriction period, all shares of Restricted Stock still subject to restriction shall be forfeited by the Participant and reacquired by Micro at the price (if any) paid by the Participant for such Restricted Stock; provided that, except as the Committee may at any time otherwise provide, in the event of Participant's retirement, disability, or death such Restricted Stock shall be subject to forfeiture and/or vesting as provided in Section 11(a)(ii), (iii) and (iv) hereof, as the case may be. 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 Participant's shares of Restricted Stock. Any time spent by a Participant in the status of "leave without pay" shall extend the period otherwise required for purposes of determining the extent to which any Award or portion thereof has vested or otherwise become exercisable or nonforfeitable.

(ii) In the case of a Participant employed outside the United States, except to the extent (if any) provided in the Plan in the case of termination of such Participant's employment by reason of death, disability or retirement, any rights of such Participant relating to Restricted Stock and Restricted Stock Units or Performance Awards or Other Stock Based- Awards shall lapse and no longer be capable of exercise at the time when such Participant's employer gives notice to the Participant or, at the time when the Participant gives notice to such Participant's employer to terminate his employment or, if no such notice is given, at the time when his employment is terminated. Any such Participant 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.

(d) Except as the Committee may otherwise determine, for purposes hereof any termination of a Participant's employment or service for any reason shall occur on the date Participant ceases to perform services for Micro or any Affiliate without regard to whether Participant 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 Participant is no longer a member of the Board.

SECTION 12. MERGER. In the event of a merger of Micro with or into another corporation, each outstanding Award may be assumed or an equivalent award may be substituted by such successor corporation or a parent or subsidiary of such successor corporation. If, in such event, an Award is not assumed or substituted, the Award shall terminate as of the date of the closing of the merger. For the purposes of this paragraph, the Award shall be considered assumed if, following the merger, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the merger, the consideration (whether stock, cash, or other securities or property) received in the merger by holders of Common Stock for each Share held on the effective date of the transaction (and if the holders are offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares). If such consideration received in the merger is not solely common stock of the successor corporation or its parent, the Committee may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Award, for each Share subject to the Award, to be solely common stock of the successor corporation or its parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger.

SECTION 13. AMENDMENT AND TERMINATION.

(a) AMENDMENTS TO THE PLAN. The Board may terminate or discontinue the Plan at any time and the Board or the Committee may amend or alter the Plan or any portion thereof at any time; provided that no such amendment, alteration, discontinuation or termination shall be made without shareholder approval if such approval is necessary to comply with any tax or regulatory requirement, including for these purposes any approval requirement which is a prerequisite for exemptive relief from Section 16(b) of the Exchange Act, for which or with which the Board or the Committee deems it necessary or desirable to qualify or comply.

(b) AMENDMENTS TO AWARDS. Subject to the terms of the Plan and applicable law, the Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would adversely affect the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary.

(c) CANCELLATION. Any provision of this Plan or any Award Agreement to the contrary notwithstanding, the Committee may cause any Award granted hereunder to be canceled in consideration of a cash payment or alternative Award made to the holder of such canceled Award equal in value to the Fair Market Value of such canceled Award.

SECTION 14. GENERAL PROVISIONS.

(a) DIVIDEND EQUIVALENTS. In the sole and complete discretion of the Committee, an Award, whether made as an Other Stock-Based Award under Section 10 or as an Award granted pursuant to Sections 6 through 9 hereof, may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities or other property on a current or deferred basis.

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

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

(c) NO RIGHTS TO AWARDS. No Employee, Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Employees, Participants, or holders or beneficiaries of Awards. The terms and conditions of Awards need not be the same with respect to each recipient.

(d) SHARE CERTIFICATES. All certificates for Shares or other securities of Micro or any Affiliate delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the SEC or any stock exchange upon which such Shares or other securities are then listed and any applicable Federal, state or foreign laws or rules or regulations, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(e) WITHHOLDING. A Participant may be required to pay to Micro or any Affiliate, and Micro or any Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding taxes in respect of an Award, its exercise, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of Micro to satisfy all obligations for the payment of such taxes. The Committee may provide for additional cash payments to holders of Awards to defray or offset any tax arising from any such grant, lapse, vesting, or exercise of any Award.

(f) AWARD AGREEMENTS. Each Award hereunder shall be evidenced by an Award Agreement which shall be delivered to the Participant and shall specify the terms and conditions of the Award and any rules applicable thereto.

(g) NO LIMIT ON OTHER COMPENSATION ARRANGEMENTS. Nothing contained in the Plan shall prevent Micro or any Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options, restricted stock, Shares and other types of Awards provided for hereunder (subject to shareholder approval if such approval is required), and such arrangements may be either generally applicable or applicable only in specific cases.

(h) NO RIGHT TO EMPLOYMENT. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ or service of Micro or any Affiliate. Further, Micro or an Affiliate may at any time dismiss a Participant from employment or service, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(i) RIGHTS AS A STOCKHOLDER. Subject to the provisions of the applicable Award, no Participant or holder or beneficiary of any Award shall have any rights as a stockholder with respect to any Shares to be issued under the Plan until he or she has become the holder of such Shares. Notwithstanding the foregoing, in connection with each grant of Restricted Stock hereunder, the applicable Award shall specify if and to what extent the Participant shall not be entitled to the rights of a stockholder in respect of such Restricted Stock.

(j) GOVERNING LAW. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware.

(k) SEVERABILITY. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

(l) OTHER LAWS. The Committee may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation, whether domestic or foreign, or entitle Micro to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to Micro by a Participant in connection therewith shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of Micro, and no such offer shall be outstanding, unless and until the Committee in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the Federal securities laws and any other laws, whether domestic or foreign, to which such offer, if made, would be subject.

(m) NO TRUST OR FUND CREATED. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between Micro or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from Micro or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of Micro or any Affiliate.

(n) NO FRACTIONAL SHARES. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash or other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated, or otherwise eliminated.

(o) TRANSFER RESTRICTIONS. Shares acquired hereunder may not be sold, assigned, transferred, pledged or otherwise disposed of, except as provided in the Plan or the applicable Award Agreement.

(p) HEADINGS. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

(q) SUB-PLANS. Subject to the terms hereof, the Committee may from time to time adopt one or more Sub-Plans and grant Awards thereunder as it shall deem necessary or appropriate in its sole discretion in order that Awards may comply with the laws, rules or regulations of any jurisdiction; provided, however, that neither the terms of any Sub-Plan nor Awards thereunder shall be inconsistent with the Plan.

SECTION 15. TERM OF THE PLAN.

(a) EFFECTIVE DATE. The Plan shall be effective as of February 1, 1998, subject to approval by the shareowners of Micro. Awards may be granted hereunder prior to such shareowner approval subject in all cases, however, to such approval.

(b) EXPIRATION DATE. No Award shall be granted under the Plan after January 31, 2008. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or to waive any conditions or rights under any such Award shall, continue after the authority for grant of new Awards hereunder has been exhausted.

EXHIBIT 13.1

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SELECTED CONSOLIDATED FINANCIAL DATA

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

The fiscal year of the Company is a 52- or 53-week period ending on the Saturday nearest to December 31. References below to 1994, 1995, 1996, 1997 and 1998 represent the fiscal years ended December 31, 1994 (52 weeks), December 30, 1995 (52 weeks), December 28, 1996 (52 weeks), January 3, 1998 (53 weeks), and January 2, 1999 (52 weeks), respectively.

	FISCAL YEAR				
(In 000s, except per share data)	1998	1997	1996	1995	1994
SELECTED OPERATING INFORMATION					
NET SALES	$ 22,034,038	$ 16,581,539	$ 12,023,451	$ 8,616,867	$ 5,830,199
GROSS PROFIT	1,391,168	1,085,689	812,384	605,686	438,975
INCOME FROM OPERATIONS(1)	486,605	376,579	247,508	186,881	140,290
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST(1)	406,860	326,489	196,757	134,616	100,705
NET INCOME(1)	245,175	193,640	110,679	84,307	63,344
BASIC EARNINGS PER SHARE(1)	1.76	1.43	0.99	0.79	0.59
DILUTED EARNINGS PER SHARE(1)	1.64	1.32	0.88	0.74	0.57
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	139,263,810	135,764,053	112,285,058	107,251,362	107,251,362
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	149,537,870	146,307,532	125,436,376	114,517,371	110,641,131
SELECTED BALANCE SHEET INFORMATION					
CASH	$ 96,682	$ 92,212	$ 48,279	$ 56,916	$ 58,369
TOTAL ASSETS	6,733,404	4,932,151	3,366,947	2,940,898	1,974,289
TOTAL DEBT(2)	1,720,456	1,141,131	304,033	850,548	552,283
STOCKHOLDERS' EQUITY	1,399,257	1,038,206	825,150	310,795	221,344

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(1) Reflects a noncash compensation charge in 1998, 1997, and 1996 of $4.6 million ($3.7 million, or $0.02 per share, net of tax) and $7.2 million ($5.9 million, or $0.04 per share, net of tax) and $23.4 million ($19.5 million, or $0.16 per share, net of tax), respectively, in connection with the granting of Rollover Stock Options and certain restricted stock. See Notes 12 and 13 of Notes to Consolidated Financial Statements.

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

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

In evaluating the business of Ingram Micro Inc., readers should carefully consider the important factors discussed under Exhibit 99.01 to the Company's Annual Report on Form 10-K for fiscal year ended January 2, 1999 and "--Cautionary Statements for the Purpose of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995."

OVERVIEW

Ingram Micro is the leading wholesale distributor of computer-based technology products and services worldwide. The Company's net sales have grown to $22.0 billion in 1998 from $5.8 billion in 1994 while net income has grown to $245.2 million in 1998 from $63.3 million in 1994. The growth reflects substantial expansion of the Company's existing operations, resulting from the successful integration of 19 acquisitions worldwide, the addition of new customers, increased sales to the existing customer base, as well as the addition of new product categories and suppliers. Overall, however, even adjusting for the fact that 1997 was a 53-week year, the Company's revenue and income grew at a slower rate in 1998 than in 1997.

The Company's gross margins declined to 6.3% in 1998 from 7.5% in 1994. The computer-based technology products wholesale distribution industry in which the Company operates is characterized by narrow gross and operating margins that have declined industrywide in recent years primarily due to intense price competition. The Company expects these competitive pricing pressures to continue in the foreseeable future. In addition, in late 1994 the Company entered the master reseller business, which typically has lower gross margins with a lower operating cost model and reduced financing costs. The increase in the master reseller business as a percentage of net sales also contributed to the reduction in gross margins during the period.

The Company's operating margins have declined less than gross margins. Operating margins declined to 2.2% in 1998 from 2.4% in 1994. To partially offset the decline in gross margins, the Company has continually instituted operational and expense controls that have reduced selling, general, and administrative ("SG&A") expenses as a percentage of net sales to 4.1% in 1998 from 5.1% in 1994. The U.S. operations have benefited from greater economies of scale compared to the non-U.S. operations, thereby producing higher operating margins. There can be no assurance that the Company will be able to continue to reduce operating expenses as a percentage of net sales to mitigate any further reductions in gross margins. Net margins, excluding noncash compensation charges, have remained constant at approximately 1.1% since 1994. Operating margins and net margins were impacted in 1996, 1997 and 1998 by the noncash compensation charges described below.

Frameworks(TM), Total Integration Services(TM) ("Frameworks"), a value-added initiative launched in 1997, allows the Company to provide channel assembly and custom configuration, and to produce private-label or unbranded systems for its customers. Start-up costs associated with its initial investment included the acquisition of assembly facilities and related business in The Netherlands and the startup of a manufacturing facility in Memphis, Tennessee. Additionally, during its development phase in 1998, Frameworks formed an alliance with Solectron Corporation, a leading contract manufacturer in computer technology, which is expected to result in increased manufacturing and assembly capacity around the world.

Ingram Micro entered the master reseller business in late 1994 with the launch of Ingram Alliance. The Company further expanded its master reseller business by acquiring Intelligent Electronics, Inc.'s Reseller Network Division ("RND") in July 1997 and integrating RND into Ingram Alliance. Concurrent with the RND acquisition, the Company more fully integrated its master reseller business into its wholesale distribution business. A substantial majority of the Company's master reseller sales were funded by floor plan financing companies whose fees were previously subsidized by the Company's suppliers. Prior to 1998, the Company typically received payment from these financing institutions within three business days from the date of the sale, allowing the Company's master reseller business to operate at much lower relative working capital levels than the Company's wholesale distribution business. During the third and fourth quarters of 1998, two of the industry's leading hardware manufacturers reduced their flooring fee subsidies. As a result, payment from the floor plan financing companies is now received generally within 15 days, which has increased working capital requirements within the master reseller business and consequently increased average borrowing levels and interest costs.

The computer-based technology products and services distribution business is capital-intensive. The Company has relied heavily on debt financing for its increasing working capital needs to grow both organically and through acquisitions. The Company's business also requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. On June 9, 1998, the Company sold $1.33 billion aggregate principal amount at maturity of its Zero Coupon Convertible Senior Debentures due 2018 in a private placement. The Company has subsequently registered the resale of these debentures with the Securities and Exchange Commission (the "SEC").

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

Gross proceeds from this offering were $460.4 million. The Company also has revolving credit facilities of approximately $1.65 billion, as well as uncommitted facilities of approximately $260 million. The Company's interest expense for any current or future indebtedness will be subject to fluctuations in interest rates and may cause fluctuations in the Company's net income.

In November 1996, the Company was split-off (the "Split-Off") from Ingram Industries Inc. ("Ingram Industries"), the former parent company, and Ingram Entertainment Inc. ("Ingram Entertainment"), and the Company completed an initial public offering (the "IPO") of its Class A Common Stock that raised $393.8 million, net of underwriters' discounts and expenses, of which approximately $366.3 million was used to repay certain indebtedness to Ingram Industries.

In connection with the Split-Off, certain outstanding Ingram Industries stock options, incentive stock units ("ISUs"), and stock appreciation rights ("SARs") held by certain employees of Ingram Industries, Ingram Entertainment, and Ingram Micro were converted to options to purchase up to an aggregate of approximately 10,989,000 shares of Class A Common Stock ("Rollover Stock Options"). The Company recorded a pre-tax noncash compensation charge of approximately $23.4 million ($19.5 million, net of tax) in 1996, $7.2 million ($5.9 million, net of tax) in 1997 and $4.6 million ($3.7 million, net of tax) in 1998 primarily related to the vested portion of certain Rollover Stock Options grants based on the difference between the estimated fair value of the Company's common stock at the applicable measurement dates and the exercise price of such options. The Company will record additional noncash compensation charges over the remaining vesting periods of the Rollover Stock Options. These additional charges, including charges for certain 1996 restricted stock grants, are expected to be approximately $2.7 million ($1.9 million, net of tax) for 1999 and $1.1 million ($0.7 million, net of tax) for 2000.

