Table of Contents

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended June 30, 2001

OR

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

For the transition period from ____________ to ____________

Commission file number: 1-12203

Ingram Micro Inc.

(Exact name of Registrant as specified in its charter)

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

1600 E. St. Andrew Place, Santa Ana, California 92799-5125
(Address, including zip code, of principal executive offices)

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

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

The registrant had 77,311,887 shares of Class A Common Stock, par value $.01 per share, and 70,165,004 shares of Class B Common Stock, par value $.01 per share, outstanding at June 30, 2001.

TABLE OF CONTENTS

Exhibit 99.1

INGRAM MICRO INC.

INDEX

Part I. Financial Information

Table of Contents

Part I. Financial Information

Item 1. Financial Statements

INGRAM MICRO INC.

CONSOLIDATED BALANCE SHEET

(Dollars in 000s, except per share data)

	June 30, 2001	December 30, 2000
	(Unaudited)	
ASSETS		
Current assets:		
Cash	$ 118,753	$ 150,560
Investment in available-for-sale securities	48,765	52,897
Accounts receivable:		
Trade receivables	1,453,875	1,945,496
Retained interest in securitized receivables	819,207	407,176
Total accounts receivable (less allowances of $97,815 and $96,994)	2,273,082	2,352,672
Inventories	1,752,243	2,919,117
Other current assets	292,292	294,838
Total current assets	4,485,135	5,770,084
Property and equipment, net	336,138	350,829
Goodwill, net	412,765	430,853
Other	54,528	57,216

Total assets	$5,288,566	$6,608,982
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$2,483,302	$3,725,080
Accrued expenses	300,275	350,111
Current maturities of long-term debt	23,477	42,774
Total current liabilities	2,807,054	4,117,965
Convertible debentures	394	220,035
Other long-term debt	512,109	282,809
Deferred income taxes and other liabilities	96,580	113,781
Total liabilities	3,416,137	4,734,590
Stockholders' equity:		
Preferred Stock, $0.01 par value, 25,000,000 shares authorized; no shares issued and outstanding	—	—
Class A Common Stock, $0.01 par value, 500,000,000 shares authorized; 77,311,887 and 75,798,115 shares issued and outstanding	773	758
Class B Common Stock, $0.01 par value, 135,000,000 shares authorized; 70,165,004 and 70,409,806 shares issued and outstanding	702	704
Additional paid-in capital	676,888	664,840
Retained earnings	1,235,619	1,221,208
Accumulated other comprehensive income (loss)	(41,117)	(11,936)
Unearned compensation	(436)	(1,182)
Total stockholders' equity	1,872,429	1,874,392
Total liabilities and stockholders' equity	$5,288,566	$6,608,982

See accompanying notes to these consolidated financial statements.

Table of Contents

INGRAM MICRO INC.

CONSOLIDATED STATEMENT OF INCOME

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

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 30, 2001	July 1, 2000	June 30, 2001	July 1, 2000
Net sales	$6,017,276	$7,295,059	$13,210,765	$15,091,409
Cost of sales	5,701,666	6,933,547	12,510,960	14,363,701
Gross profit	315,610	361,512	699,805	727,708
Expenses:				
Selling, general and administrative	291,736	285,121	605,461	580,786
Reorganization costs	19,056	—	19,056	—
	310,792	285,121	624,517	580,786
Income from operations	4,818	76,391	75,288	146,922
Other expense (income):				
Interest income	(991)	(1,511)	(3,430)	(2,878)
Interest expense	13,483	22,287	32,274	49,147
Gain on sale of available-for-sale securities	—	—	—	(111,458)
Net foreign currency exchange loss	714	816	1,682	1,134
Other	6,312	1,240	16,488	5,438
	19,518	22,832	47,014	(58,617)

Income (loss) before income taxes and extraordinary item	(14,700)	53,559	28,274	205,539
Provision for (benefit from) income taxes	(5,292)	20,503	11,253	78,479
Income (loss) before extraordinary item	(9,408)	33,056	17,021	127,060
Extraordinary gain (loss) on repurchase of debentures, net of ($1,634), $113, ($1,634) and $1,408 in income taxes	(2,610)	187	(2,610)	2,316
Net income (loss)	$ (12,018)	$ 33,243	$ 14,411	$ 129,376
Basic earnings per share:				
Income (loss) before extraordinary item	$ (0.06)	$ 0.23	$ 0.12	$ 0.88
Extraordinary gain (loss) on repurchase of debentures	(0.02)	0.00	(0.02)	0.01
Net income (loss)	$ (0.08)	$ 0.23	$ 0.10	$ 0.89
Diluted earnings per share:				
Income (loss) before extraordinary item	$ (0.06)	$ 0.22	$ 0.12	$ 0.86
Extraordinary gain (loss) on repurchase of debentures	(0.02)	0.00	(0.02)	0.01
Net income (loss)	$ (0.08)	$ 0.22	$ 0.10	$ 0.87

See accompanying notes to these consolidated financial statements.

Table of Contents

INGRAM MICRO INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in 000s)
(Unaudited)

	Twenty-six Weeks Ended	
	June 30, 2001	**July 1, 2000**
Cash flows from operating activities:		
Net income	$ 14,411	$ 129,376
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	48,018	41,548
Amortization of goodwill	10,610	10,681
Deferred income taxes	(16,270)	59,684
Pretax gain from sale of available-for-sale securities	—	(111,458)
Loss (gain) on repurchase of debentures, net of tax	2,610	(2,316)
Noncash interest expense on debentures	5,400	11,136
Noncash compensation charge	746	1,959
Changes in operating assets and liabilities:		
Changes in amounts sold under accounts receivable programs	(710,742)	(13,375)
Accounts receivable	750,980	247,867
Inventories	1,134,078	918,618
Other current assets	20,522	(27,016)
Accounts payable	(1,210,489)	(942,189)
Accrued expenses	(42,832)	(43,204)
Cash provided by operating activities	7,042	281,311
Cash flows from investing activities:		
Purchase of property and equipment	(42,972)	(73,456)
Proceeds from sale of property and equipment	—	16,400
Net proceeds from sale of available-for-sale securities	—	119,228
Other	(1,659)	(3,948)
Cash provided (used) by investing activities	(44,631)	58,224
Cash flows from financing activities:		
Exercise of stock options including tax benefits	10,505	7,537
Repurchase of convertible debentures	(224,977)	(62,662)

Proceeds from debt	54,944	24,577
Net borrowings (repayments) under revolving credit facilities	160,722	(280,074)
Cash provided (used) by financing activities	1,194	(310,622)
Effect of exchange rate changes on cash	4,588	(7,995)
Increase (decrease) in cash	(31,807)	20,918
Cash, beginning of period	150,560	128,152
Cash, end of period	$ 118,753	$ 149,070

See accompanying notes to these consolidated financial statements.

Table of Contents

INGRAM MICRO INC.

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

Note 1 — Organization and Basis of Presentation

Ingram Micro Inc. (the “Company” or “Ingram Micro”) is primarily engaged, directly and through its wholly- and majority-owned subsidiaries, in distribution of information technology products and services worldwide. The Company conducts its operations in the United States, Europe, Canada, Latin America, and Asia Pacific.