RESULTS OF OPERATIONS

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

	FISCAL YEAR					
	1998		1997		1996	
	(Dollars in millions)					
NET SALES BY GEOGRAPHIC REGION:						
UNITED STATES	$14,393	65.3%	$11,540	69.6%	$ 8,058	67.0%
EUROPE	5,624	25.5%	3,353	20.2%	2,590	21.6%
OTHER INTERNATIONAL	2,017	9.2%	1,689	10.2%	1,375	11.4%
TOTAL	$22,034	100.0%	$16,582	100.0%	$12,023	100.0%

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

	PERCENTAGE OF NET SALES FISCAL YEAR		
	1998	1997	1996
NET SALES	100.0%	100.0%	100.0%
COST OF SALES	93.7%	93.5%	93.2%
GROSS PROFIT	6.3%	6.5%	6.8%
EXPENSES:			
SG&A EXPENSES	4.1%	4.2%	4.5%
NONCASH COMPENSATION CHARGE	0.0%	0.0%	0.2%
INCOME FROM OPERATIONS	2.2%	2.3%	2.1%
OTHER EXPENSE, NET	0.4%	0.3%	0.5%
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	1.8%	2.0%	1.6%
PROVISION FOR INCOME TAXES	0.7%	0.8%	0.7%
MINORITY INTEREST	0.0%	0.0%	0.0%
NET INCOME	1.1%	1.2%	0.9%

1998 Compared to 1997

Consolidated net sales increased 32.9% to $22.0 billion in 1998 from $16.6 billion in 1997. The increase in worldwide net sales was primarily attributable to the addition of new customers, increased sales to the existing customer base, expansion of the Company's product offerings, growth in the computer-based technology products and services industry in general, and the July 1998 acquisition of a 95% ownership interest in Munich, Germany-based Macrotron AG ("Macrotron").

Net sales from U.S. operations increased 24.7% to $14.4 billion in 1998 from $11.5 billion in 1997 primarily due to growth of its current business, which was favorably impacted by the RND acquisition in July 1997. The U.S. sales increase was tempered, however, by manufacturers making more product directly available to resellers during the fourth quarter of 1998, resulting in less business through wholesale distribution. Net sales from European operations increased 67.8% to $5.6 billion in 1998 from $3.4 billion in 1997 due primarily to the acquisition of Macrotron, as well as to the overall growth in the Company's existing European operations. Other international net sales increased 19.4% to $2.0 billion in 1998 from $1.7 billion in 1997 primarily due to the acquisition of Computacion Tecnica, S.A. ("Computek") in Latin America as well as growth in the Company's Canadian operations.

Gross profit, as a percentage of net sales, decreased to 6.3% in 1998 from 6.5% in 1997. During the fourth quarter of 1998, the Company's operations experienced a significant decrease in gross profit percentage compared to the fourth quarter of 1997, which has continued into 1999. These decreases were largely attributable to significant competitive pricing pressures experienced primarily in the U.S. and the larger countries in Europe. The Company expects these competitive pricing pressures to continue in the foreseeable future. Furthermore, during 1998, the Company incurred significant costs associated with its investment in Frameworks, which negatively impacted gross profit. The Company expects that its losses associated with Frameworks will continue in fiscal 1999, but to a lesser extent due to expected revenue growth, the reduction of start-up costs, and continued cost-control measures.

Total SG&A expenses increased 28.2% to $900.0 million in 1998 from $702.0 million in 1997, but decreased as a percentage of net sales to 4.1% in 1998 from 4.2% in 1997. The increase in SG&A spending was attributable to the acquisitions in July 1998 of Macrotron, a manufacturing facility and related business in The Netherlands in June 1998, the full year's effect of the 1997 acquisitions of RND and Computek, as well as the increased expenses required to support the expansion of the Company's business. Expenses related to expansion consisted of incremental personnel and support costs, lease expenses relating to new operating facilities, and expenses associated with the development and maintenance of information systems. The overall decrease in SG&A expenses as a percentage of sales is attributable to economies of scale from greater sales volume as well as continued cost-control measures.

Excluding the noncash compensation charges, total income from operations decreased as a percentage of net sales to 2.2% in 1998 from 2.3% in 1997. U.S. income from operations, excluding the noncash compensation charge, increased as a percentage of net sales to 2.8% in 1998 from 2.7% in 1997; however, European income from operations, excluding the noncash compensation charge, decreased as a percentage of net sales to 1.1% in 1998 from 1.2% in 1997. For geographic regions outside the U.S. and Europe, income from operations, excluding noncash compensation charges, decreased as a percentage of net sales to 1.4% in 1998 from 1.9% in 1997, primarily due to currency devaluations and overall weaker economies in Latin America. During 1998, the Company recorded a noncash compensation charge of $4.6 million ($3.7 million, net of tax) in connection with the Rollover Stock Options, while in 1997, the Company recorded a noncash compensation charge of $7.2 million ($5.9 million, net of tax) in connection with the Rollover Stock Options. Income from operations, including noncash compensation charges, increased 29.2% to $486.6 million in 1998 from $376.6 million in 1997, and, as a percentage of net sales, decreased to 2.2% in 1998 from 2.3% in 1997.

Other expense, net, consisting primarily of interest, foreign currency exchange losses and miscellaneous nonoperating expenses, increased 59.2% to $79.7 million in 1998 from $50.1 million in 1997. Other expense, net, also increased as a percentage of net sales to 0.4% in 1998 from 0.3% in 1997. Toward the end of 1998, the Company's interest expense grew as a result of increased borrowings to finance acquisitions; the investment in SOFTBANK Corp. ("SOFTBANK"), Japan's largest distributor of software, peripherals and networking products; expansion of the Company's business; ongoing sales growth; and maintenance of higher accounts receivable levels. Accounts receivable levels were higher primarily due to a reduction in master reseller sales as a percentage of total sales and due to the changing vendor terms and conditions associated with floor plan financing arrangements of those sales. In 1999, the Company expects its interest expense to grow due to increased working capital requirements needed to support the growth of the Company's business, the 1998 acquisition of Macrotron, and the increase of the Company's ownership interest in Electronic Resources Ltd. ("ERL") to approximately 95% in the first quarter of 1999. In addition, as discussed above, if the Company continues to experience less favorable floor plan financing terms, interest expense will likely increase. The increase in other expense also reflects an increase in foreign currency exchange losses primarily attributable to ongoing international economic conditions that have led to weaker currencies in Latin America as compared to the U.S. dollar.

The provision for income taxes increased 23.0% to $161.7 million in 1998 from $131.5 million in 1997, reflecting the 24.6% increase in the Company's income before income taxes. The Company's effective tax rate was 39.7% in 1998 compared to 40.3% in 1997. The decrease in the effective tax rate was primarily due to the reduction in the noncash compensation charge, much of which is not deductible for tax purposes, as well as the effect of certain international taxes in 1998.

Excluding the noncash compensation charges, net income increased 24.7% to $248.8 million in 1998 from $199.6 million in 1997 and, as a percentage of net sales, decreased to 1.1% in 1998 from 1.2% in 1997. Pro forma diluted earnings per share, excluding the noncash compensation charges, increased 22.1% to $1.66 in 1998 from $1.36 in 1997. Net income, including the noncash compensation charges, increased 26.6% to $245.2 million in 1998 from $193.6 million in 1997. Diluted earnings per share, including the noncash compensation charge, increased 24.2% to $1.64 in 1998 from $1.32 in 1997.

1997 Compared to 1996

Consolidated net sales increased 37.9% to $16.6 billion in 1997 from $12.0 billion in 1996. The increase in worldwide net sales was attributable to growth in the computer-based technology products and services industry in general, the addition of new customers, increased sales to the existing customer base, expansion of the Company's product offerings, and the acquisition of several companies in 1997.

Net sales from U.S. operations increased 43.2% to $11.5 billion in 1997 from $8.1 billion in 1996. U.S. net sales were positively impacted by the acquisition of RND, which was completed on July 18, 1997. Net sales from European operations increased 29.4% to $3.4 billion in 1997 from $2.6 billion in 1996. Other international net sales increased 22.9% to $1.7 billion in 1997 from $1.4 billion in 1996, primarily due to the growth in net sales from the Company's Mexican and Canadian operations.

Gross profit as a percentage of net sales decreased to 6.5% in 1997 from 6.8% in 1996. This decrease was largely attributable to the increase as a percentage of net sales of the master reseller business, which has lower margins, as well as competitive pricing pressures.

Total SG&A expenses increased 29.6% to $702.0 million in 1997 from $541.5 million in 1996, but decreased as a percentage of net sales to 4.2% in 1997 from 4.5% in 1996. The increased level of spending was attributable to expenses required to support expansion of the Company's business, consisting primarily of incremental personnel and support costs, lease expenses relating to new operating facilities, and expenses associated with the development and maintenance of information systems. The decrease in SG&A expenses as a percentage of sales is attributable to the growth of the Company's master reseller business, which utilizes a lower-cost business model, and economies of scale from higher sales volumes.

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

Excluding the noncash compensation charges, total income from operations remained constant as a percentage of net sales at 2.3% in 1997 and 1996. Income from operations in the United States excluding the noncash compensation charge remained constant as a percentage of net sales at 2.7% in 1997 and 1996. Income from operations in Europe, excluding the noncash compensation charge, increased as a percentage of net sales to 1.2% in 1997 from 0.8% in 1996. This increase was partially offset by a decrease in income from operations, excluding the noncash compensation charge, as a percentage of net sales for geographic regions outside the United States and Europe to 1.9% in 1997 from 2.2% in 1996.

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

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

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

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

QUARTERLY DATA; SEASONALITY

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

The following table sets forth certain unaudited quarterly historical financial data for each of the 8 quarters in the period ended January 2, 1999. This unaudited quarterly information has been prepared on the same basis as the annual information presented elsewhere herein and, in the Company's opinion, includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the selected quarterly information. This information should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report to Shareowners. The operating results for any quarter shown are not necessarily indicative of results for any future period.

CONSOLIDATED QUARTERLY INFORMATION

	NET SALES	GROSS PROFIT	INCOME FROM OPERATIONS	INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	NET INCOME	BASIC EARNINGS PER SHARE	DILUTED EARNINGS PER SHARE
	(In millions, except per share data)						
FISCAL YEAR ENDED JANUARY 3, 1998							
THIRTEEN WEEKS ENDED(1):							
MARCH 29, 1997	$3,650.0	$234.7	$ 78.8	$ 69.0	$40.4	$0.30	$0.28
JUNE 28, 1997	3,716.8	242.1	79.2	68.0	40.0	0.30	0.27
SEPTEMBER 27, 1997	4,087.3	264.0	85.6	75.7	44.3	0.32	0.30
JANUARY 3, 1998(2)	5,127.4	344.9	133.0	113.8	68.9	0.51	0.47
FISCAL YEAR ENDED JANUARY 2, 1999							
THIRTEEN WEEKS ENDED(3):							
APRIL 4, 1998	$5,150.1	$329.9	$116.2	$ 94.0	$56.5	$0.41	$0.38
JULY 4, 1998	4,956.1	315.5	110.8	92.8	55.6	0.40	0.37
OCTOBER 3, 1998	5,708.0	357.8	118.4	99.3	59.8	0.43	0.40
JANUARY 2, 1999	6,219.8	388.0	141.2	120.8	73.3	0.52	0.49

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

(2) Fourteen weeks ended January 3, 1998.

(3) Reflects a noncash compensation charge of $1.1 million for each of the first, second, third and fourth quarters of 1998 in connection with the granting of the Rollover Stock Options.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

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

Cash used by operating activities was $278.5 million in 1998 as compared to $647.7 million in 1997 and cash provided by operating activities of $78.0 million in 1996. The significant decrease in cash used by operating activities in 1998 compared to 1997 was partially attributable to the increase in net income and the increase in trade creditor financing of product inventory through the increase in accounts payable. The significant decrease in cash provided by operating activities in 1997 compared to 1996 was primarily attributable to increases in accounts receivable and product inventory that was not financed by trade creditors, resulting from the continued growth of the Company.

Net cash used by investing activities was $218.6 million, $193.3 million, and $107.2 million in 1998, 1997, and 1996, respectively. These increases were due in part to the Company's expansion of warehouses and other facilities as well as the Company's commitment to growth through acquisitions and strategic alliances. In 1998, the Company used approximately $97 million in cash for acquisitions, net of cash acquired (see Note 4 of the Notes to Consolidated Financial Statements), and approximately $50 million in a strategic alliance with SOFTBANK. Mitigating the uses of cash, the Company entered into a sale/leaseback agreement whereby the Company sold its Santa Ana, California, facility and a portion of its Buffalo, New York, facility to a third party and received approximately $75 million in cash. In 1997, the Company used approximately $34.0 million in cash for acquisitions, net of cash acquired, and approximately $71.2 million in cash for the purchase of common stock, warrants and an option to acquire additional common stock of ERL (see Note 4 of the Notes to Consolidated Financial Statements). In 1996, purchases of property and equipment included $22.6 million related to the acquisition, in connection with the Split-Off, of certain previously leased facilities utilized by the Company.

Net cash provided by financing activities was $497.1 million, $888.4 million, and $21.3 million in 1998, 1997 and 1996, respectively. Net cash provided by financing activities in 1998 was primarily due to the proceeds from the convertible debentures and Company stock option exercises. The reduction of cash provided by financing activities in 1998 compared to 1997 is due in part to the Company's ability to finance its operations through trade creditors as well as the increase in proceeds from stock option exercises. Net cash provided by financing activities in 1997 was due primarily to the increase in revolving credit of $770.4 million. Net cash provided by financing activities in 1996 includes the receipt of $393.8 million in net proceeds from the IPO. Net cash provided by financing activities in 1996 decreased as a result of the repayment of borrowings from Ingram Industries totaling $513.8 million as a result of the Split-Off as well as a $20.0 million distribution to Ingram Industries. The decrease in borrowings from Ingram Industries was partially offset by proceeds from debt totaling $49.7 million and net borrowings under the revolving credit facilities of $80.6 million.