The consolidated financial statements include the accounts of Ingram Micro Inc. and its wholly- and majority-owned subsidiaries. These financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the financial position of the Company as of June 30, 2001, its results of operations for the thirteen and twenty-six weeks ended June 30, 2001 and July 1, 2000 and its cash flows for the twenty-six weeks ended June 30, 2001 and July 1, 2000. All significant intercompany accounts and transactions have been eliminated in consolidation. As permitted under the applicable rules and regulations of the SEC, these financial statements do not include all disclosures and footnotes normally included with annual consolidated financial statements and, accordingly, should be read in conjunction with the consolidated financial statements, and the notes thereto, included in the Company’s Annual Report on Form 10-K filed with the SEC for the year ended December 30, 2000. The results of operations for the thirteen and twenty-six weeks ended June 30, 2001 may not be indicative of the results of operations that can be expected for the full year.

Note 2 — Earnings Per Share

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

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

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 30, 2001	July 1, 2000	June 30, 2001	July 1, 2000
Income (loss) before extraordinary item	$ (9,408)	$ 33,056	$ 17,021	$ 127,060
Weighted average shares	147,131,965	145,174,800	146,839,930	144,981,627
Basic earnings per share before extraordinary item	$ (0.06)	$ 0.23	$ 0.12	$ 0.88
Weighted average shares including the dilutive effect of common stock equivalents (-0- and 4,525,925 for the 13 weeks ended June 30, 2001 and July 1, 2000, respectively, and 2,670,639 and 3,453,573 for the 26 weeks ended June 30, 2001 and July 1, 2000, respectively)	147,131,965	149,700,725	149,510,569	148,435,200
Diluted earnings per share before extraordinary item	$ (0.06)	$ 0.22	$ 0.12	$ 0.86

Table of Contents

INGRAM MICRO INC.

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

At June 30, 2001 and July 1, 2000, there were $394 and $383,190, respectively, in Zero Coupon Convertible Senior Debentures outstanding that were convertible into approximately 5,000 and 5,454,000 shares of Class A Common Stock, respectively. For the thirteen and twenty-six weeks ended June 30, 2001 and July 1, 2000, these potential shares were excluded from the computation of Diluted EPS because their effect would not be dilutive. Additionally, there were approximately 14,385,000 and 5,495,000 stock options for the thirteen weeks ended June 30, 2001 and July 1, 2000, respectively, and 6,016,000 and 8,643,000 stock options for the twenty-six weeks ended June 30, 2001 and July 1, 2000, respectively, that were not included in the computation of Diluted EPS because their effect would be antidilutive.

Note 3 — Comprehensive Income

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

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

	Foreign currency translation adjustment	Unrealized gain (loss) on available-for-sale securities	Accumulated other comprehensive income (loss)
Balance at January 1, 2000	$(28,651)	$356,936	$328,285
Change in foreign currency translation adjustment	(9,483)	—	(9,483)
Unrealized holding loss arising during the quarter	—	(34,007)	(34,007)
Realized gain included in net income	—	(69,327)	(69,327)
Balance at April 1, 2000	(38,134)	253,602	215,468
Change in foreign currency translation adjustment	(2,791)	—	(2,791)
Unrealized holding loss arising during the quarter	—	(145,622)	(145,622)
Balance at July 1, 2000	$(40,925)	$107,980	$67,055

	Foreign currency translation adjustment	Unrealized gain (loss) on available-for-sale securities	Accumulated other comprehensive income (loss)
Balance at December 30, 2000	$(28,901)	$16,965	$(11,936)
Change in foreign currency translation adjustment	(17,824)	—	(17,824)
Unrealized holding gain arising during the quarter	—	1,463	1,463
Balance at March 31, 2001	(46,725)	18,428	(28,297)
Change in foreign currency translation adjustment	(8,833)	—	(8,833)
Unrealized holding loss arising during the quarter	—	(3,987)	(3,987)
Balance at June 30, 2001	$(55,558)	$14,441	$(41,117)

Total comprehensive income (loss) for the thirteen weeks ended June 30, 2001 and July 1, 2000 was ($24,838) and ($115,170), respectively. Total comprehensive income (loss) for the twenty-six weeks ended June 30, 2001 and July 1, 2000 was ($14,770) and ($131,854), respectively.

Table of Contents

INGRAM MICRO INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 — Extraordinary Item

In June 2001, at the option of the holders, the Company repurchased more than 99% of its outstanding Zero Coupon Convertible Senior Debentures with a total carrying value of $220,733 for $224,977 in cash, resulting in an extraordinary loss of $2,610 (net of tax benefits of $1,634). In the thirteen and twenty-six weeks ended July 1, 2000, the Company repurchased Zero Coupon Convertible Senior Debentures with carrying values of $19,743 and $66,386, respectively, for cash payments of $19,443 and $62,662 in the respective periods. These repurchases resulted in extraordinary gains of $187 and $2,316 (net of taxes of $113 and $1,408, respectively) for the thirteen and twenty-six weeks ended July 1, 2000, respectively.

Note 5 — Accounts Receivable

The Company has an arrangement pursuant to which most of its U.S. trade accounts receivable are transferred without recourse to a trust, which in turn has sold certificates representing undivided interests in the total pool of trade receivables. The trust has issued fixed-rate medium-term certificates to investors and has the ability to issue variable rate certificates to support a commercial paper program. In March 2000, the Company established a new 5-year accounts receivable securitization program, which provides for the issuance of up to $700,000 in commercial paper. Sales of receivables under these programs result in a reduction of total accounts receivable in the Company's consolidated balance sheet. Retained interests are carried at their fair value, estimated as the net realizable value, which considers the relatively short liquidation period and includes an estimated provision for credit losses. At June 30, 2001 and December 30, 2000, the amount of medium-term certificates outstanding totaled $25,000 and $50,000, respectively, and the amount of commercial paper outstanding totaled $56,000 and $650,000, respectively.

The Company also has certain other facilities relating to accounts receivable in Europe and Canada which provide up to approximately $247,000 of additional financing capacity. Under these programs, the Company has sold $118,446 and $210,188 of trade accounts receivable in the aggregate at June 30, 2001 and December 30, 2000, respectively, resulting in a further reduction of total accounts receivable in the Company's consolidated balance sheet.

The aggregate amount of accounts receivable sold as of June 30, 2001 and December 30, 2000 totaled approximately $199,446 and $910,188, respectively. Proceeds from these accounts receivable facilities are generally used to reduce existing indebtedness.

Expenses in the amount of $3,979 and $2,227 for the thirteen weeks ended June 30, 2001 and July 1, 2000, respectively, and $12,081 and $4,258 for the twenty-six weeks ended June 30, 2001 and July 1, 2000, respectively, related to the sale of trade accounts receivable under these facilities are included in other expenses in the Company's consolidated statement of income.

Note 6 — Segment Information

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

Table of Contents

INGRAM MICRO INC.

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

Financial information by geographic segment is as follows:

	As of And For the Thirteen Weeks Ended		As of And For the Twenty-six Weeks Ended	
	June 30, 2001	July 1, 2000	June 30, 2001	July 1, 2000
Net sales:				
United States				
Sales to unaffiliated customers	$3,393,282	$4,462,313	$ 7,313,023	$ 9,050,608
Transfers between geographic areas	41,574	43,298	87,264	85,186
Europe	1,573,669	1,707,935	3,623,082	3,752,467
Other international	1,050,325	1,124,811	2,274,660	2,288,334
Eliminations	(41,574)	(43,298)	(87,264)	(85,186)
Total	$6,017,276	$7,295,059	$13,210,765	$15,091,409
Income (loss) from operations:				
United States	$ 4,318	$ 63,169	$ 51,677	$ 112,619

(Dollars in 000s, except per share data)

Europe	781	6,511	24,576	21,032
Other international	(281)	6,711	(965)	13,271
Total	$ 4,818	$ 76,391	$ 75,288	$ 146,922
Identifiable assets:				
United States	$3,236,429	$4,460,151	$ 3,236,429	$ 4,460,151
Europe	1,095,908	1,327,942	1,095,908	1,327,942
Other international	956,229	948,332	956,229	948,332
Total	$5,288,566	$6,736,425	$ 5,288,566	$ 6,736,425
Capital expenditures:				
United States	$ 14,009	$ 20,627	$ 32,661	$ 45,376
Europe	3,733	13,546	5,808	20,445
Other international	2,424	3,072	4,503	7,635
Total	$ 20,166	$ 37,245	$ 42,972	$ 73,456
Depreciation and amortization:				
United States	$ 19,008	$ 15,653	$ 37,181	$ 30,879
Europe	5,328	5,496	10,857	11,242
Other international	5,281	5,109	10,590	10,108
Total	$ 29,617	$ 26,258	$ 58,628	$ 52,229

Table of Contents

Note 7 — Reorganization Costs

For the thirteen weeks ended June 30, 2001, the Company initiated a reorganization plan primarily in the U.S. and, to a limited extent, in Europe and Other International to streamline operations and reorganize resources to increase flexibility, improve service and maximize cost savings and operational efficiencies. This reorganization plan includes restructuring of several functions, consolidation of facilities, and reductions of headcount.

In connection with this reorganization plan, the Company recorded a charge of $19,056 for the thirteen weeks ended June 30, 2001. The reorganization charge included $10,024 in employee termination benefits for approximately 1,600 employees; $8,605 for closing, downsizing and consolidating certain distribution and returns processing centers, consisting primarily of excess lease costs net of estimated sublease income and the write-off of related fixed assets; and $427 of other costs associated with the reorganization. The Company anticipates that these initiatives will be substantially completed by the end of 2001.

At June 30, 2001, the outstanding liability under this reorganization plan was approximately $11,520. The reorganization charges and related activities for the twenty-six weeks ended June 30, 2001 are summarized as follows:

	Reorganization charge in 2001	Amounts paid and charged against the liability	Adjustments	Remaining liability at June 30, 2001
Employee termination benefits	$10,024	$2,116	$ —	$ 7,908
Facility costs	8,605	4,993	—	3,612
Other costs	427	427	—	—
Total	$19,056	$7,536	$ —	$11,520

Note 8 — Stockholders' Equity

On June 1, 2001, the stockholders of Ingram Micro approved an increase in the Company's authorized number of shares of preferred stock and Class A common stock from 1,000,000 and 265,000,000, respectively, to 25,000,000 and 500,000,000, respectively.

Note 9 — New Accounting Standards

The Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") as amended by Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities — an amendment of FASB No. 133" on December 31, 2000. As amended, FAS 133 requires that an entity recognize all derivatives as assets or liabilities in the statement of financial position and measure those instruments at fair value. The estimated fair value of derivative financial instruments represents the amount required to enter into similar offsetting contracts with similar remaining maturities based on quoted market prices. For derivatives designated as hedges, changes in the fair value of these derivatives are recorded each period in current earnings or other comprehensive income, depending on the type of hedge transaction. Changes in the fair value of derivatives that are not designated as hedges are recorded in current earnings. The Company currently has no derivatives that are accounted for as hedges. The adoption of FAS 133 did not have a material impact on the Company's reported consolidated financial condition or results of operations.

In September 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities — a replacement of FASB Statement No. 125" ("FAS 140"). FAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral. The accounting standards of FAS 140 are effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The adoption of FAS 140 did not have a material impact on the Company's reported consolidated financial condition or results of operations.

Table of Contents

INGRAM MICRO INC.

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

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("FAS 141"), and No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 141 eliminates the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001 and further clarifies the criteria to recognize intangible assets separately from goodwill. FAS 142 primarily addresses financial accounting and reporting for goodwill and other intangible assets. The provisions of FAS 142 are required to be applied to all goodwill and other intangible assets recognized in the Company's consolidated financial statements at the beginning of fiscal 2002. The Company is currently assessing the impact that the adoption of these statements will have on its reported consolidated financial position and results of operations.

Table of Contents

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

In evaluating our business, readers should carefully consider the important factors discussed in Exhibit 99.01 to this Quarterly Report on Form 10-Q. Also see discussion of "Cautionary Statements for the Purpose of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995" below.

Results of Operations

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

	Thirteen Weeks Ended				Twenty-six Weeks Ended			
	June 30, 2001		July 1, 2000		June 30, 2001		July 1, 2000	
	(dollars in millions)							
Net sales by geographic region:								
United States	$3,393	56.4%	$4,462	61.2%	$ 7,313	55.4%	$ 9,051	60.0%
Europe	1,574	26.2	1,708	23.4	3,623	27.4	3,752	24.9
Other international	1,050	17.4	1,125	15.4	2,275	17.2	2,288	15.1
Total	$6,017	100.0%	$7,295	100.0%	$13,211	100.0%	$15,091	100.0%

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

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	June 30, 2001	July 1, 2000	June 30, 2001	July 1, 2000
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	94.8	95.0	94.7	95.2

Gross profit	5.2	5.0	5.3	4.8
Expenses:				
SG&A expenses	4.8	3.9	4.6	3.8
Reorganization costs	0.3	—	0.1	—
Income from operations	0.1	1.1	0.6	1.0
Other expense (income), net	0.3	0.3	0.4	(0.4)
Income (loss) before income taxes and extraordinary item	(0.2)	0.8	0.2	1.4
Provision for (benefit from) income taxes	(0.0)	0.3	0.1	0.5
Income (loss) before extraordinary item	(0.2)	0.5	0.1	0.9
Extraordinary gain (loss) on repurchase of debentures, net of income taxes	(0.0)	0.0	(0.0)	0.0
Net income (loss)	(0.2)%	0.5%	0.1%	0.9%

Thirteen Weeks Ended June 30, 2001 Compared to Thirteen Weeks Ended July 1, 2000

Our consolidated net sales decreased 17.5% to $6.02 billion for the thirteen weeks ended June 30, 2001, or second quarter of 2001, from $7.30 billion for the thirteen weeks ended July 1, 2000, or second quarter of 2000. The decrease in worldwide net sales was primarily attributable to the decline in demand for technology products and services throughout the technology industry. This decline in demand initially surfaced in the U.S. in the fourth quarter of 2000 and moved to Canada and certain countries in Europe and Asia in the second quarter of 2001. This sluggish demand for technology products and services may continue and/or worsen over the near term.