Acquisitions

In 1998, the Company completed acquisitions of Macrotron, Nordemaq Commercial de Maquinas Nordeste Ltda ("Nordemaq"), a Brazilian computer products distributor, Tulip Computer N.V.'s assembly facility and related business in 's-Hertogenbosch, The Netherlands, and the remaining 30% minority interest in Ingram Dicom S.A. de C.V., a Mexican subsidiary. The combined cash consideration was approximately $97 million, net of cash acquired (see Note 4 of the Notes to Consolidated Financial Statements).

In December 1997, the Company completed its purchase of approximately 21% of the outstanding common stock, and approximately 19% of an outstanding class of warrants of ERL, a publicly traded electronic components distributor based in Singapore, for approximately $71 million. In January 1999, the Company purchased additional shares from specific shareholders, which brought the Company's total ownership to approximately 39.6%. In January and February 1999, the Company made open-market purchases of ERL shares and warrants, and on February 19, 1999, completed a tender offer for the remaining outstanding shares and warrants of ERL. These purchases resulted in a 95% ownership of the outstanding common stock and a 95% ownership of the outstanding warrants of ERL. The combined cash consideration paid in 1999 was approximately $233 million (see Notes 4 and 14 of the Notes to Consolidated Financial Statements).

Capital Resources

The Company has three credit facilities with bank syndicates providing an aggregate credit availability of $1.65 billion. Under the credit facilities, the Company is required to comply with certain financial covenants, including minimum tangible net worth, restrictions on funded debt and interest coverage. The credit facilities also restrict the Company's ability to pay dividends. Borrowings are subject to the satisfaction of customary conditions, including the absence of any material adverse change in the Company's business or financial condition. On January 2, 1999, the Company had $994.5 million in outstanding borrowings under the credit facilities.

In November 1996, the Company sold 23,200,000 shares of Class A Common Stock in the IPO at $18.00 per share. The Company received net proceeds of $393.8 million, of which approximately $366.3 million was used to repay certain existing indebtedness to Ingram Industries.

The Company has an arrangement with a trust pursuant to which certain U.S. trade accounts receivable of the Company are transferred to the trust, which in turn has sold certificates representing undivided interests in the total pool of trade receivables without recourse. The trust has issued fixed-rate, medium-term certificates and a variable-rate certificate to support a commercial paper program. At January 2, 1999, the amount of medium-term certificates outstanding totaled $100 million, and the amount of commercial paper outstanding totaled $150 million. The Company believes that there are sufficient trade accounts receivables to support the outstanding medium-term certificates as well as the commercial paper program.

On June 9, 1998, the Company sold $1.33 billion aggregate principal amount at maturity of its Zero Coupon Convertible Senior Debentures due 2018 in a private placement. The Company has subsequently registered the resale of these debentures with the SEC. Gross proceeds from this offering were $460.4 million and were used primarily to pay outstanding indebtedness. The debentures were sold at an issue price of $346.18 per $1,000 principal amount at maturity (representing a yield to maturity of 5.375% per annum), and are convertible into shares of the Company's Class A Common Stock at a rate of 5.495 shares per $1,000 principal amount at maturity, subject to adjustment under certain circumstances. The debentures are currently convertible into approximately 7.3 million shares of the Company's Class A Common Stock. The debentures are redeemable for cash at the option of the Company on or after June 9, 2003, at the issue price plus accrued original issue discount to the date of the redemption. Each debenture is subject to repurchase at the option of the holder as of June 9, 2001, June 9, 2003, June 9, 2008, or June 9, 2013, or if there is a Fundamental Change (as defined), at the issue price plus accrued original issue discount to the date of the redemption. In the event of repurchase at the option of a holder (other than upon a Fundamental Change), the Company may, at its option, pay in cash or Class A Common Stock, or any combination thereof. In the case of any such repurchase as of June 9, 2001, the Company may elect, in lieu of the payment of cash or Class A Common Stock, to satisfy the redemption in new Zero Coupon Convertible Senior Debentures due 2018. At January 2, 1999, the issue price plus accrued original issue discount was $473.5 million.

The Company and its foreign subsidiaries have uncommitted lines of credit, commercial paper, and short-term overdraft facilities in various currencies which aggregated $260 million and $119 million at the end of 1998 and 1997, respectively. These facilities are used principally for working capital and bear interest at market rates.

The proceeds from stock option exercises provide an additional source of cash to the Company. In 1998, 1997 and 1996, respectively, cash proceeds from the exercise of stock options, including applicable tax benefits, totaled $93.9 million, $28.4 million and $11.3 million, respectively.

The Company believes that cash provided by operating activities, supplemented as necessary with funds available under credit arrangements (including the $1.65 billion in credit facilities and the sale of the Company's convertible debentures), will provide sufficient resources to meet its present and future working capital and cash requirements for at least the next 12 months, or earlier if the Company were to engage in significant, material corporate transactions not currently anticipated, in which event the Company anticipates that additional financing may be required.

Capital Expenditures

The Company presently expects to spend approximately $175 million in 1999 for capital expenditures due to continued expansion of its business.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

MARKET RISK

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

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

The Company is exposed to changes in interest rates primarily as a result of its long-term debt used to maintain liquidity and finance inventory, capital expenditures and business expansion. Interest rate risk is also present in the cross-currency swaps hedging intercompany and third-party loans. The Company's interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives the Company uses a combination of fixed- and variable-rate debt. As of January 2, 1999, approximately 28% of the outstanding debt had fixed interest rates. The Company finances working capital needs through various bank loans and commercial paper programs.

MARKET RISK MANAGEMENT

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

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

The estimated maximum loss in fair value on the Company's foreign currency-sensitive financial instruments and interest rate-sensitive financial instruments, derived using the VaR model and a one-day holding period, was $1.3 million and $1.6 million, respectively, at January 2, 1999. The Company believes that this hypothetical loss in fair value of its derivatives would be offset by increases in the value of the underlying transactions being hedged.

EURO CONVERSION

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

YEAR 2000 MATTERS

Introduction

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

State of Readiness

With the assistance of an outside consultant, the Company commenced a review of its internal information technology ("IT") systems to identify applications that are not Y2K ready and to assess the impact of the Y2K problem. The Company has developed an overall plan to modify its internal systems to be Y2K ready. In addition, the Company formed a Y2K Global Project Team to provide global oversight to the Company's Y2K readiness activities in the IT and non-IT areas, the assessment of Y2K risks in connection with third-party relationships and the development of contingency plans.

The Company's Y2K plan is divided into three major sections: IT systems, non-IT systems ("Non-IT Systems"), and Y2K interfaces with material third parties. The broad phases of the plan are generally common to all three sections. The phases consist of: (1) inventorying potential Y2K sensitive items, (2) assigning priorities to identified items, (3) assessing the Y2K readiness of items determined to be material to the Company, (4) repairing or replacing material items that are determined not to be Y2K ready ("remediation"), (5) testing material items and/or certification of Y2K readiness, i.e., validation and written confirmation that the process, activity or component can properly process a date beyond December 31, 1999, as it does earlier dates and (6) designing and implementing contingency and business-continuation plans for the Company.

Please refer to "--Contingency Planning and Risks" regarding the Company's progress for its Y2K plan with respect to ERL, which became a subsidiary of the Company in February 1999.

MANAGEMENT'S DISCUSSION AND ANALYSIS CONTINUED

Information Technology Systems

The Company has completed an inventory and technical assessment (with the exception of personal computers, which are assessed and remediated in a single step) of all of its global hardware, operating systems, software (including business applications, but excluding desktop software such as office tools) and electronic interfaces that were in operation by the end of December 1998 ("IT Systems") for Y2K remediation. With the exception of the Company's recently acquired German subsidiary, Macrotron, the Company has completed remediation and unit testing or upgrading/replacement of the mainframe part of its IT Systems, and anticipates that it will complete the remediation, unit testing and/or upgrading/replacement process on the balance of its IT Systems, which includes client servers and personal computers, in the second quarter of 1999. As a result of the Company's continued integration and consolidation of the Macrotron facilities, the Company anticipates that the second-quarter 1999 target date for remediation and unit testing or upgrading/replacement of Macrotron's IT Systems will be extended by two months. The Company anticipates that it will complete system and century testing and certification of Y2K readiness of all of its IT Systems in the third quarter of 1999.

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

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

Non-Information Technology Systems

The Non-IT Systems consist of any device that is able to store and report date-related information, such as access control systems, elevators, escalators, conveyors and sensors; building systems; and other items containing a microprocessor or an internal clock, such as handheld computers used to assist with inventory control, electric power distribution systems and vaults. The Company has completed a global inventory and assessment of its Non-IT Systems. The Company's plan provides that by the end of the second quarter of 1999, all Non-IT Systems that are deemed business-critical will either (a) have written certifications that they are Y2K ready (e.g., confirmations from manufacturers that the product is not impacted by the Y2K date transition or will continue to operate on and after January 1, 2000, just as it did prior to such date) or (b) have been replaced and/or modified to be Y2K ready.

Y2K Interfaces With Material Third Parties

The Company has commenced an inventory of third parties (including, among others, domestic and international suppliers and vendors, financial service providers and transportation and other logistics providers) whose Y2K noncompliance could have a material adverse effect on the Company's business, financial condition or results of operations. In addition, the Company has been sending questionnaires to all such third parties in order to determine their current Y2K status, tracking responses to these questionnaires and using such responses towards contingency plan development. The Company anticipates that it will have completed such assessment and inquiry by the end of the second quarter of 1999. Follow-up inquiries, where appropriate, are planned throughout the remainder of 1999.

Costs to Address Y2K Readiness

The Company has incurred approximately $3.8 million to date on Y2K readiness efforts (excluding compensation and benefit costs for associates who do not work full time on the Y2K project and costs of systems upgrades that would normally have been made on a similar timetable) with respect to IT Systems and anticipates that its total expenditures will not exceed $10 million. However, such amount does not reflect costs for upgrades to servers, personal computers, communications equipment and Non-IT Systems on a global basis as a result of potential new acquisitions and/or business relationships throughout the remainder of 1999 as the scope of this cost will not be known until the Company has completed technical assessment of all of these areas. Although there are opportunity costs and some diversion of human resources to the Company's Y2K readiness efforts, management believes that no significant IT projects have been deferred or accelerated due to this effort.

Contingency Planning and Risks

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

The Company's global IT and Non-IT operations are highly centralized in the United States. The Company's strategy with respect to Y2K readiness is to resolve its Y2K issues from a global perspective first through its U.S. operations. For example, the Company's core enterprise system, IMpulse, is based in the U.S. but operates globally. Remediation of this system is effective across the Company's entire operations. However, the Company may continue to experience risks with respect to new acquisitions where new management may not be as familiar with the Company's computer systems (although the Company strives to convert newly acquired operations to IMpulse as soon as possible), or the existing associates may not be familiar with the Company's Y2K plan. For example, the Company completed an unconditional tender offer for ERL's shares and warrants on February 19, 1999. The Company currently believes that it will complete the various stages with respect to IT Systems, Non-IT Systems and Y2K interfaces with material third parties in the ERL organization approximately two months later than the target dates set forth above. A similar extension of approximately two months of the target date for the remediation and unit testing or upgrading/replacement of IT Systems for the Company's recently acquired Macrotron organization in Germany is anticipated.

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

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

The matters in this Annual Report that are forward-looking statements are based on current management expectations that involve certain risks, including without limitation: the potential decline as well as seasonal variations in demand for the Company's products; the potential termination of a supply agreement with a major supplier; continued pricing and margin pressures; product supply shortages; rapid product improvement and technological changes, and resulting obsolescence risks; unavailability of adequate capital; the impact on management of growth and acquisitions; foreign currency fluctuations; the failure to achieve substantial Year 2000 readiness; and reliability of information systems. For a further discussion of these and other significant factors to consider in connection with forward-looking statements concerning the Company, reference is made to Exhibit 99.01 of the Company's Annual Report on Form 10-K for fiscal year ended January 2, 1999; other risks or uncertainties may be detailed from time to time in the Company's future SEC filings.

NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), which will become effective for the Company in fiscal 2000. FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. However, the Company does not expect the adoption of FAS 133 to have a material impact on its reported consolidated financial condition or results of operations.

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

	FISCAL YEAR END 1998	FISCAL YEAR END 1997
ASSETS		
CURRENT ASSETS:		
CASH	$ 96,682	$ 92,212
TRADE ACCOUNTS RECEIVABLE (LESS ALLOWANCES OF $55,904 IN 1998 AND $48,541 IN 1997)	2,562,050	1,635,728
INVENTORIES	3,094,227	2,492,646
OTHER CURRENT ASSETS	278,591	225,408
TOTAL CURRENT ASSETS	6,031,550	4,445,994
PROPERTY AND EQUIPMENT, NET	254,718	215,148
GOODWILL, NET	232,112	142,478
OTHER	215,024	128,531
TOTAL ASSETS	$ 6,733,404	$ 4,932,151
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	$ 3,306,045	$ 2,415,001
ACCRUED EXPENSES	254,627	292,515
CURRENT MATURITIES OF LONG-TERM DEBT	38,978	21,869
TOTAL CURRENT LIABILITIES	3,599,650	2,729,385
CONVERTIBLE DEBENTURES	473,475	--
OTHER LONG-TERM DEBT	1,208,003	1,119,262
OTHER	45,205	23,843
TOTAL LIABILITIES	5,326,333	3,872,490
MINORITY INTEREST	--	4,862
COMMITMENTS AND CONTINGENCIES (NOTE 9)		
REDEEMABLE CLASS B COMMON STOCK	7,814	16,593
STOCKHOLDERS' EQUITY:		
PREFERRED STOCK, $0.01 PAR VALUE, 1,000,000 SHARES AUTHORIZED; NO SHARES ISSUED AND OUTSTANDING	--	--
CLASS A COMMON STOCK, $0.01 PAR VALUE, 265,000,000 SHARES AUTHORIZED; 66,520,715 AND 37,366,389 SHARES ISSUED AND OUTSTANDING IN 1998 AND 1997, RESPECTIVELY	665	374
CLASS B COMMON STOCK, $0.01 PAR VALUE, 135,000,000 SHARES AUTHORIZED; 75,459,710 AND 99,714,672 SHARES ISSUED AND OUTSTANDING IN 1998 AND 1997 (INCLUDING 1,116,250 AND 2,370,400 REDEEMABLE SHARES IN 1998 AND 1997), RESPECTIVELY	743	973
ADDITIONAL PAID IN CAPITAL	591,235	484,912
RETAINED EARNINGS	811,616	566,441
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(4,914)	(14,236)
UNEARNED COMPENSATION	(88)	(258)
TOTAL STOCKHOLDERS' EQUITY	1,399,257	1,038,206
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6,733,404	$ 4,932,151

See accompanying notes to these consolidated financial statements.