Table of Contents

Net sales from our U.S. operations decreased 24.0% to $3.39 billion in the second quarter of 2001 from $4.46 billion in the second quarter of 2000 primarily due to the continued sluggish demand for information technology products and services, consistent with the continued softening of the U.S. economy. Net sales from our European operations remained relatively flat in local currencies, but when converted to U.S. dollars, net sales decreased by 7.9% to $1.57 billion in the second quarter of 2001 from $1.71 billion in the second quarter of 2000 reflecting softening demand for technology products and services in several countries in Europe and weaker European currencies as compared to the U.S. dollar. For our geographic regions outside the U.S. and Europe, or our Other International operations, net sales decreased 6.6% to $1.05 billion in the second quarter of 2001 from $1.12 billion in the second quarter of 2000 primarily due to the softness in demand for technology products and services now being experienced by our Canadian and Asia Pacific operations. Our Latin American operations, however, experienced sales growth in the second quarter of 2001 as compared to the prior year primarily due to the continued growth of our customer base in the region.

Gross profit as a percentage of net sales, or gross margin, increased to 5.2% in the second quarter of 2001 from 5.0% in the second quarter of 2000. The improvement in our gross margin was primarily due to our pricing policy changes implemented in the prior year to more appropriately reflect the value of services provided by us to our customers, complemented by improvements in vendor rebates and discounts. As we continue to seek profitable growth through our pricing policy changes made to date, and through future pricing policy changes, if any, we may continue to experience moderated or negative sales growth in the near term. In addition, the softness in the U.S. and certain international economies, as well as increased competition, partially resulting from this economic slowdown, may hinder our ability to maintain and/or improve gross margins from the levels realized in recent quarters.

Total selling, general and administrative, or SG&A, expenses, increased 2.3% to $291.7 million in the second quarter of 2001 from $285.1 million in the second quarter of 2000, reflecting an increase in expenses required to support the development and expansion of our business primarily in the latter half of 2000. Expenses related to our expansion consisted of incremental personnel and support costs, lease expense related to new operating facilities, and the expenses associated with the development and maintenance of information systems. As a result of the recent significant decline in our revenues, SG&A expenses as a percentage of net sales increased to 4.8% in the second quarter of 2001 from 3.9% in the same period last year. However, our SG&A expenses decreased by approximately $30.0 million from the fourth quarter of 2000, primarily as a result of the continued cost control measures, our reorganization efforts discussed below, and the lower volume of business. We continue to pursue and implement business process improvements and organizational changes to create sustained cost reductions without sacrificing customer service over the long-term; however, because of the decline in our sales, SG&A expenses as a percentage of net revenues are expected to remain above 4.0% over the near term.

In the second quarter of 2001, we initiated a reorganization plan primarily in the U.S. and, to a limited extent, in Europe and Other International to streamline operations and reorganize resources to increase flexibility, improve service and maximize cost savings and operational efficiencies. This reorganization plan includes restructuring of several functions, consolidation of facilities, and reductions of headcount. In connection with the plan, we recorded a charge of $19.1 million in the second quarter of 2001 which included $10.1 million in employee termination benefits for approximately 1,600 employees; $8.6 million for closing, downsizing and consolidating certain distribution and returns processing centers, consisting primarily of excess lease costs, net of estimated sublease income and the write-off of related fixed assets; and $0.4 million of other costs associated with the reorganization. We anticipate that these initiatives will be substantially completed by the end of 2001 and that we will save approximately $30 million to $40 million annually after these initiatives are completed. The development of additional initiatives, if any, which may include some or all of our regional operations, may result in further savings, as well as additional reorganization costs.

Income from operations, excluding reorganization costs, decreased as a percentage of net sales to 0.4% in the second quarter of 2001 from 1.1% in the second quarter of 2000. The decrease in our income from operations, excluding reorganization costs, as a percentage of net sales was primarily due to the increase in SG&A expenses as a percentage of net sales, partially offset by our improvement in gross margin, both of which are discussed above. U.S. income from operations, excluding reorganization costs, as a percentage of net sales decreased to 0.7% in the second quarter of 2001 from 1.4% in the second quarter of 2000. European income from operations, excluding reorganization costs, as a percentage of net sales decreased to 0.1% in the second quarter of 2001 from 0.4% in the second quarter of 2000. For Other International, loss from operations, excluding reorganization costs, as a percentage of net sales was less than 0.1% in the second quarter of 2001 compared to income from operations of 0.6% in the second quarter of 2000. The change from income from operations to a loss from operations for our Other International operations was primarily related to our Asia Pacific operations, which experienced a loss from operations as we continue to invest in infrastructure and refine our business processes in this developing market. Income from operations, including

reorganization costs, as a percentage of net sales decreased to 0.1% in the second quarter of 2001 from 1.1% in the second quarter of 2000.

Other expense (income) consisted primarily of interest, foreign currency exchange losses and expenses associated with our accounts receivable facilities. Net other expense remained constant at 0.3% as a percentage of net sales for the second quarter of 2001 and 2000 but decreased to $19.5 million in 2001 from $22.8 million in 2000. The decrease in net other expense was attributable to lower interest rates and lower average borrowings, including off-balance sheet debt resulting from utilization of our accounts receivable facilities, during the second quarter of 2001 as compared to the second quarter of 2000. The decrease in our average borrowings outstanding as compared to the prior period primarily reflects our continued focus on managing working capital as well as the overall lower volume of business.

The benefit from income taxes, excluding extraordinary items, totaled $5.3 million in the second quarter of 2001 compared to a provision for income taxes of $20.5 million in the second quarter of 2000 primarily reflecting the change from income before income taxes in the second quarter of 2000 to a loss in 2001. Our effective tax rate was 36.0% in the second quarter of 2001 compared to 38.3% in the second quarter of 2000. The change in our effective tax rate is primarily attributable to changes in the proportion of income earned and/or benefits allowed for losses within the various taxing jurisdictions and/or tax rates applicable to such taxing jurisdictions.

In June 2001, at the option of the holders, we repurchased more than 99% of our outstanding Zero Coupon Convertible Senior Debentures with a total carrying value of $220.7 million for $225.0 million in cash, resulting in an extraordinary loss of $2.6 million, net of tax benefits of $1.6 million. In the second quarter of 2000, we repurchased debentures with a carrying value of $19.7 million for $19.4 million in cash, resulting in an extraordinary gain of $0.2 million, net of taxes of $0.1 million.

Twenty-six Weeks Ended June 30, 2001 Compared to Twenty-six Weeks Ended July 1, 2000

Our consolidated net sales decreased 12.5% to $13.21 billion for the twenty-six weeks ended June 30, 2001, or first six months of 2001, from $15.09 billion for the twenty-six weeks ended July 1, 2000, or the first six months of 2000. The decrease in worldwide net sales was primarily attributable to the same factors summarized in our discussion of net sales for the second quarters of 2001 and 2000.

Net sales from our U.S. operations decreased 19.2% to $7.31 billion in the first six months of 2001 from $9.05 billion in the first six months of 2000. Net sales from our European operations grew 3.7% in local currencies, but when converted to U.S. dollars, net sales decreased by 3.5% to $3.62 billion in the first six months of 2001 from $3.75 billion in the first six months of 2000. The decrease in our U.S. and European net sales was primarily attributable to the same factors summarized in our discussion of net sales for the second quarters of 2001 and 2000. For our Other International operations, net sales decreased 0.6% to $2.28 billion in the first six months of 2001 from $2.29 billion in the first six months of 2000 primarily due to the softening in demand for technology products and services experienced by our Canadian and Asia Pacific operations in the second quarter of 2001. Our Latin American operations, however, experienced sales growth due to the continued growth of our customer base in the region.

Gross margin increased to 5.3% in the first six months of 2001 from 4.8% in the first six months of 2000. The improvement in our gross margin was primarily attributable to the same factors summarized in our discussion of gross margin for the second quarters of 2001 and 2000.

Total SG&A expenses increased 4.2% to $605.5 million in the first six months of 2001 from $580.8 million in the first six months of 2000. As a result of the continued decline in our revenues as discussed above, SG&A expenses as a percentage of net sales increased to 4.6% in the first six months of 2001 from 3.8% in the first six months of 2000. The increase in SG&A expenses was primarily attributable to the same factors summarized in our discussion of SG&A for the second quarters of 2001 and 2000. We continue to pursue and implement business process improvements and organizational changes to create sustained cost reductions without sacrificing customer service over the long-term; however, because of the decline in our sales, SG&A expenses as a percentage of net revenues are expected to remain above 4.0% over the near term.

In the second quarter of 2001, we initiated a reorganization plan primarily in the U.S. and, to a limited extent, in Europe and Other International to streamline operations and reorganize resources to increase flexibility, improve service and maximize cost savings and operational efficiencies. This reorganization plan includes restructuring of several functions, consolidation of facilities, and reductions of headcount. In connection with this plan, we recorded a charge of $19.1 million in the second quarter of 2001 which included $10.1 million in employee termination benefits for approximately 1,600 employees; $8.6 million for closing, downsizing and consolidating certain distribution and returns processing centers, consisting primarily of excess lease costs, net of estimated sublease income and the write-off of related fixed assets; and $0.4 million of other costs associated with the reorganization. We anticipate that these initiatives will be substantially completed by the end of 2001 and that we will save approximately $30 million to $40 million annually after these initiatives are completed. The development of additional initiatives, if any, which may include some or all of our regional operations, may result in further savings, as well as additional reorganization costs.

Income from operations, excluding reorganization costs, decreased as a percentage of net sales to 0.7% in the first six months of 2001 from 1.0% in the first six months of 2000. The decrease in our income from operations, excluding reorganization costs, was primarily attributable to the same factors summarized in our discussion of income from operations, excluding reorganization costs, for the second quarters of 2001 and 2000. U.S. income from operations, excluding reorganization costs, as a percentage of net sales decreased to 1.0% in the first six months of 2001 from 1.2% in the first six months of 2000. European income from operations, excluding reorganization costs, as a percentage of net sales increased to 0.7% in the first six months of 2001 from 0.6% in the first six months of 2000. For Other International operations, loss from operations as a percentage of net sales was less than 0.1% in the first six months of 2001 compared to income from operations of 0.6% in the first six months of 2000. The change from income from operations to loss from operations for our Other International operations was primarily attributable to the same factors summarized in our discussion of income from operations for the second quarters of 2001 and 2000. Income from operations, including reorganization costs, as a percentage of net sales decreased to 0.6% in the first six months of 2001 from 1.0% in the first six months of 2000.

Other expense (income) consisted primarily of interest expense, foreign currency exchange losses, gain on sale of available-for-sale securities and expenses associated with our accounts receivable facilities. For the first six months of 2001, we recorded net other expense of $47.0 million, or 0.4% as a percentage of net sales, as compared to net other income of $58.6 million for the first six months of 2000, or 0.4% as a percentage of net sales in 2000. The income in the first six months of 2000 primarily resulted from our sale of approximately 15% of our original holdings of SOFTBANK Corp., or Softbank, common stock for a pre-tax gain of approximately $111.5 million, net of related costs. No such transaction occurred for the first six months of 2001. Excluding the gain realized on sale of Softbank common stock, our net other expense in the first six months of 2001 decreased by $5.8 million or 11.0% compared to the first six months of 2000. The decrease was primarily attributable to the same factors summarized in our discussion of other expense (income) for the second quarters of 2001 and 2000.

The provision for income taxes decreased 85.7% to $11.3 million in the first six months of 2001 from $78.5 million in the first six months of 2000, reflecting the 86.2% decrease in our income before income taxes. Our effective tax rate was 39.8% in the first six months of 2001 compared to 38.2% in the first six months of 2000. The change in our effective tax rate is primarily attributable to changes in the proportion of income earned and/or benefits allowed for losses within the various taxing jurisdictions and/or tax rates applicable to such taxing jurisdictions.

In the first six months of 2001 and 2000, we repurchased Zero Coupon Convertible Senior Debentures with carrying values of $220.7 million and $66.4 million, respectively, for $225.0 million and $62.7 million in cash, respectively. These repurchases resulted in an extraordinary loss of $2.6 million, net of tax benefits of $1.6 million, for the first six months of 2001 and extraordinary gains of $2.3 million, net of taxes of $1.4 million, for the first six months of 2000.

Table of Contents

Quarterly Data; Seasonality

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

- seasonal variations in the demand for our products and services, such as occurs during the fourth quarter due to holiday shopping;
- competitive conditions in our industry, which may impact the prices charged by suppliers and the prices we charge resellers;
- variations in our levels of excess inventory and doubtful accounts, and changes in the terms of vendor-sponsored programs such as price protection and return rights;
- changes in the level of our operating expenses;
- the impact of acquisitions we may make;
- the introduction by us or our competitors of new products and services offering improved features and functionality;
- the loss or consolidation of one or more of our significant suppliers or customers;
- product supply constraints;
- interest rate fluctuations, which may increase our borrowing costs, and may influence the willingness of customers and end-users to purchase products and services;
- currency fluctuations in countries in which we operate; and
- general economic conditions.

Our narrow operating margins may magnify the impact of these factors on our operating results. Specific historical seasonal variations in our 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.

Liquidity and Capital Resources

Cash Flows

We have financed our growth and cash needs largely through income from operations, borrowings, sales of accounts receivable through established account receivable facilities, trade and supplier credit, our initial public stock offering in November 1996, the issuance of our Zero Coupon Convertible Senior Debentures in June 1998, and the sale of Softbank common stock in December 1999 and January 2000.

One of our continuing objectives is to improve the utilization of working capital and put assets to work through increasing our inventory turns and steady management of our vendor payables and customer receivables. In this regard, we reduced our overall debt level in the second quarter of 2001, thereby lowering our debt-to-capitalization ratio, including off-balance sheet debt, to 28.2% at June 30, 2001 compared to 43.7% and 41.0% at December 30, 2000 and July 1, 2000, respectively. Although we have realized significant improvements in working capital management and debt reduction and we continue to strive for further improvements, no assurance can be made that we will be able to maintain our current debt levels. The following is a detailed discussion of our cash flows for the first six months of 2001 and 2000:

Net cash provided by operating activities was $7.0 million in the first six months of 2001 compared to $281.3 million in the first six months of 2000. The decrease in cash provided by our operating activities was primarily attributable to the decrease in net income and a greater reduction in the amounts sold under our accounts receivable programs, partially offset by a greater decrease in other working capital items primarily resulting from our continued focus on managing working capital and the overall lower volume of business.

Net cash used by investing activities was $44.6 million in the first six months of 2001 compared to net cash provided by investing activities of $58.2 million in the first six months of 2000. The net cash used by investing activities in the first six months of 2001 was primarily due to capital expenditures made during the period. The net cash provided by investing activities during the first six months of 2000 primarily resulted from the sale of available-for-sale securities, which provided cash proceeds of approximately $119.2 million, partially offset by capital expenditures during

the period.