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

	FISCAL YEAR		
	1998	1997	1996
NET SALES	$ 22,034,038	$ 16,581,539	$ 12,023,451
COST OF SALES	20,642,870	15,495,850	11,211,067
GROSS PROFIT	1,391,168	1,085,689	812,384
EXPENSES:			
SELLING, GENERAL AND ADMINISTRATIVE	900,001	701,958	541,526
NONCASH COMPENSATION CHARGE	4,562	7,152	23,350
	904,563	709,110	564,876
INCOME FROM OPERATIONS	486,605	376,579	247,508
OTHER (INCOME) EXPENSE:			
INTEREST INCOME	(5,652)	(3,924)	(2,060)
INTEREST EXPENSE	72,181	37,940	14,812
INTEREST EXPENSE CHARGED BY INGRAM INDUSTRIES	--	--	35,123
NET FOREIGN CURRENCY EXCHANGE LOSS	6,247	2,430	701
OTHER	6,969	13,644	2,175
	79,745	50,090	50,751
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	406,860	326,489	196,757
PROVISION FOR INCOME TAXES	161,685	131,463	84,889
INCOME BEFORE MINORITY INTEREST	245,175	195,026	111,868
MINORITY INTEREST	--	1,386	1,189
NET INCOME	$ 245,175	$ 193,640	$ 110,679
BASIC EARNINGS PER SHARE	$ 1.76	$ 1.43	$ 0.99
DILUTED EARNINGS PER SHARE	$ 1.64	$ 1.32	$ 0.88

See accompanying notes to these consolidated financial statements.

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

	COMMON STOCK CLASS A	COMMON STOCK CLASS B	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	UNEARNED COMPENSATION	TOTAL
DECEMBER 30, 1995	$ --	$ 1,073	$ 22,427	$ 282,122	$ 5,173	$ --	$ 310,795
DISTRIBUTION TO INGRAM INDUSTRIES				(20,000)			(20,000)
GRANT OF RESTRICTED CLASS B COMMON STOCK		1	713			(714)	--
NET PROCEEDS FROM SALE OF CLASS A COMMON STOCK	232		393,612				393,844
NONCASH COMPENSATION CHARGE RELATED TO STOCK OPTIONS			23,170				23,170
STOCK OPTIONS EXERCISED	10		1,612				1,622
INCOME TAX BENEFIT FROM EXERCISE OF STOCK OPTIONS			8,123				8,123
CONVERSION OF CLASS B COMMON STOCK TO CLASS A COMMON STOCK	8	(8)					--
AMORTIZATION OF UNEARNED COMPENSATION						180	180
COMPREHENSIVE INCOME (LOSS)				110,679	(3,263)		107,416
DECEMBER 28, 1996	250	1,066	449,657	372,801	1,910	(534)	825,150
NONCASH COMPENSATION CHARGE RELATED TO STOCK OPTIONS			6,876				6,876
STOCK OPTIONS EXERCISED	31		6,546				6,577
INCOME TAX BENEFIT FROM EXERCISE OF STOCK OPTIONS			21,833				21,833
CONVERSION OF CLASS B COMMON STOCK TO CLASS A COMMON STOCK	93	(93)					--
AMORTIZATION OF UNEARNED COMPENSATION						276	276
COMPREHENSIVE INCOME (LOSS)				193,640	(16,146)		177,494
JANUARY 3, 1998	374	973	484,912	566,441	(14,236)	(258)	1,038,206
VESTING OF REDEEMABLE CLASS B COMMON STOCK		11	8,118				8,129
NONCASH COMPENSATION CHARGE RELATED TO STOCK OPTIONS			4,392				4,392
STOCK OPTIONS EXERCISED	50		36,337				36,387
INCOME TAX BENEFIT FROM EXERCISE OF STOCK OPTIONS			57,476				57,476
CONVERSION OF CLASS B COMMON STOCK TO CLASS A COMMON STOCK	241	(241)					--
AMORTIZATION OF UNEARNED COMPENSATION						170	170
COMPREHENSIVE INCOME (LOSS)				245,175	9,322		254,497
JANUARY 2, 1999	$ 665	$ 743	$ 591,235	$ 811,616	$ (4,914)	$ (88)	$1,399,257

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
(DOLLARS IN 000S)

	Fiscal Year 1998	1997	1996
CASH (USED) PROVIDED BY OPERATING ACTIVITIES:			
NET INCOME	$ 245,175	$ 193,640	$ 110,679
ADJUSTMENTS TO RECONCILE NET INCOME TO CASH (USED) PROVIDED BY OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION	67,942	47,835	36,170
DEFERRED INCOME TAXES	3,532	8,226	(1,635)
MINORITY INTEREST	--	1,387	1,189
NONCASH COMPENSATION CHARGE	4,562	7,152	23,350
NONCASH INTEREST EXPENSE ON DEBENTURES	14,248	--	--
CHANGES IN OPERATING ASSETS AND LIABILITIES, NET OF EFFECTS OF ACQUISITIONS:			
TRADE ACCOUNTS RECEIVABLE	(786,727)	(485,711)	(237,747)
INVENTORIES	(445,324)	(542,886)	(239,054)
OTHER CURRENT ASSETS	(17,473)	(61,642)	(46,291)
ACCOUNTS PAYABLE	694,880	92,396	399,995
ACCRUED EXPENSES	(59,348)	91,912	31,372
CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(278,533)	(647,691)	78,028
CASH (USED) PROVIDED BY INVESTING ACTIVITIES:			
PURCHASE OF PROPERTY AND EQUIPMENT	(143,236)	(101,458)	(105,584)
PROCEEDS FROM SALE OF PROPERTY AND EQUIPMENT	75,321	12,963	--
ACQUISITIONS, NET OF CASH ACQUIRED	(96,550)	(33,960)	--
EQUITY INVESTMENT IN ERL	--	(71,212)	--
PURCHASE OF AVAILABLE-FOR-SALE SECURITIES	(50,262)	--	--
OTHER	(3,867)	320	(1,596)
CASH (USED) BY INVESTING ACTIVITIES	(218,594)	(193,347)	(107,180)
CASH PROVIDED (USED) BY FINANCING ACTIVITIES:			
PROCEEDS FROM SALE OF CLASS A COMMON STOCK	--	--	393,844
PROCEEDS FROM (REPURCHASE OF) REDEEMABLE CLASS B COMMON STOCK	(650)	(630)	17,223
EXERCISE OF STOCK OPTIONS INCLUDING TAX BENEFITS	93,863	28,410	11,331
(REPAYMENT) OF BORROWINGS FROM INGRAM INDUSTRIES	--	--	(513,792)
(REPAYMENT) PROCEEDS OF DEBT	(80,689)	90,219	49,717
PROCEEDS FROM ISSUANCE OF CONVERTIBLE DEBENTURES, NET OF ISSUANCE COSTS	449,604	--	--
NET BORROWINGS UNDER REVOLVING CREDIT FACILITIES	34,978	770,367	80,618
DISTRIBUTION TO INGRAM INDUSTRIES	--	--	(20,000)
MINORITY INTEREST INVESTMENT	--	--	2,400
CASH PROVIDED BY FINANCING ACTIVITIES	497,106	888,366	21,341
EFFECT OF EXCHANGE RATE CHANGES ON CASH	4,491	(3,395)	(826)
INCREASE (DECREASE) IN CASH	4,470	43,933	(8,637)
CASH, BEGINNING OF YEAR	92,212	48,279	56,916
CASH, END OF YEAR	$ 96,682	$ 92,212	$ 48,279
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
CASH PAYMENTS DURING THE YEAR:			
INTEREST	$ 61,706	$ 36,185	$ 50,071
INCOME TAXES	109,108	107,129	101,091

See accompanying notes to these consolidated financial statements.

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

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The equity method of accounting is used for the Company's 50% or less owned affiliates, over which the Company has the ability to exercise significant influence.

Fiscal Year

The fiscal year of the Company is a 52- or 53-week period ending on the Saturday nearest to December 31. All references herein to "1998" represent the 52-week fiscal year ended January 2, 1999. All references herein to "1997" represent the 53-week fiscal year ended January 3, 1998, and all references herein to "1996" represent the 52-week fiscal year ended December 28, 1996.

Use of Estimates

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

Revenue Recognition

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

Vendor Programs

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

The Company's suppliers generally warrant the products distributed by the Company and allow the Company to return defective products, including those that have been returned to the Company by its customers. The Company does not independently warrant the products it distributes; however, the Company does warrant the following: (1) services with regard to products configured for its customers, and (2) products it builds to order from components purchased from other sources. Provision for estimated warranty costs is recorded at the time of sale and periodically adjusted to reflect actual experience. Warranty expense was not material to the Company's Consolidated Statement of Income.

The Company generated approximately 40% of its net sales in fiscal 1998, 38% in 1997, and 35% in 1996 from products purchased from three vendors.

Foreign Currency Translation and Remeasurement

Financial statements of foreign subsidiaries, for which the functional currency is the local currency, are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate for each period for statement of income items. Translation adjustments are recorded in other comprehensive income. The functional currency of the Company's subsidiaries in Latin America is the U.S. dollar; accordingly, the monetary assets and liabilities of these subsidiaries are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenues, expenses, gains or losses are translated at the average exchange rate for the period, and nonmonetary assets and liabilities are translated at historical rates. The resultant remeasurement gains and losses of these subsidiaries are recognized in the Consolidated Statement of Income. Gains and losses from foreign currency transactions are included in the Consolidated Statement of Income.

Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, accounts payable and other accrued expenses approximate fair value because of the short maturity of these items. The carrying amounts of debt issued pursuant to bank credit agreements approximate fair value because interest rates on these instruments approximate current market interest rates. The carrying amount of the Zero Coupon Convertible Debentures including accrued original issue discount approximates fair value based upon available market information.

Cash

Book overdrafts of $228,556 and $108,399 as of January 2, 1999, and January 3, 1998, respectively, are included in accounts payable. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Inventories

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

Long-Lived Assets

The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the asset's carrying value unlikely. An impairment loss would be recognized when the sum of the expected, undiscounted future net cash flows is less than the carrying amount of the asset.

Property and Equipment

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

BUILDINGS	40 YEARS
LEASEHOLD IMPROVEMENTS	3 - 17 YEARS
DISTRIBUTION EQUIPMENT	5 - 7 YEARS
COMPUTER EQUIPMENT	2 - 5 YEARS

Maintenance, repairs and minor renewals are charged to expense as incurred. Additions, major renewals and betterments to property and equipment are capitalized.

Goodwill

Goodwill is amortized on a straight-line basis over periods ranging from five to 30 years. Accumulated amortization was $31,621 at January 2, 1999, and $21,638 at January 3, 1998. Amortization expense totaled $10,269, $4,955, and $2,990 for 1998, 1997, and 1996, respectively. The Company assesses the realizability of goodwill consistent with its policy for long-lived assets.

Investments in Available-for-Sale Securities

The Company classifies its marketable equity securities as available-for-sale in accordance with the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." These securities are carried at fair market value, with unrealized gains and losses reported in stockholders' equity as a component of other comprehensive income (loss). Gains or losses on securities sold are based on the specific identification method.

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

During 1998, the Company purchased approximately $50,000 in equity securities. These securities had a gross unrealized holding gain of $6,666 as of January 2, 1999. Income taxes have not been provided on the unrealized gain due to tax planning strategies that the Company believes will reduce its tax consequences to an immaterial amount.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of trade accounts receivable and derivative financial instruments. Credit risk with respect to trade accounts receivable is limited due to the large number of customers and their dispersion across geographic areas. The Company sells its products primarily in the United States, Europe, Canada and Latin America. The Company performs ongoing credit evaluations of its customers' financial conditions, obtains credit insurance in certain locations and requires collateral in certain circumstances. The Company maintains an allowance for potential credit losses. Historically, such losses have been within management's expectations.

Derivative Financial Instruments

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

Foreign exchange risk is managed by using forward and option contracts to hedge receivables and payables. Written foreign currency options are used to mitigate currency risk in conjunction with purchased options. Currency interest rate swaps and forward rate agreements are used to hedge foreign currency denominated principal and interest payments related to intercompany and third-party loans.

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

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

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

Derivative financial instruments comprise the following:

	1998		1997	
	NOTIONAL AMOUNTS	ESTIMATED FAIR VALUE	NOTIONAL AMOUNTS	ESTIMATED FAIR VALUE
FOREIGN EXCHANGE FORWARD CONTRACTS	$702,343	$ (1,648)	$279,911	$ 2,197
PURCHASED FOREIGN CURRENCY OPTIONS	32,604	78	37,966	320
WRITTEN FOREIGN CURRENCY OPTIONS	18,652	(111)	49,214	(185)
CURRENCY INTEREST RATE SWAPS	200,732	628	15,832	1,492
FORWARD RATE AGREEMENTS	149,400	10	--	---

Comprehensive Income

Effective in the first quarter of 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS 130"). FAS 130 establishes standards for reporting and displaying comprehensive income and its components in the Company's consolidated financial statements. Comprehensive income is defined in FAS 130 as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from nonowner sources.

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

	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	CHANGE IN UNREALIZED GAIN ON AVAILABLE-FOR-SALE SECURITIES	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
BALANCE AT DECEMBER 30, 1995	$ 5,173	$ --	$ 5,173
CURRENT YEAR CHANGE	(3,263)	--	(3,263)
BALANCE AT DECEMBER 28, 1996	1,910	--	1,910
CURRENT YEAR CHANGE	(16,146)	--	(16,146)
BALANCE AT JANUARY 3, 1998	(14,236)	--	(14,236)
CURRENT YEAR CHANGE	2,656	6,666	9,322
BALANCE AT JANUARY 2, 1999	$(11,580)	$ 6,666	$ (4,914)

Accounting for Stock-Based Compensation

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

Earnings Per Share

The Company has adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS 128"), and related interpretations. FAS 128 requires dual presentation of Basic Earnings per Share ("Basic EPS") and Diluted Earnings per Share ("Diluted EPS"). Basic EPS excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding during the reported period, after giving retroactive effect to the Split-Off (see Notes 1 and 3). Diluted EPS reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised using the treasury stock method or the if-converted method, where applicable.

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

	1998	1997	1996
NET INCOME	$ 245,175	$ 193,640	$ 110,679
WEIGHTED AVERAGE SHARES	139,263,810	135,764,053	112,285,058
BASIC EARNINGS PER SHARE	$ 1.76	$ 1.43	$ 0.99
WEIGHTED AVERAGE SHARES INCLUDING THE DILUTIVE EFFECT OF STOCK OPTIONS (10,274,060, 10,543,479, AND 13,151,318 FOR FISCAL 1998, 1997, AND 1996, RESPECTIVELY)	149,537,870	146,307,532	125,436,376
DILUTED EARNINGS PER SHARE	$ 1.64	$ 1.32	$ 0.88

At January 2, 1999, there was $473,475 in Zero Coupon Convertible Debentures that are convertible into 7,308,350 shares of Class A Common Stock (see Note 7). In 1998, these potential shares were excluded from the computation of Diluted EPS because their effect would be antidilutive. Additionally, there were approximately 388,000, 262,000, and -0- options in 1998, 1997, and 1996, respectively, that were not included in the computation of Diluted EPS because the exercise price was greater than the average market price of the Class A Common Stock, thereby resulting in an antidilutive effect.

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

New Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"), which will become effective for the Company in fiscal 2000. FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The Company does not expect the adoption of FAS 133 to have a material impact on its reported consolidated financial condition or results of operations.

In 1998, the Company elected to adopt the provisions of Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This statement requires capitalization of computer software costs that meet both the definition of internal-use software and defined criteria for capitalization. The Company amortizes the costs of computer software developed or obtained for internal use on a straight-line basis over the estimated life of the software. The impact of adoption was not material to the Company's consolidated financial statements.

NOTE 3 - SPLIT-OFF, REORGANIZATION AND EXCHANGE

In November 1996, the Split-Off was effected pursuant to a Reorganization Agreement among the Company, Ingram Industries, and its subsidiary, Ingram Entertainment Inc. ("Ingram Entertainment"), and an Exchange Agreement among such companies and the stockholders of Ingram Industries. Pursuant to the Reorganization Agreement, the Company retained all of the assets and liabilities associated with the Company's business and indemnified Ingram Industries for all liabilities related to the Company's business and operations or otherwise assigned to the Company. In addition, the Reorganization Agreement provided for the sharing by the Company of approximately 73% of certain contingent assets and liabilities not allocated to one of the parties. The Company assumed a portion of Ingram Industries' debt in return for the extinguishment of intercompany indebtedness (see Note 7).

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

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

NOTE 4 - ACQUISITIONS

In July 1998, the Company completed the acquisition of Tech Data Corporation's 99% and 91% interest in the outstanding common and preferred stock, respectively, of Macrotron AG ("Macrotron") for approximately $100,000 in cash. Macrotron is based in Munich, Germany, and operates primarily in Germany, Austria, and Switzerland. The acquisition was accounted for using the purchase method, and the results of Macrotron's operations have been combined with those of the Company since July 1, 1998, the effective date of acquisition. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price over the net assets acquired is approximately $80,000 and is being amortized on a straight-line basis over 30 years.

In June 1998, the Company completed its acquisition of Tulip Computer N.V.'s assembly facility and related business in 's-Hertogenbosch, The Netherlands. In October 1998, the Company completed its purchase of the remaining 30% minority interest in Ingram Dicom S.A. de C.V. ("Dicom"), a Mexican subsidiary. In December 1998, the Company completed the acquisition of Nordemaq Commercial de Maquinas Nordeste Ltda, a Brazilian computer products distributor. The combined consideration paid was approximately $19,000. The acquisitions were accounted for using the purchase method of accounting and the results of operations have been combined with those of the Company since the respective dates of acquisition. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price over net assets acquired for these acquisitions totaled approximately $9,000 and is being amortized on a straight-line basis over 20 years.

Pro forma financial information has not been presented because the effect of the 1998 acquisitions was not significant.

In December 1997, the Company completed its purchase of 49,606,000 shares or approximately 21% of the outstanding common stock of Electronic Resources Ltd. ("ERL"), a publicly traded electronic components distributor based in Singapore and operating in Australia, New Zealand, and seven Asian countries. In addition, the Company purchased approximately 19% of an outstanding class of warrants to acquire 8,443,195 shares of ERL. The aggregate purchase price for this transaction was approximately $71,000. The Company accounted for the investment in fiscal 1998 and 1997 under the equity method. The Company's investment in ERL has been recorded in other assets at January 2, 1999, and January 3, 1998, and includes the unamortized excess of the Company's investment over its equity in the net assets of ERL. This excess of approximately $38,000 and $40,000 at January 2, 1999, and January 3, 1998, respectively, is being amortized on a straight-line basis over its estimated useful life of 20 years. At January 2, 1999, the aggregate market value of the Company's share of ERL common stock and warrants, as quoted on the Stock Exchange of Singapore, was approximately $49,239. The Company commenced a tender offer for ERL shares subsequent to January 2, 1999 (see Note 14).

On July 18, 1997, the Company completed the acquisition of the Intelligent Electronics Inc. indirect distribution business, its Reseller Network Division ("RND"). The purchase price was $73,000, payable by the assumption of liabilities in excess of current assets (including $30,000 in cash acquired), based on the balance sheet of RND at closing. This acquisition was accounted for using the purchase method, and the results of RND's operations have been combined with those of the Company since the date of acquisition. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of purchase price over net assets acquired of approximately $88,000 is being amortized on a straight-line basis over 20 years.

The following table reflects unaudited pro forma combined results of operations of the Company and RND as if the acquisition had occurred at the beginning of fiscal 1996. These unaudited pro forma results have been prepared for comparative purposes only and include certain pro forma adjustments. Such pro forma amounts are not necessarily indicative of what actual consolidated results of operations might have been or will be in the future. Pro forma combined results of operations for the year ended December 28, 1996, exclude a nonrecurring charge of approximately $61,600 taken by RND in fiscal 1996 primarily relating to the write-off of previously recorded goodwill. If this nonrecurring charge was included, pro forma combined results of operations for the year ended December 28, 1996, would reflect net income of $44,623 and diluted earnings per share of $0.36.

	FISCAL YEAR	
	1997	1996
NET SALES	$17,630,842	$15,109,451
NET INCOME	$ 177,119	$ 106,223
DILUTED EARNINGS PER SHARE	$ 1.21	$ 0.85

In April 1997, the Company acquired Tallgrass Technologies AS., a distributor of computer products based in Norway. In August 1997, the Company acquired J&W Computer GmbH, a distributor of computer products with operations in Germany, France, Switzerland, and Austria. In November 1997, the Company acquired Computacion Tecnica, S.A, a distributor of computer products with operations in Chile, Brazil, Peru, and Florida. In December 1997, the Company acquired Latino Americana de Software, a distributor of primarily software products with operations in Brazil, and TT Microtrading Oy, a software distribution company based in Finland. The combined consideration paid was approximately $75,053. The acquisitions were accounted for using the purchase method of accounting and the results of operations of the acquired companies have been combined with those of the Company since the respective dates of acquisition. The purchase price was allocated to the assets acquired and the liabilities assumed based upon their estimated fair values at the respective dates of acquisition. The excess of purchase price over net assets acquired for all five acquisitions totaled approximately $50,000 and is being amortized on a straight-line basis over 20 years. Pro forma results of operations have not been presented because the effect of these five acquisitions was not significant.

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

NOTE 5 - ACCOUNTS RECEIVABLE

From February 1993 through the Split-Off, the Company had an arrangement with Ingram Industries whereby the Company sold all of its domestic trade accounts receivable to Ingram Industries on an ongoing basis. Ingram Industries transferred certain trade accounts receivable from the Company and other Ingram Industries affiliates to a trust that sold certificates representing undivided interests in the total pool of trade receivables without recourse.

In connection with the Split-Off, in partial satisfaction of amounts due to Ingram Industries, the Ingram Industries' accounts receivable securitization agreement related to the Company was assumed by the Company. As of the Split-Off, the trust had sold $160,000 of medium-term certificates with various amortization commencement dates between June 1, 1998, and February 1, 2004. In addition, approximately $13,000 of trust certificate-backed commercial paper was outstanding on the Split-Off date. Assumption of the securitization program resulted in a $100,000 and $160,000 reduction of trade accounts receivable and long-term debt on the Company's Consolidated Balance Sheet at January 2, 1999, and January 3, 1998, respectively, to reflect the sale of such receivables. Amounts outstanding under the commercial paper program of $150,000 are included in accounts receivable and other long-term debt in the Consolidated Balance Sheet at January 2, 1999, and January 3, 1998. The commercial paper program arrangement with the trust extends to December 31, 1999, renews biannually, subject to certain conditions, and has a final termination date of February 10, 2013.

Fees in the amount of $8,667, $11,102, and $1,537 in 1998, 1997 and 1996, respectively, related to the sale of trade accounts receivable under the medium-term certificates are included in other expenses in the Consolidated Statement of Income. Prior to the Company assuming the accounts receivable securitization program, such fees were included in interest expense charged by Ingram Industries.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	FISCAL YEAR END	
	1998	1997
LAND	$ 9,443	$ 19,414
BUILDINGS AND LEASEHOLD IMPROVEMENTS	59,370	93,529
DISTRIBUTION EQUIPMENT	188,045	120,879
COMPUTER EQUIPMENT	171,364	109,570
	428,222	343,392
ACCUMULATED DEPRECIATION	(173,504)	(128,244)
	$ 254,718	$ 215,148

Depreciation expense was $57,673 in 1998, $42,880 in 1997 and $33,180 in 1996.

NOTE 7 - LONG-TERM DEBT

Effective upon completion of the Company's initial public offering (the "IPO") in November 1996, the Company entered into a $1,000,000 revolving credit agreement (the "U.S. Credit Facility") with a syndicate of banks. The U.S. Credit Facility is unsecured and matures on October 30, 2001. In October 1997, the Company entered into two additional multicurrency revolving credit agreements of $500,000 (the "European Credit Facility") and $150,000 (the "Canadian Credit Facility") with two bank syndicates. The European Credit Facility and the Canadian Credit Facility are unsecured and mature on October 28, 2002, and October 28, 2001, respectively. The Company intends to exercise its option to extend its U.S. and Canadian credit facilities to match the European Credit Facility term. Collectively, the U.S. Credit Facility, the European Credit Facility and the Canadian Credit Facility are referred to as the "Credit Facilities."

Revolving loan rate and competitive bid interest rate options are available under the Credit Facilities. The spread over LIBOR for revolving rate loans and associated facility fees are determined by reference to certain financial ratios or credit ratings by recognized rating agencies on the Company's senior unsecured debt. The weighted average interest rate on outstanding borrowings under the Credit Facilities at January 2, 1999, and January 3, 1998, was 4.95% and 5.76%, respectively.

The Company is required to comply with certain financial covenants, including minimum tangible net worth, restrictions on funded debt and interest coverage. The credit facilities also restrict the Company's ability to pay dividends. At January 2, 1999, the Company was in compliance with these covenants.

At January 2, 1999, and January 3, 1998, commercial paper outstanding was $199,673 and $150,000, respectively, and is included in other long-term debt. These amounts include $150,000 of commercial paper in 1998 and 1997 issued under the Company's accounts receivable securitization program (see Note 5) with the remainder issued in Europe. The weighted average interest rate on the commercial paper was 5.27% and 5.76% at January 2, 1999, and January 3, 1998, respectively.

On June 9, 1998, the Company sold $1,330,000 aggregate principal amount at maturity of its Zero Coupon Convertible Senior Debentures due 2018 in a private placement. The Company has subsequently registered the resale of these debentures with the SEC. Gross proceeds from this offering were $460,400. The debentures were sold at an issue price of $346.18 per $1,000 principal amount at maturity (representing a yield to maturity of 5.375% per annum), and are convertible into shares of the Company's Class A Common Stock at a rate of 5.495 shares per $1,000 principal amount at maturity, subject to adjustment under certain circumstances. The debentures are currently convertible into approximately 7.3 million shares of the Company's Class A Common Stock. The debentures are redeemable for cash at the option of the Company on or after June 9, 2003, at the issue price plus accrued original issue discount to the date of the redemption. Each debenture is subject to repurchase at the option of the holder as of June 9, 2001, June 9, 2003, June 9, 2008, or June 9, 2013, or if there is a Fundamental Change (as defined), at the issue price plus accrued original issue discount to the date of the redemption. In the event of repurchase at the option of a holder (other than upon a Fundamental Change), the Company may, at its option, pay in cash or Class A Common Stock, or any combination thereof. In the case of any such repurchase as of June 9, 2001, the Company may elect, in lieu of the payment of cash or Class A Common Stock, to satisfy the redemption in new Zero Coupon Convertible Senior Debentures due 2018. At January 2, 1999, the issue price plus accrued original issue discount was $473,475.

The Company has additional lines of credit and short-term overdraft facilities with various banks worldwide, which provide for borrowings aggregating $209,924 and $119,043 in 1998 and 1997, respectively. Most of these arrangements are on an uncommitted basis and are reviewed periodically for renewal. At January 2, 1999, and January 3, 1998, the Company had $52,759 and $52,493, respectively, outstanding under these facilities.

Other long-term debt, excluding the convertible debentures, consists of the following:

	FISCAL YEAR END 1998	FISCAL YEAR END 1997
CREDIT FACILITIES	$ 994,549	$ 938,638
OVERDRAFT FACILITIES	38,978	21,869
COMMERCIAL PAPER	199,673	150,000
OTHER	13,781	30,624
	1,246,981	1,141,131
LESS CURRENT MATURITIES OF LONG-TERM DEBT	(38,978)	(21,869)
	$ 1,208,003	$ 1,119,262

Annual maturities of long-term debt as of January 2, 1999, including the convertible debentures, are as follows:

1999	$ 38,978
2000	--
2001	5,123
2002	1,202,880
2003	--
Thereafter	473,475
	$1,720,456

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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NOTE 8 - INCOME TAXES

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

	FISCAL YEAR		
	1998	1997	1996
UNITED STATES	$350,631	$279,762	$165,576
FOREIGN	56,229	46,727	31,181
TOTAL	$406,860	$326,489	$196,757

The provision for income taxes consists of the following:

	FISCAL YEAR		
	1998	1997	1996
CURRENT:			
FEDERAL	$ 111,862	$ 87,156	$ 64,252
STATE	15,146	16,697	9,952
FOREIGN	31,145	19,384	13,076
	158,153	123,237	87,280
DEFERRED:			
FEDERAL	4,057	7,355	(5,241)
STATE	6,926	1,582	462
FOREIGN	(7,451)	(711)	2,388
	3,532	8,226	(2,391)
TOTAL INCOME TAX PROVISION	$ 161,685	$ 131,463	$ 84,889

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

	FISCAL YEAR	
	1998	1997
NET DEFERRED TAX ASSETS AND LIABILITIES:		
TAX IN EXCESS OF BOOK BASIS OF FOREIGN OPERATIONS	$ 31,391	$ 23,838
ITEMS NOT CURRENTLY DEDUCTIBLE	(8,049)	216
DEPRECIATION	(3,659)	(1,618)
OTHER	12,426	7,590
TOTAL	$ 32,109	$ 30,026

Net current deferred tax assets of $15,562 and $12,856 are included in other current assets at January 2, 1999, and January 3, 1998, respectively. Net non-current deferred tax assets of $16,547 and $17,170 are included in other assets at January 2, 1999, and January 3, 1998, respectively.