Net cash provided by financing activities was $1.2 million in the first six months of 2001 compared to net cash used by financing activities of $310.6 million in the first six months of 2000. Net cash provided by financing activities in the first six months of 2001 primarily resulted from net borrowings under our revolving credit and other debt facilities offset by the repurchase of convertible debentures for $225.0 million in the second quarter of 2001. Net cash used by financing activities in the first six months of 2000 was primarily due to the repurchase of convertible debentures of $62.7 million and net repayments under the revolving credit facilities of $280.1 million, primarily using the proceeds received from the sale of Softbank common stock, as well as from the continued focus on working capital management.

Capital Resources

We have three revolving senior credit facilities with bank syndicates providing an aggregate credit availability of $1.65 billion. Under these senior credit facilities, we are required to comply with certain financial covenants, including minimum tangible net worth, restrictions on funded debt and interest coverage. The senior credit facilities also restrict the amount of dividends we can pay as well as the amount of common stock that we can repurchase annually. Borrowings are subject to the satisfaction of customary conditions, including the absence of any material adverse change in our business or financial condition. Two of these senior credit facilities, representing $1.15 billion in credit availability, mature in October 2001 while the remaining senior credit facility matures in October 2002. At June 30, 2001 and December 30, 2000, we had $236.2 million and $75.5 million, respectively, in outstanding borrowings under these credit facilities. We continue to evaluate our long-range financing requirements including other alternatives to the senior credit facilities maturing in October 2001; however, we do not presently intend to refinance the full amount of these credit facilities. On August 10, 2001, we received commitments to purchase $200 million of Senior Subordinated Notes due 2008 from qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. We anticipate that this offering will close on or about August 16, 2001 and we intend to use the net proceeds of this offering primarily to reduce borrowings under our revolving senior credit facilities.

We and our foreign subsidiaries have additional lines of credit, commercial paper, short-term overdraft facilities and other senior credit facilities with various financial institutions worldwide, which provide for borrowings aggregating approximately $690 million and $750 million at June 30, 2001 and December 30, 2000, respectively. Most of these arrangements are on an uncommitted basis and are reviewed periodically for renewal. At June 30, 2001 and December 30, 2000, we had $299.4 million and $250.1 million outstanding under these facilities, respectively.

We have an arrangement pursuant to which most of our U.S. trade accounts receivable are transferred without recourse to a trust, which in turn has sold certificates representing undivided interests in the total pool of trade receivables. The trust has issued fixed-rate, medium-term certificates and has the ability to support a commercial paper program. In March 2000, we established a new 5-year accounts receivable securitization program, which provides for the issuance of up to $700 million in commercial paper. Sales of receivables under these programs result in a reduction of total accounts receivable in our consolidated balance sheet. At June 30, 2001 and December 30, 2000, the amount of medium-term certificates outstanding totaled $25.0 million and $50.0 million, respectively, and the amount of commercial paper outstanding under the new program totaled $56.0 million and $650.0 million, respectively.

We also have certain other facilities relating to accounts receivable in Europe and Canada which provide up to approximately $247 million of additional financing capacity. Under these programs, we have sold approximately $118.4 million and $210.2 million of trade accounts receivable in the aggregate at June 30, 2001 and December 30, 2000, respectively, resulting in a further reduction of trade accounts receivable in our consolidated balance sheet.

The aggregate amount of trade accounts receivable sold as of June 30, 2001 and December 30, 2000 totaled approximately $199.4 million and $910.2 million, respectively. Proceeds from these accounts receivable facilities are generally used to reduce existing indebtedness. We believe that available funding under our accounts receivable financing programs provides us increased flexibility to make incremental investments in strategic growth initiatives and to manage working capital requirements, and that there are sufficient trade accounts receivable to support the U.S., European and Canadian accounts receivable financing programs.

On June 9, 1998, we sold $1.33 billion aggregate principal amount at maturity of our Zero Coupon Convertible Senior Debentures due 2018 in a private placement. The debentures are convertible into shares of our Class A Common Stock at a rate of 5.495 shares per $1,000 principal amount at maturity, subject to adjustment under certain circumstances and were sold with a yield to maturity of 5.375%. In June 2001, at the option of the holders, we repurchased more than

99% of our outstanding Zero Coupon Convertible Senior Debentures with a total carrying value of $220.8 million for $225.0 million in cash, resulting in an extraordinary loss of $2.6 million, net of tax benefits of $1.6 million. In the first six months of 2000, we repurchased debentures with carrying values of $66.4 million for $62.7 million in cash, resulting in an extraordinary gain of $2.3 million, net of taxes of $1.4 million. At June 30, 2001, our remaining debentures had an outstanding balance of $0.4 million and were convertible into approximately 5,000 shares of our Class A Common Stock.

Proceeds from our stock option exercises provide us an additional source of cash. For the first six months of 2001 and 2000, cash proceeds from the exercise of stock options, including the applicable tax benefits, totaled $10.5 million and $7.5 million, respectively.

We believe that existing cash resources and cash provided by operating activities, supplemented as necessary with funds available under our credit arrangements, will provide sufficient resources to meet our present and future working capital and cash requirements for at least the next 12 months.

Capital Expenditures

We presently expect to spend approximately $110 million in fiscal 2001 for capital expenditures.

Euro Conversion

On January 1, 1999, a single currency called the euro was introduced in Europe. Twelve of the 15 member countries of the European Union adopted the euro as their common legal currency. Fixed conversion rates between these participating countries' existing currencies (the "legacy currencies") and the euro were established. The legacy currencies are scheduled to remain legal tender as denominations of the euro until at least January 1, 2002 (but not later than September 30, 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. We have 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 our customers and vendors to accommodate euro-denominated transactions on a timely basis. Since the implementation of the euro on January 1, 1999, we have experienced improved efficiencies in our cash management program in Europe as all intracompany transactions within participating countries are conducted in euros. In addition, we have reduced hedging activities in Europe for transactions conducted between euro participating countries. Since our information systems and processes generally accommodate multiple currencies, we anticipate that modifications to our information systems, equipment and processes will be made on a timely basis and do not expect any failures which would have a material adverse effect on our financial position or results of operations or that the costs of such modifications will have a material effect on our financial position or results of operations.

New Accounting Standards

The Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") as amended by Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities — an amendment of FASB No. 133" on December 31, 2000. As amended, FAS 133 requires that an entity recognize all derivatives as assets or liabilities in the statement of financial position and measure those instruments at fair value. The estimated fair value of derivative financial instruments represents the amount required to enter into similar offsetting contracts with similar remaining maturities based on quoted market prices. For derivatives designated as hedges, changes in the fair value of these

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derivatives are recorded each period in current earnings or other comprehensive income, depending on the type of hedge transaction. Changes in the fair value of derivatives that are not designated as hedges are recorded in current earnings. The Company currently has no derivatives that are accounted for as hedges. The adoption of FAS 133 did not have a material impact on the Company's reported consolidated financial condition or results of operations.