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

	FISCAL YEAR		
	1998	1997	1996
U.S. STATUTORY RATE	35%	35%	35%
STATE INCOME TAXES, NET OF FEDERAL INCOME TAX BENEFIT	4%	4%	4%
NONCASH COMPENSATION	0%	0%	2%
FOREIGN RATES IN EXCESS OF U.S. STATUTORY RATE	1%	1%	2%
EFFECTIVE TAX RATE	40%	40%	43%

At January 2, 1999, the Company had foreign net operating tax loss carryforwards of $71,406 of which approximately 80% have no expiration date. The remaining foreign net operating tax loss carryforwards expire through the year 2008.

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

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

The Company has arrangements with certain finance companies that provide accounts receivable and 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. Such repurchases have been insignificant to date.

The Company leases the majority of its facilities and certain equipment under noncancelable operating leases. Renewal and purchase options at fair values exist for a substantial portion of the leases. Rental expense for the years ended January 2, 1999, January 3, 1998, and December 28, 1996, was $55,906, $42,321, and $34,784, respectively.

Future minimum rental commitments on operating leases that have remaining noncancelable lease terms in excess of one year as of January 2, 1999, are as follows:

1999	$ 40,667
2000	36,660
2001	34,017
2002	29,625
2003	25,939
Thereafter	153,297
	$320,205

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

NOTE 10 - SEGMENT INFORMATION

Effective for 1998, the Company has adopted the disclosure requirements of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("FAS 131"). The Company's reportable operating segments are based on geographic location, and the measure of segment profit is income from operations. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Company operates predominantly in a single industry segment as a wholesale distributor of computer-based technology products and services. Geographic areas in which the Company operates include the United States, Europe (Austria, Belgium, Denmark, Finland, France, Germany, Italy, The Netherlands, Norway, Spain, Sweden, Switzerland, and the United Kingdom) and Other (Brazil, Canada, Chile, Malaysia, Mexico, Peru, and Singapore). Intergeographic sales primarily represent intercompany sales which are accounted for based on established sales prices between the related companies and are eliminated in consolidation.

Financial information by geographic segments is as follows:

	FISCAL YEAR		
	1998	1997	1996
NET SALES:			
UNITED STATES			
SALES TO UNAFFILIATED CUSTOMERS	$ 14,393,295	$ 11,539,623	$ 8,058,578
INTERGEOGRAPHIC SALES	163,199	190,765	140,721
EUROPE	5,624,074	3,352,451	2,590,120
OTHER	2,016,669	1,689,465	1,374,753
ELIMINATIONS OF INTERGEOGRAPHIC SALES	(163,199)	(190,765)	(140,721)
TOTAL	$ 22,034,038	$ 16,581,539	$ 12,023,451
INCOME FROM OPERATIONS:			
UNITED STATES	$ 397,194	$ 304,003	$ 195,298
EUROPE	62,172	41,045	21,593
OTHER	27,239	31,531	30,617
TOTAL	$ 486,605	$ 376,579	$ 247,508
IDENTIFIABLE ASSETS:			
UNITED STATES	$ 3,939,573	$ 3,139,114	$ 2,227,997
EUROPE	2,051,827	1,180,792	800,755
OTHER	742,004	612,245	338,195
TOTAL	$ 6,733,404	$ 4,932,151	$ 3,366,947
CAPITAL EXPENDITURES:			
UNITED STATES	$ 119,838	$ 82,281	$ 90,626
EUROPE	19,109	13,749	8,596
OTHER	4,289	5,428	6,362
TOTAL	$ 143,236	$ 101,458	$ 105,584
DEPRECIATION AND AMORTIZATION:			
UNITED STATES	$ 44,067	$ 32,333	$ 22,438
EUROPE	15,904	9,538	8,091
OTHER	7,971	5,964	5,641
TOTAL	$ 67,942	$ 47,835	$ 36,170

U.S. includes all noncash compensation charges. No single customer accounts for 10% or more of the Company's net sales.

NOTE 11 - TRANSACTIONS WITH RELATED PARTIES

Historically, Ingram Industries provided certain administrative services to the Company. Prior to the Split-Off, the Company was allocated a portion of the costs of these administrative services. Charges for these services were based upon utilization and at amounts which management believes are less than the amounts which the Company would have incurred as a stand-alone entity. Such amounts totaled $3,633 in 1996 and have been included in selling, general and administrative expenses in the Consolidated Statement of Income. Subsequent to the Split-Off, such allocations ceased and the Company entered into a Transitional Services Agreement with Ingram Industries relating to the continued provision of certain administrative services, including payroll processing, through December 31, 1997. The Company believes that the terms of this agreement were on a basis as favorable as those that would be obtained from third parties on an arms-length basis.

In addition, the Company entered into the Data Center Services Agreements with Ingram Entertainment and a division of Ingram Industries, pursuant to which the Company agreed to provide computer services and maintenance. Charges for these services were based on a pro rata allocation of costs incurred by the Company in operating the data services center. These agreements were terminated during 1998.

The Company has in the past leased warehouse or office space from certain of its shareowners, but no such leases remained in effect at January 2, 1999. Total rental payments to shareowners were $1,460 in 1998, and $1,645 in both fiscal 1997 and 1996, respectively.

Other transactions with Ingram Industries affiliates include sales of $996, $4,482, and $3,464 in 1998, 1997, and 1996, respectively.

NOTE 12 - STOCK OPTIONS AND INCENTIVE PLANS

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

		FISCAL YEAR		
		1998	1997	1996
NET INCOME	AS REPORTED	$245,175	$193,640	$110,679
	PRO FORMA	$225,772	$182,977	$106,825
DILUTED EARNINGS PER SHARE	AS REPORTED	$ 1.64	$ 1.32	$ 0.88
	PRO FORMA	$ 1.51	$ 1.25	$ 0.85

For pro forma disclosure, the fair value of compensatory stock options, restricted stock grants and stock purchase rights was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	FISCAL YEAR		
	1998	1997	1996
RISK-FREE INTEREST RATE	5.01%	6.39%	5.68%
EXPECTED YEARS UNTIL EXERCISE	4.0 YEARS	4.0 YEARS	3.1 YEARS
EXPECTED STOCK VOLATILITY	57.4%	47.0%	39.4%
EXPECTED DIVIDENDS	--	--	--

The above table represents the weighted average expected stock volatility after the IPO in November 1996. The Company used an expected volatility of 0% for options granted prior to the IPO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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Rollover Stock Option Plan

Certain of the Company's employees participated in Ingram Industries' qualified and non-qualified stock option and stock appreciation right ("SAR") plans. In conjunction with the Split-Off, Ingram Industries options and SARs held by the Company's employees and certain other Ingram Industries options, SARs and Incentive Stock Units ("ISUs") were converted to or exchanged for Ingram Micro options ("Rollover Stock Options") to purchase Class A Common Stock. Approximately 10,989,000 Rollover Stock Options were outstanding immediately following the conversion. The majority of the Rollover Stock Options will be fully vested by the year 2000 and no such options expire later than 10 years from the date of grant. The Company recorded a noncash compensation charge of approximately $4,392 ($3,659, net of tax) in 1998, $6,876 ($5,915, net of tax) in 1997 and $23,170 ($19,483, net of tax) in 1996 related to the vested portion of certain Rollover Stock Options based on the difference between the estimated fair value of the underlying common stock at the applicable measurement dates and the exercise price of such options. The weighted average fair value of Rollover Stock Options for pro forma disclosure was $7.60 per share.

1996 Equity Incentive Plan

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

In November 1996, the Company issued options under the Plan at $18.00 per share (the initial public offering price) to purchase an aggregate of approximately 5,137,000 shares of Class A Common Stock to certain executive officers, employees, and directors of the Company. Options to purchase 2,680,000 shares vest at the end of nine years; however, such options will vest earlier if the Company achieves certain performance criteria. All such options expire ten years from the issue date. During 1998, the Company achieved the performance criteria established under the Plan and the outstanding options automatically vested. The remaining options to purchase 2,457,000 shares vest and generally become exercisable over five years and expire eight years from the issue date.

In 1997, the Company issued options under the Plan at exercise prices ranging from $20.12 to $30.19 to purchase approximately 1.9 million shares of Class A Common Stock to certain executive officers and employees of the Company. The exercise price was equal to the market value of the underlying common stock at the date of grant. The options generally vest over five years and expire eight years from issue date.

1998 Equity Incentive Plan

Effective February 1998, the Company's Board of Director's and stockholders adopted the Ingram Micro Inc. 1998 Equity Incentive Plan ("1998 Plan"). The 1998 Plan authorized the granting of stock-based awards to purchase up to 15,000,000 shares of the Company's Class A Common Stock. In 1998, the Company issued options under the 1998 Plan at exercise prices ranging from $27.88 to $53.56 to purchase approximately 2.7 million shares of Class A Common Stock to certain executive officers and employees of the Company. The exercise price of the options was equal to the market value of the underlying common stock on the date of grant. The options generally vest over five years and expire eight years from issue date.

The weighted average fair value of options granted in 1998, 1997 and 1996 for pro forma disclosure was $16.54, $11.34, and $3.87, respectively.

A summary of the status of the Company's stock option plans is presented below:

	SHARES (000s)	WEIGHTED-AVERAGE EXERCISE PRICE
OUTSTANDING AT DECEMBER 30, 1995	--	$ --
ROLLOVER STOCK OPTIONS	10,989	1.83
STOCK OPTIONS GRANTED DURING THE YEAR	9,756	12.79
STOCK OPTIONS EXERCISED	(1,078)	1.32
FORFEITURES	(20)	1.87
OUTSTANDING AT DECEMBER 28, 1996	19,647	7.30
STOCK OPTIONS GRANTED DURING THE YEAR	1,888	23.22
STOCK OPTIONS EXERCISED	(3,085)	2.13
FORFEITURES	(417)	5.67
OUTSTANDING AT JANUARY 3, 1998	18,033	9.89
STOCK OPTIONS GRANTED DURING THE YEAR	2,709	32.52
STOCK OPTIONS EXERCISED	(4,992)	7.29
FORFEITURES	(569)	8.12
OUTSTANDING AT JANUARY 2, 1999	15,181	$14.85

The following table summarizes information about stock options outstanding and exercisable at January 2, 1999:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT 1/2/99 (000s)	WEIGHTED-AVERAGE REMAINING LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 1/2/99 (000s)	WEIGHTED-AVERAGE EXERCISE PRICE
$0.66 - $ 3.32	4,075	3.6	$ 2.16	2,182	$ 1.75
$ 7.00	2,857	5.5	7.00	200	7.00
$18.00	3,780	5.8	18.00	2,069	18.00
$20.12 - $30.19	3,643	6.8	26.14	266	22.85
$30.50 - $45.63	656	7.7	38.35	--	--
$46.50 - $53.56	170	7.7	49.05	--	--
	15,181		$14.85	4,717	$ 10.29

Stock options exercisable totaled approximately 4,717,000, 3,004,000 and 1,948,000 at January 2, 1999, January 3, 1998, and December 28, 1996, respectively, at weighted average exercise prices of $10.29, $3.49 and $3.18, respectively.

1996 Employee Stock Purchase Plan

In October 1996, the Board of Directors and stockholders adopted the 1996 Employee Stock Purchase Plan (the "1996 ESPP"). The 1996 ESPP permits eligible employees of the Company to purchase Class A Common Stock through payroll deductions, provided that no employee may accrue the right to purchase more than $25 worth of stock under all employee stock purchase plans of the Company in any calendar year. Up to 1,000,000 shares of Class A Common Stock were initially available for sale under the 1996 ESPP. The initial offering period commenced on November 1, 1996, and ended on the last market trading day on or before December 31, 1998. The purchase price under the initial offer was the lower of $18.00 per share or the last reported transaction price of the Class A Common Stock reported on the New York Stock Exchange on December 31, 1998. Employees may end their participation in the 1996 ESPP at any time during an offering period, and they will be paid their payroll deductions accumulated to date. A second offering ("ESPP2") pursuant to the 1996 ESPP commenced on June 29, 1997, and ended on the last market trading day on or before December 31, 1998. The ESPP2 has the same rights and restrictions as the 1996 ESPP except the purchase price under ESPP2 was the lower of $24.06 per share or the last reported transaction price of the Class A Common Stock reported on the New York Stock Exchange on December 31, 1998. A third offering ("ESPP3") commenced on December 31, 1997, and ended on the last trading day on or before December 31, 1998. The ESPP3 has the same rights and restrictions as the 1996 ESPP except the purchase price under the ESPP3 was the lower of $29.12 per share or the last reported transaction price of the Class A Common Stock reported on the New York Stock Exchange on December 31, 1998. A fourth offering ("ESPP4") commenced on July 1, 1998, and ended on the last trading day on or before December 31, 1998. The ESPP4 has the same rights and restrictions as the 1996 ESPP except the purchase price under the ESPP4 was the lower of $44.25 per share or the last reported transaction price of the Class A Common Stock reported on the New York Stock Exchange on December 31, 1998.

On December 31, 1998, the offering period was completed for all 1996 ESPP offerings. In January 1999, the Company issued approximately 585,900 of the 1,000,000 shares. The 1996 ESPP terminated on December 31, 1998.

1998 Employee Stock Purchase Plan

Effective as of March 18, 1998, the Company's Board of Directors and stockholders adopted the 1998 Employee Stock Purchase Plan (the "1998 ESPP"). The 1998 ESPP permits eligible employees of the Company to purchase Class A Common Stock through payroll deductions, provided that no employee may accrue the right to purchase more than $25 worth of stock under the 1998 Plan in any calendar year. Up to 3,000,000 shares of Class A Common Stock will be initially available for sale under the 1998 ESPP.

Under the 1998 ESPP, each participant electing to participate in the Plan will have the right to purchase from the Company on December 31, 1999, up to but not exceeding the aggregate number of whole shares of Common Stock that may be purchased with funds accumulated in the participant's stock purchase plan account, minus amounts required to be withheld under applicable local law.

No offerings under the 1998 ESPP were made during 1998. During 1999, two offerings will be made under the 1998 ESPP. The "First Offering" will commence on the first business day of the first payroll period beginning in January 1999 or, in the case of an individual first becoming eligible to participate thereafter (but prior to December 31, 1999), on the last business day of the month in which such individual becomes eligible (the "First Grant Date") and end on December 31, 1999. The "Second Offering" will commence on the first business day of the first payroll period beginning after June 30, 1999, or in the case of individuals first becoming eligible to participate thereafter (but prior to December 31, 1999), on the last business day of the month in which such individual becomes eligible (the "Second Grant Date"), and end on December 31, 1999.

The purchase price per share in the First and Second Offerings will be the lower of the last reported transaction prices of the Company's Common Stock on the principal exchange on which it trades on the First Grant Date or the Second Grant Date or in the case of an individual first becoming eligible to participate on the last business day of the month in which such individual becomes eligible, and December 31, 1999.

Employee Benefit Plans

Prior to the Split-Off, the Company participated in Ingram Industries' defined contribution plan covering substantially all U.S. employees. As a result of the Split-Off, the Company established its own employee benefit plans. The plans permit eligible employees to make contributions up to certain limits which are matched by the Company at stipulated percentages. The Company's contributions charged to expense were $3,314 in 1998, $2,678 in 1997, and $1,642 in 1996.

NOTE 13 - COMMON STOCK

The Company has two classes of Common Stock, consisting of 265,000,000 authorized shares of $0.01 par value Class A Common Stock and 135,000,000 authorized shares of $0.01 par value Class B Common Stock, and 1,000,000 authorized shares of $0.01 par value Preferred Stock. Class A stockholders are entitled to one vote on each matter to be voted on by the stockholders whereas Class B stockholders are entitled to ten votes on each matter to be voted on by the stockholders. The two classes of stock have the same rights in all other respects. Each share of Class B Common Stock may at any time be converted to a share of Class A Common Stock; however, conversion will occur automatically on the earliest to occur of (1) the fifth anniversary of the consummation of the Split-Off; (2) the sale or transfer of such share of Class B Common Stock to any person not specifically authorized to hold such shares by the Company's Certificate of Incorporation; or (3) the date on which the number of shares of Class B Common Stock then outstanding represents less than 25% of the aggregate number of shares of Class A Common Stock and Class B Common Stock then outstanding.

Initial Public Offering

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

Key Employee Stock Purchase Plan

As of April 30, 1996, the Company adopted the Key Employee Stock Purchase Plan (the "Stock Purchase Plan") which provides for the issuance of up to 4,000,000 shares of Class B Common Stock to certain employees. In June 1996, the Company offered 2,775,000 shares of its Class B Common Stock for sale to certain employees pursuant to the Stock Purchase Plan, and subsequently sold 2,510,400 shares at $7.00 per share with aggregate proceeds of approximately $17,573. The shares sold thereby are subject to certain restrictions on transfer and to repurchase by the Company upon termination of employment prior to certain specified vesting dates at the original offering price. The Company has repurchased 232,900 of such shares.

In addition, the Company granted, pursuant to the Stock Purchase Plan, 107,000 restricted shares of Class B Common Stock to certain officers and employees of the Company. These shares generally vest over four years. Prior to vesting, these restricted shares are subject to forfeiture to the Company without consideration upon termination of employment. At January 2, 1999, 10,000 of such shares have been forfeited to the Company. Unearned compensation in the amount of $714 related to the restricted shares was recorded as a separate component of stockholders' equity and is amortized to noncash compensation over the vesting period. The amount amortized to noncash compensation in 1998, 1997, and 1996 was $170, $276, and $180, respectively.

The detail of changes in the number of issued and outstanding shares of Class A Common Stock, Class B Common Stock, and Redeemable Class B Common Stock for the three year period ended January 2, 1999, is as follows:

	COMMON STOCK		
	CLASS A	CLASS B	REDEEMABLE CLASS B
DECEMBER 30, 1995	--	107,251,362	--
GRANT OF RESTRICTED CLASS B COMMON STOCK		107,000	
SALE OF REDEEMABLE CLASS B COMMON STOCK			2,510,400
SALE OF CLASS A COMMON STOCK	23,200,000		
STOCK OPTIONS EXERCISED	1,077,696		
FORFEITURE OF RESTRICTED CLASS B COMMON STOCK		(5,000)	
REPURCHASE OF REDEEMABLE CLASS B COMMON STOCK			(50,000)
CONVERSION OF CLASS B COMMON STOCK TO CLASS A COMMON STOCK	770,000	(770,000)	
DECEMBER 28, 1996	25,047,696	106,583,362	2,460,400
STOCK OPTIONS EXERCISED	3,084,603		
FORFEITURE OF RESTRICTED CLASS B COMMON STOCK		(5,000)	
REPURCHASE OF REDEEMABLE CLASS B COMMON STOCK			(90,000)
CONVERSION OF CLASS B COMMON STOCK TO CLASS A COMMON STOCK	9,234,090	(9,234,090)	
JANUARY 3, 1998	37,366,389	97,344,272	2,370,400
VESTING OF REDEEMABLE CLASS B COMMON STOCK		1,161,250	(1,161,250)
STOCK OPTIONS EXERCISED	4,992,264		
REPURCHASE OF REDEEMABLE CLASS B COMMON STOCK			(92,900)
CONVERSION OF CLASS B COMMON STOCK TO CLASS A COMMON STOCK	24,162,062	(24,162,062)	
JANUARY 2, 1999	66,520,715	74,343,460	1,116,250

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

NOTE 14 - SUBSEQUENT EVENT

In January 1999, the Company purchased 44,114,340 shares of ERL common stock from certain shareholders, which increased the Company's ownership to 39.6%. In accordance with Singapore law, the Company was required to extend a tender offer for the remaining shares and warrants of ERL as a result of its increased ownership. The Company offered to purchase the remaining outstanding shares and warrants for approximately $1.20 and $0.65 per share and warrant, respectively, during the tender offer period from January 4, 1999, to February 19, 1999. In addition, during January and February 1999, the Company made open-market purchases of ERL shares and warrants. As a result of the open-market purchases and the tender offer, the Company's ownership in ERL increased to approximately 95%. The aggregate purchase price paid in 1999 for purchases of ERL common stock and warrants was approximately $233 million. The Company intends to amortize the excess of the purchase price over the net assets acquired for all of the ERL acquisition on a straight-line basis over 30 years.

MANAGEMENT'S STATEMENT OF FINANCIAL RESPONSIBILITY

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

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

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

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Ingram Micro Inc. and its subsidiaries at January 2, 1999 and January 3, 1998, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 2, 1999, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP

Costa Mesa, California
February 10, 1999, except as to Note 14,
which is as of February 19, 1999

BOARD OF DIRECTORS

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

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

JOHN R. INGRAM
Chairman, Ingram Book Group
and Co-President, Ingram Industries Inc.

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

PHILIP M. PFEFFER
Chief Executive Officer, Borders Group, Inc.

J. PHILLIP SAMPER
Founder and General Partner,
Gabriel Venture Partners, Chairman, Placeware Inc.

JOE B. WYATT
Chancellor, Vanderbilt University

CORPORATE MANAGEMENT

JERRE L. STEAD
Chairman of the Board and Chief Executive Officer

JEFFREY R. RODEK
President and Worldwide Chief Operating Officer

MICHAEL J. GRAINGER
Executive Vice President and Worldwide Chief Financial Officer

DOUGLAS R. ANTONE
Executive Vice President and Worldwide President,
Frameworks,(TM) Worldwide

GUY P. ABRAMO
Senior Vice President, Marketing, Worldwide

JAMES E. ANDERSON, JR.
Senior Vice President, Secretary and General Counsel

DAVID M. CARLSON
Senior Vice President and Chief Technology Officer

DAVID M. FINLEY
Senior Vice President, Human Resources, Worldwide

JAMES F. RICKETTS
Vice President and Worldwide Treasurer

REGIONAL MANAGEMENT

PHILIP D. ELLETT
Executive Vice President and President,
Ingram Micro North America

ROBERT D. GRAMBO
Executive Vice President and President,
Ingram Micro Europe

HANS T. KOPPEN
Senior Vice President and President,
Ingram Micro Latin America

GREGORY M. SPIERKEL
Senior Vice President and President,
Ingram Micro Asia-Pacific

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

Annual Meeting
The 1999 Annual Meeting of Shareowners will be held at 10 a.m. (Central time) Wednesday, May 19, 1999, at the Ingram Micro Distribution Center, 3820 Micro Drive (off Route 51) in Millington, Tennessee. Shareowners are cordially invited to attend.

Shareowner Inquiries
Requests for information may be sent to the Investor Relations Department at our corporate offices.
Investor Relations telephone information line: (714) 382-8282.
Investor Relations e-mail address: investor.relations@ingrammicro.com
Additional information also is available on our Web site, www.ingrammicro.com.

Transfer Agent and Registrar
First Chicago Trust Company of New York
ADivision of EquiServe
Post Office Box 2500
Jersey City, NJ 07303-2500
(201) 324-1644

Common Stock

The Class ACommon Stock of Ingram Micro is traded on the New York Stock Exchange under the symbol "IM."

Price Range of Class A Common Stock

		High	Low
Fiscal 1997	First Quarter	$25.88	$19.00
	Second Quarter	25.25	20.75
	Third Quarter	30.13	23.63
	Fourth Quarter	34.75	23.50
Fiscal 1998	First Quarter	$40.75	$26.63
	Second Quarter	49.25	36.75
	Third Quarter	54.63	43.31
	Fourth Quarter	50.38	32.88

INGRAM MICRO INC. SUBSIDIARIES AS OF MARCH 16, 1999

EXHIBIT 21.01

SUBSIDIARY/AFFILIATE						JURISDICTION
1)	Ingram Export Company Ltd.					Barbados
2)	Ingram Micro Inc.					Canada
3)	CD Access Inc.					Iowa
4)	Ingram Micro Delaware Inc.					Delaware
a)	Ingram Micro L.P.(1)					Tennessee
b)	Ingram Micro Texas L.P.(2)					Texas
c)	Ingram Micro CLBT(3)					Pennsylvania
5)	Ingram Micro Management Company					California
6)	Ingram Dicom S.A. de C.V.					Mexico
	a)	Export Services Inc.				California
7)	Ingram European Coordination Center S.A./N.V.					Belgium
8)	Ingram Micro S.A.R.L.					France
	a)	Ingram Micro Purchasing S.A.R.L.				France
9)	Ingram Micro N.V.					Belgium
10)	Ingram Micro B.V.					The Netherlands
	a)	Micro Communication Services B.V.				The Netherlands
	b)	Bright Communications B.V.				The Netherlands
	c)	Ingram Micro Frameworks B.V.				The Netherlands
	d)	Ingram Micro Purchasing B.V.				The Netherlands
11)	Ingram Micro S.p.A.(4)					Italy
12)	Ingram Micro Holdings GmbH(5)					Germany
	a)	Ingram Micro Deutschland GmbH				Germany
		i)	Ingram Micro GmbH Zweigniederlassung Oesterriech			Austria
	b)	J & W Computer GmbH				Germany
	d)	Ingram Micro Europe GmbH				Germany
		i)	Ingram Micro Management GmbH			Germany
		ii)	Ingram Micro Development GmbH			Germany
			(1)	Macrotron AG (95%)(6)		Germany
				(a)	Macrotron Distribution GmbH	Germany
					(i) Macrotron Computer Manufacturing	Germany
				(b)	Macrotron Systems GmbH	Germany
					(i) Macrotron (UK) Ltd.	England
					(ii) Macrotron Process Technologies (51%)	Germany
					(iii) Macrotron CAD-CAM Systems	Germany
				(c)	Macrokom (90%)	Germany
				(d)	Future Software (90%)	Germany
				(e)	Compu-Shack	Germany
					(i) Compu-Shack Praha	Czechoslovakia
					(ii) Walton Networking (34.4%)	Hungary
					(iii) Compushack Distribution	Germany
					(iv) Compushack Production	Germany
					(v) Allied Technology (66.6%)	California
				(f)	Ingram Macrotron AG	Switzerland
				(g)	Ingram Macrotron Ges.m.b.H	Austria
		iii)	Ingram Micro Germany Verwaltungs GmbH			Germany
13)	Ingram Micro Acquisition GmbH					Germany

SUBSIDIARY/AFFILIATE	JURISDICTION
14) Ingram Micro Holdings Limited	United Kingdom
a) Ingram Micro (UK) Limited	United Kingdom
b) Metrocom Computer Systems Limited(7)	United Kingdom
c) Document Technology Limited(7)	United Kingdom
d) Software Limited(7)	United Kingdom
e) Ingram Micro Finance Center of Excellence Ltd.	United Kingdom
f) Ingram Micro Purchasing Ltd.	United Kingdom
15) Ingram Micro Singapore Inc.	California
a) Ingram Micro Hong Kong Ltd.(7)	Hong Kong
b) Electronic Resources Limited(8)	Singapore
i) Eltee Electronics Pte Ltd	Singapore
ii) Electronic Resources Systems Pte Ltd.	Singapore
iii) Erijaya Pte Ltd (60%)	Singapore
iv) Megawave Pte Ltd (60%)	Singapore
v) ERI Pte Ltd (51%)	Singapore
(1) ER Gulf Fze	United Arab Emirates
vi) ERIM Pte Ltd	Singapore
(1) ERIM Malaysia Sdn Bhd	Malaysia
vii) ER Indo-China Pte Ltd (60%)	Singapore
viii) ER (Malaysia) Sdn Bhd	Malaysia
ix) L.T. Electronics (Malaysisa) Sdn Bhd	Malaysia
x) Electronic Resources (Thailand) Limited	Thailand
(1) ER (Thailand) Company Limited (55%)	Thailand
xi) Electronic Resources Australia Pty Limited	Australia
(1) Electronic Resources Australia (Vic) Pty Ltd.	Australia
(2) Electronic Resources Australia (Qld) Pty Ltd. (76%)	Australia
xii) Electronic Resources (N.Z.) Limited (70%)	New Zealand
xiii) Electronic Resources HK Limited	Hong Kong
(1) Chinman Electronics Limited (51%)(9)	Hong Kong
(2) Electronic Resources China Limited (51%)(9)	Hong Kong
(3) Xin Jia Electronic Resources International Trading (Shanghai) Co., Ltd.	China
xiv) Electronic Resources India Limited (51%)	India
xv) Electronics Resources Pakistan Pte Ltd.	Singapore
16) Ingram Micro Japan Inc.	Delaware
17) Ingram Micro S.A.	Spain
18) Ingram Micro AB	Sweden
a) Ingram Micro A/S	Denmark
b) Ingram Micro A.S.	Norway
c) Ingram Micro International OY(10)	Finland
19) Ingram Micro Europe AG	Switzerland
20) IMI Washington Inc.	Delaware
21) Ingram Funding Inc.	Delaware
22) Ingram Micro CLBT Inc.	Delaware
23) Ingram Micro Latin America	Cayman Islands
a) Ingram Micro Caribbean	Cayman Islands
b) Ingram Micro Chile	Chile
c) Ingram Micro Holding Limitada	Brazil
i) Ingram Micro do Brazil Limitada	Brazil
d) Ingram Micro Peru	Peru
24) RND, Inc.(10)	Colorado
25) Intelligent Advanced Systems, Inc.(10)	Delaware

SUBSIDIARY/AFFILIATE		JURISDICTION
26)	Intelligent Distribution Services, Inc.(10)	Delaware
27)	Intelligent Express, Inc.(10)	Pennsylvania
28)	Intelligent SP, Inc.(10)	Colorado
29)	Ingram Micro OY	Finland
30)	Computek Enterprises (U.S.A.) Inc.(10)	Florida
31)	Ingram Micro Compania de Servicios S.A. de C.V.	Mexico
32)	Ingram Micro Taiwan Inc.	Delaware
33)	Ingram Micro Purchasing & Warehousing AB	Sweden
34)	Ingram Micro SB Holdings Inc.	Cayman Islands
	a) Ingram Micro SB Inc.	California
35)	Ingram Micro Logistics Inc.(11)	Cayman Islands
36)	Ingram Micro Texas LLC(12)	Delaware

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(1) Tennessee limited partnership, with Ingram Micro Inc. (Delaware) as general partner and Ingram Micro Delaware Inc. as limited partner.