In September 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities — a replacement of FASB Statement No. 125" ("FAS 140"). FAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral. The accounting standards of FAS 140 are effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The adoption of FAS 140 did not have a material impact on the Company's reported consolidated financial condition or results of operation.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("FAS 141"), and No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). FAS 141 eliminates the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001 and further clarifies the criteria to recognize intangible assets separately from goodwill. FAS 142 primarily addresses financial accounting and reporting for goodwill and other intangible assets. The provisions of FAS 142 are required to be applied to all goodwill and other intangible assets recognized in the Company's consolidated financial statements at the beginning of fiscal 2002. The Company is currently assessing the impact that the adoption of these statements will have on its reported consolidated financial position and results of operations.

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

The matters in this Form 10-Q that are forward-looking statements are based on expectations that involve certain risks, including without limitation: intense competition; continued pricing and margin pressures; failure to adjust costs in response to a sudden decrease in demand; the continuation or worsening of current poor economic conditions; the potential decline in, as well as seasonal variations in demand for, our products and services, unavailability of adequate capital; management of growth; the potential for declines in inventory values, including as a result of rapid product improvement and technological change and resulting obsolescence risks, and continued restrictive vendor terms and conditions; failure of information systems; interest rate and foreign currency fluctuations; impact of governmental controls and political or economic instability on foreign operations; changes in local, regional, and global economic conditions and practices;

dependence on key individuals; product supply shortages; the potential termination of a supply agreement with a major supplier; acquisitions; exposure to reseller credit risk; dependence on independent shipping companies; and changes in terms of subsidized floor plan financing.

We have instituted and continue to institute changes to our strategies, operations and processes to address these risk factors and to mitigate their impact on our results of operations and financial condition. However, no assurances can be given that we will be successful in these efforts. For a further discussion of these and other significant factors to consider in connection with forward-looking statements concerning us, reference is made to Exhibit 99.01 filed with this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001; other risks or uncertainties may be detailed from time to time in our future SEC filings.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Table of Contents

Part II. Other Information

Item 1. Legal Proceedings

Not applicable.

Item 2. Changes in Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

a) The Annual Meeting of the Shareowners was held on June 1, 2001.

b) One matter submitted for a vote at the Annual Meeting was the election of eight directors (constituting the entire Board of Directors). The following table lists the individuals and the number of votes cast for, against or withheld, as well as the number of abstentions and broker non-votes for each such individual elected to the Board of Directors for staggered terms of one, two or three years set to expire at the annual meeting of shareowners in the year indicated below.

Nominee		Number of Votes
Kent B. Foster	For	737,445,599
(term expiring in 2002)	Withheld/Against	7,368,300
	Abstentions	0
	Broker Non-Votes	0
Martha R. Ingram	For	737,473,568
(term expiring in 2002)	Withheld/Against	7,340,331
	Abstentions	0
	Broker Non-Votes	0
John R. Ingram	For	742,679,938
(term expiring in 2003)	Withheld/Against	2,133,961
	Abstentions	0
	Broker Non-Votes	0
Dale R. Laurance	For	742,794,858
(term expiring in 2003)	Withheld/Against	2,019,041
	Abstentions	0
	Broker Non-Votes	0
Gerhard Schulmeyer	For	732,403,448
(term expiring in 2003)	Withheld/Against	13,410,451
	Abstentions	0
	Broker Non-Votes	0
Orrin H. Ingram	For	738,110,100
(term expiring in 2004)	Withheld/Against	6,703,799
	Abstentions	0
	Broker Non-Votes	0

Table of Contents

Nominee		Number of Votes
Michael T. Smith (term expiring in 2004)	For	743,797,292
	Withheld/Against	2,016,607
	Abstentions	0
	Broker Non-Votes	0
Joe B. Wyatt (term expiring in 2004)	For	742,678,639
	Withheld/Against	2,135,260
	Abstentions	0
	Broker Non-Votes	0

Also, at the 2001 Annual Meeting of Shareowners, our shareowners approved amendments to Ingram Micro's Certificate of Incorporation to provide for (1) a classified Board of Directors and (2) a supermajority vote requirement to amend provisions relating to such classified Board of Directors. The following table lists the number of votes cast for, against or withheld, as well as the number of abstentions and broker non-votes.

Item		Number of Votes
Amendments to Certificate of Incorporation to provide for (1) a classified Board and (2) a supermajority vote requirement to amend such provisions	For	701,472,971
	Withheld/Against	30,860,937
	Abstentions	101,270
	Broker Non-Votes	12,378,721

In addition, at the 2001 Annual Meeting of Shareowners, our shareowners approved an amendment to Ingram Micro's Certificate of Incorporation to increase the number of authorized shares of Class A common stock to 500 million and the number of authorized shares of preferred stock to 25 million. The following table lists the number of votes cast for, against or withheld, as well as the number of abstentions and broker non-votes.

Item		Number of Votes
Amendment to Certificate of Incorporation to increase the number of authorized shares of Class A common stock and preferred stock	For	702,125,671
	Withheld/Against	30,042,115
	Abstentions	80,392
	Broker Non-Votes	12,565,721

Item 5. Other Information

On July 23, 2001, Thomas A. Madden joined Ingram Micro as executive vice president and chief financial officer.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

No.	Description
10.01	2001 Executive Retention Plan.
10.02	2001 Executive Retention Plan Agreement with Guy Abramo.
10.03	2001 Executive Retention Plan Agreement with Kevin M. Murai.
10.04	2001 Executive Retention Plan Agreement with Gregory M.E. Spierkel.
99.01	Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995.

Table of Contents

b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K on May 1, 2001 in connection with the issuance of its press release announcing financial results for the thirteen weeks ended March 31, 2001. The Company also filed a Current Report on Form 8-K on June 13, 2001 in connection with its press release announcing an adjustment to the Company's financial outlook for the second quarter of 2001.

Signatures

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

INGRAM MICRO INC.

By: /s/ Michael J. Grainger

Name: Michael J. Grainger
Title: President and Chief Operating Officer
(Principal Financial Officer and Principal Accounting Officer prior to July 23, 2001)

By: /s/ Thomas A. Madden

Name: Thomas A. Madden
Title: Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer since July 23, 2001)

August 14, 2001

Table of Contents

EXHIBIT INDEX

No.	Description
10.01	2001 Executive Retention Plan.
10.02	2001 Executive Retention Plan Agreement with Guy Abramo.
10.03	2001 Executive Retention Plan Agreement with Kevin M. Murai.
10.04	2001 Executive Retention Plan Agreement with Gregory M.E. Spierkel.
99.01	Cautionary Statements for Purposes of the “Safe Harbor” Provisions of the Private Securities Litigation Reform Act of 1995.

EXHIBIT 10.1

INGRAM MICRO INC.
2001 EXECUTIVE RETENTION PLAN

SECTION 1. PURPOSE. The purpose of the Ingram Micro Inc. 2001 Executive Retention Plan is to promote the interests of Ingram Micro Inc. and its shareowners by attracting and retaining exceptional executive personnel and other key employees of Ingram and its Affiliates, as defined below.

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 Ingram and (ii) any other entity in which Ingram has a significant equity interest or which has a significant equity interest in Ingram, in either case as determined by the Committee.

"AWARD" means any right granted under Section 5 of the Plan.

"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 Ingram.

"COMMITTEE" means a committee of the Board designated by the Board to administer the Plan. 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.

"DISABILITY" shall have the meaning determined from time to time by the Committee.