(2) Texas limited partnership, with Ingram Micro Texas LLC (dba IMTX LLC) as general partner and Ingram Micro Delaware Inc. as limited partner.

(3) Pennsylvania Business Trust, with Ingram Micro Delaware Inc. as trustee.

(4) 97% owned by Ingram Micro Inc. and 3% by Ingram Micro N.V.

(5) German limited partnership, with Ingram Micro Inc. (Delaware) as general partner and Ingram Micro Delaware Inc. as limited partner.

(6) 5% - average between common and preferred stock.

(7) Under liquidation.

(8) Ingram Micro Singapore owns over 95% of the outstanding common shares on a fully diluted basis.

(9) Remaining 49% is held by Electronic Resources Limited.

(10) Dormant.

(11) Ingram Micro Inc. (Delaware) owns 40,000,000 voting preferred shares and Ingram Micro SB Inc. owns 10,000,000 non-voting common shares.

(12) Single member limited liability company with Ingram Micro Inc. (Delaware) as its sole member, dba IMTX LLC in Texas.

EXHIBIT 23.01

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-23821, 333-23823, 333-23825, 333-23827, 333-43447, 333-52807 and 333-52809) of Ingram Micro Inc. of our report dated February 10, 1999, except as to Note 14, which is as of February 19, 1999 appearing on page 51 of the 1998 Annual Report to Shareowners of Ingram Micro Inc. which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page 25 of this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Costa Mesa, California
March 29, 1999

EXHIBIT 23.02

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statements on Form S-3 (Nos. 333-39457 and 333-58857) of Ingram Micro Inc. of our report dated February 10, 1999 except as to Note 14, which is as of February 19, 1999, appearing on page 51 of the 1998 Annual Report to Shareowners of Ingram Micro Inc. which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page 25 of this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Costa Mesa, California
March 29, 1999

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JAN-02-1999
JAN-04-1998
JAN-02-1999
96,682
0
2,617,954
55,904
3,094,227
6,031,550
428,222
173,504
6,733,404
3,599,650
0
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1,408
1,397,849
6,733,404
22,034,038
22,034,038
20,642,870
20,642,870
13,216
0
66,529
406,860
161,685
245,175
0
0
0
245,175
1.76
1.64

EXHIBIT 99.01

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

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

Except for historical information, the Company's Annual Report on Form 10-K for the year ended January 2, 1999 to which this exhibit is appended, the Company's quarterly reports on Form 10-Q, the Company's current reports on Form 8-K, periodic press releases, as well as other public documents and statements, may contain "forward-looking statements" within the meaning of the Act.

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

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

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

The Company entered into the channel assembly business during 1997 and has since expanded to include the manufacture of private label and unbranded systems and systems for original equipment manufacturers ("OEMs"). Certain of the Company's competitors in channel assembly, private label and unbranded systems manufacturing and OEM systems manufacturing may be more experienced and may have more established contacts with suppliers and other types of partners, providing those competitors with a competitive advantage over the Company. Success in the channel assembly, private label and unbranded systems manufacturing and OEM systems manufacturing business requires significant infrastructure investment, and there can be no assurance that product can be assembled and delivered in a cost effective manner sufficient to adequately cover the Company's investment. In addition, if OEM and reseller partners choose not to participate or choose not to increase their support for the Company's channel assembly, private label and unbranded systems manufacturing and OEM systems manufacturing initiatives, and if the Company is not successful in finding other ways to cover the Company's infrastructure investment, there is no assurance that the Company's business, financial condition, or results of operations will not be materially impacted.

As the Company initiates other business models, such as electronic software distribution, it faces competition from companies with more experience in this arena. There also exists a risk that, after investing in the new distribution method, this form of software delivery may not generate the volume adequate to cover the Company's investment. In addition, as the Company enters new business areas, it may also encounter increased competition from current competitors and/or from new competitors, some of which may be current customers of the Company. There can be no assurance that increased competition and adverse reaction from customers resulting from the Company's expansion into new business models will not have a material adverse effect on the Company's business, financial condition, or results of operations.

NARROW MARGINS. As a result of intense price competition in the computer-based technology products and services wholesale distribution industry, the Company's margins have historically been narrow and are expected in the future to continue to be narrow. The Company's gross margins have been further reduced by the Company's entry into the master reseller business, which has lower gross margins than the Company's traditional wholesale distribution business. These narrow margins magnify the impact on operating results of variations in operating costs. The Company receives purchase discounts from suppliers based on a number of factors, including sales or purchase volume and breadth of customers. These purchase discounts directly affect gross margins. Because many purchase discounts from suppliers are based on percentage increases in sales of products, it may become more difficult for the Company to achieve the percentage growth in sales required for larger discounts due to the current size of the Company's revenue base. In the last year, major PC manufacturers have substantially raised the threshold on sales volume before distributors may qualify for discounts and/or rebates, which has adversely affected the Company's narrow margins. There has also been increased price competition among distributors in the last year as distributors have fought to maintain market share. The intense price competition, particularly in the United States, has adversely affected the Company's narrow margins. Further decreases in purchase discounts and rebates by suppliers and continued or increased price competition among distributors may have a material adverse impact on the Company's results of operations. In addition, as hardware manufacturers look to increase direct sales volumes while tightening terms and conditions, some customers are buying more products directly from the manufacturer rather than through distribution, which may adversely affect the Company's sales volumes and profit margins. As a result of the Company's narrow margins, if the Company's receivables experience a substantial deterioration in their collectibility or the Company cannot obtain credit insurance at reasonable rates, the Company's financial condition and results of operations may also be adversely impacted.

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

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

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

DEPENDENCE ON INFORMATION SYSTEMS. The Company depends on a variety of information systems for its operations, particularly its centralized IMpulse information processing system which supports more than 40 operational functions including receiving, customer management, order processing, shipping, inventory management, and accounting. At the core of the IMpulse system is on-line, real-time distribution software to which considerable enhancements and modifications have been made to support the Company's growth and its low cost business model. Although the Company has not in the past experienced significant failures or downtime of IMpulse or any of its other information systems, any such failure or significant downtime could prevent the Company from taking customer orders, printing product pick-lists, and/or shipping product and could prevent customers from accessing price and product availability information from the Company.

In order to react to changing market conditions, the Company must continuously expand and improve IMpulse and its other information systems. The Company has begun to migrate its IMpulse information processing system from a mainframe-based system using Cobol language to a client-server based system using Oracle database management systems. The Company believes that this new information system architecture will address the Company's need for a distributed computing environment and will increase system scalability and fault tolerance. However, to the extent the Company fails to implement improvements to its IMpulse information systems at a rate that meets the demands of customers, the Company's competitive advantage with respect to such systems may be adversely affected, which may have a material adverse effect on the Company business, financial condition and results of operations.

From time to time the Company may acquire other businesses having information systems and records, which must be converted and integrated into IMpulse or other Company information systems. These conversion and integration projects could result in a significant diversion of resources from other operations. The transition to and implementation of new or upgraded hardware or software systems could result in system delays or failures. Any interruption, corruption, degradation or failure of the Company's information systems could adversely impact its ability to receive and process customer orders on a timely basis.

The Company believes that customer information systems are becoming increasingly important in the wholesale distribution of technology products. As a result, the Company has enriched its customer information systems by adding features that allow increased flexibility in how reseller customers purchase products from the Company. However, there can be no assurance that competitors will not develop customer information systems that are superior to those offered by the Company. The inability of the Company to develop competitive customer information systems could adversely affect the Company's business, financial condition, and results of operations.

As is the case with many computer software systems, some of the Company's systems use two digit data fields which recognize dates using the assumption that the first two digits are "19" (i.e., the number 99 is recognized as the year 1999). Therefore, the Company's date critical functions relating to the year 2000 and beyond, such as sales, distribution, purchasing, inventory control, merchandise planning and replenishment, facilities, and financial systems, may be severely affected unless changes are made to these systems. With the assistance of an outside consultant, the Company commenced a review of its internal systems to identify applications that are not Year 2000 ready and to assess the impact of the Year 2000 problem. The Company has developed an overall plan to modify its internal systems to be Year 2000 ready. The Company anticipates that the required Year 2000 modifications will be made on a timely basis and does not believe that the cost of such modifications will have a material effect on the Company's operating results. There can be no assurance, however, that the Company will be able to modify successfully and in a timely manner all of its internal services and systems to comply with Year 2000 requirements, which could have a material adverse effect on the Company's operating results. In addition, the Company faces risks to the extent that suppliers of products (including components for its channel assembly, private label and unbranded systems, and configuration initiative), services (including services provided by independent shipping companies), and business on a worldwide basis may not have business systems or products that comply with Year 2000 requirements. In the event any such third parties cannot provide the Company with products, services or systems that meet Year 2000 requirements in a timely manner, the Company's operating results could be materially adversely affected. The Company's operating results also could be materially adversely affected if it were to be held responsible for the failure of any products sold by the Company to be Year 2000 compliant despite its disclaimer of product warranties and the limitation of liability contained in its sales terms and conditions.

EXPOSURE TO FOREIGN MARKETS; CURRENCY RISK. The Company, through its subsidiaries, operates in a number of countries outside of the United States, and the Company expects its international net sales to increase as a percentage of total net sales in the future. The Company's net sales from operations outside the United States are primarily denominated in currencies other than the U.S. dollar. Accordingly, the Company's international operations impose risks upon its business as a result of exchange rate fluctuations. There can be no assurance that exchange rate fluctuations will not have a material adverse effect on the Company's business, financial condition, or results of operations in the future. In certain countries outside the United States, operations are accounted for primarily on a U.S. dollar denominated basis. In the event of an unexpected devaluation of the local currency in those countries (as occurred in Mexico in December 1994 and more recently in 1997 in Asia and Latin America), the Company may experience significant foreign exchange losses. In addition, the Company's operations may be significantly adversely affected as a result of the general economic impact of the devaluation of the local currency.

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

DEPENDENCE ON KEY INDIVIDUALS. The Company is dependent in large part on its ability to retain the services of its key management, sales, and operational personnel. The Company's continued success is also dependent upon its ability to retain and attract other qualified employees, including highly skilled technical, managerial, and marketing personnel, to meet the Company's needs. Competition for qualified personnel is intense, particularly in the area of technical support. The Company may not be successful in attracting and retaining the personnel it requires, which could have a material adverse effect on the financial condition and results of operations of the Company.

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

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

RISK OF DECLINES IN INVENTORY VALUE. The Company's business, like that of other wholesale distributors, is subject to the risk that the value of its inventory will be adversely affected by price reductions by suppliers or by technological changes affecting the usefulness or desirability of the products comprising the inventory. It is the policy of most suppliers of computer-based technology products and services to protect distributors such as the Company, who purchase directly from such suppliers, from the loss in value of inventory due to technological change or the supplier's price reductions. These policies are sometimes not embodied in written agreements and do not protect the Company in all cases from declines in inventory value. Major PC suppliers in the last year have decreased the availability of price protection for distributors. The shorter time periods during which distributors may receive rebates or credit for decreases in manufacturer prices on unsold inventory have made it more difficult for the Company to match its inventory levels with the price protection periods. Consequently, the Company's risk of loss due to declines in value of inventory held by the Company after such price protection periods have passed has increased. No assurance can be given that unforeseen new product developments will not materially adversely affect the Company, or that the Company will be able to successfully manage its existing and future inventories. The Company's risk of declines in inventory value could also be greater outside the United States where agreements with suppliers are more restrictive with regard to price protection and the Company's ability to return unsold inventory. For those suppliers participating in the Company's channel assembly program, the extent to which the amount of inventory in the channel is reduced may directly impact the amount of price protection which will be provided by those suppliers. If major computer-based technology vendors substantially decrease or eliminate the availability of price protection to wholesale distributors, such change in policy could have a material adverse effect on the Company's financial condition and results of operations.

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

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

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

RISK OF TERMINATION OF SUBSIDIZED FLOOR PLAN FINANCING FOR THE COMPANY'S MASTER RESELLER BUSINESS. The master reseller business is characterized by gross margins and operating margins that are even narrower than those of the rest of its U.S. business and by competition based almost exclusively on price, programs, and execution. A substantial majority of the Company's master reseller sales are funded by floor plan financing companies. The Company has typically received payment from these financing institutions within three business days from the date of the sale, allowing the Company's master reseller business to operate at much lower relative working capital levels than the Company's wholesale distribution business. Its suppliers typically subsidize such floor plan financing for the Company's reseller customers. Starting in the second half of 1998, certain of the industry's leading hardware manufacturers reduced their flooring fee subsidies. As a result, payments from institutions that finance master reseller sales with these reduced subsidies are now received within 15 days. This delay in payment has increased the Company's average borrowing levels and interest costs. If the arrangements for these floor plan financing subsidies are terminated or continue to be substantially reduced, such change in policy could have a material adverse effect on the Company's financial condition and results of operations.