"EMPLOYEE" means an employee of Ingram or any Affiliate.

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

"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).

"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. 2001 Executive Retention Plan.

"SUBSTITUTE AWARDS" means Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by Ingram or with which Ingram 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 Ingram, 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: designate Participants; determine the terms and conditions of any Award and Award Agreement; determine whether, to what extent, and under what circumstances Awards may be settled, canceled, forfeited, or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited, or suspended; determine whether, to what extent, and under what circumstances cash, 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; interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; 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; make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan; and adopt and administer one or more Sub-Plans.

(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 Ingram, any Affiliate, any Participant, any holder or beneficiary of any Award, any shareholder and any Employee or beneficiary of any Employee.

SECTION 4. ELIGIBILITY. Any Employee shall be eligible to be designated a Participant.

SECTION 5. AWARDS.

(a) GRANT. Subject to the provisions of the Plan and contractual provisions affecting Ingram, the Committee shall have sole and complete authority to determine the Employees who shall receive an Award, which shall consist of a right which is denominated in cash, valued, as determined by the Committee, in accordance with the achievement of such performance, longevity or other goals during such performance periods as the Committee shall establish, and 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 Ingram and any applicable Award Agreement, the Committee shall determine the goals to be achieved during any performance period, the length of any performance period, the amount of any Award and the amount and kind of any payment or transfer to be made pursuant to any Award.

(c) PAYMENT OF AWARDS. 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 6. TERMINATION OR SUSPENSION OF EMPLOYMENT OR SERVICE. 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 such Participant ceases to perform services for Ingram or any Affiliate without regard to whether such Participant continues thereafter to receive any compensatory payments therefrom or is paid salary thereby in lieu of notice of termination.

SECTION 7. MERGER. In the event of a merger of Ingram with or into another corporation, each outstanding Award shall be assumed or an equivalent award shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation.

SECTION 8. AMENDMENT AND TERMINATION.

(a) AMENDMENTS TO THE PLAN. The Board or the Committee 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.

(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.

SECTION 9. GENERAL PROVISIONS.

(a) NONTRANSFERABILITY. 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.

(b) 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.

(c) WITHHOLDING. A Participant may be required to pay to Ingram or any Affiliate, and Ingram 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 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 Ingram 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.

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

(e) NO LIMIT ON OTHER COMPENSATION ARRANGEMENTS. Nothing contained in the Plan shall prevent Ingram or any Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of the 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.

(f) 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 Ingram or any Affiliate. Further, Ingram 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.

(g) 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.

(h) 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.

(i) 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 Ingram or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from Ingram or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of Ingram or any Affiliate.

(j) 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.

(k) 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 10. TERM OF THE PLAN.

(a) EFFECTIVE DATE. The Plan shall be effective as of April 10, 2001.

(b) EXPIRATION DATE. No Award shall be granted under the Plan after December 31, 2002. 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 10.2

INGRAM MICRO INC.
2001 EXECUTIVE RETENTION PLAN

AWARD AGREEMENT

This Award Agreement sets forth the terms and conditions of an Award granted pursuant to the Ingram Micro Inc. 2001 Executive Retention Plan (the "Plan") to Guy P. Abramo ("Participant"). Capitalized terms not otherwise defined in this Award Agreement shall have the meanings provided in the Plan.

SECTION 1. DATE OF AWARD. The date of the Award is April 10, 2001.

SECTION 2. REQUIRED PERFORMANCE.

(a) In the event that Participant is employed by Ingram or one of its Affiliates on March 1, 2006, and has been continuously employed by Ingram and or one or more of its Affiliates throughout such period, Participant shall be entitled to a lump sum cash retention payment in the amount specified in Section 3 below.

(b) Participant shall not be entitled to receive any payment under this Award Agreement if his employment with Ingram and its Affiliates terminates at any time prior to March 1, 2006 as a result of Participant's resignation for any reason other than his Disability.

(c) Participant shall not be entitled to receive any payment under this Award Agreement if his employment with Ingram or any of its Affiliates is terminated by Ingram or any of its Affiliates at any time prior to March 1, 2006 for: (1) Cause, or (2) Participant's refusal to accept a transfer of his principal office location to Ingram's then corporate headquarters or any of its then regional headquarters.

(d) Unless payment is precluded as specified under Sections 2(b) or (c) above, if Participant's employment with Ingram and its Affiliates is terminated prior to March 1, 2006 and such termination is: (1) initiated by Ingram or any of its Affiliates, or (2) the result of Participant's death or Disability, Participant shall be entitled to receive a prorated portion of the target payment amount specified in Section 3 below calculated by multiplying such target payment by a fraction, the numerator of which is the number of days elapsed from and including the date of the Award and ending on the date of such termination and the denominator of which is 1,786. A change in Participant's duties or a change in Participant's employer to another entity among Ingram and its Affiliates shall not be deemed a termination of employment initiated by Ingram or any of its Affiliates.

(e) As used herein, the term "Cause" means the occurrence of any one or more of the following:

(1) A demonstrably willful and deliberate act by Participant (other than as a result of incapacity due to physical or mental illness) which is committed in bad faith, without reasonable belief that such action or inaction is in the best interests of Ingram, and which act or inaction is not remedied within 15 business days of written notice from Ingram,

(2) Participant's gross negligence in the performance of Participant's employment duties with Ingram or any of its Affiliates, or

(3) Participant's conviction for committing an act of fraud, embezzlement, theft, or any other act constituting a felony involving moral turpitude.

Notwithstanding the foregoing, Participant shall not be deemed to have been terminated for the reason set forth in clause (1) or (2) of this definition unless and until there shall have been delivered to Participant a copy of a resolution duly adopted by the affirmative vote (which cannot be delegated) of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (and after reasonable notice to Participant and an opportunity for Participant, together with Participant's counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Participant is guilty of conduct set forth above in such clauses (1) or (2) of this definition and specifying the particulars thereof in detail.

SECTION 3. TARGET PAYMENT. The target payment is Two Million Five Hundred Thousand Dollars (U.S.$2,500,000).

SECTION 4. AMENDMENTS. This Award may be amended as provided in the Plan.

SECTION 5. PLAN. This Award is subject to all the terms of the Plan, a copy of which has been received by Participant.

SECTION 6. ACKNOWLEDGEMENTS.

(a) GENERAL. By accepting the grant of the Award evidenced hereby, Participant acknowledges that: (1) the Plan is discretionary in nature and may be amended, suspended or terminated by Ingram at any time, (2) the grant of the Award is a one-time benefit which does not create any contractual or other right to receive future Awards, or benefits in lieu of Awards, (3) all determinations with respect to any such future Awards, including, but not limited to, the times when Awards shall be granted and the terms thereof, will be at the sole discretion of Ingram, (4) Participant's participation in the Plan shall not create a right to further employment with Ingram or any of its Affiliates and shall not interfere with the ability of Ingram or any of its Affiliates to change the terms of Participant's employment or the nature or responsibilities of his position, or terminate Participant's employment relationship at any time with or without cause, (5) Participant's participation in the Plan is voluntary, (6) the value of the Award is an extraordinary item of compensation which is outside the scope of Participant's employment contract, if any, and (7) the Award is not part of normal or expected compensation for purposes of calculating any termination, severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(b) TAX REPORTING AND PAYMENT LIABILITY. Ingram will review from time to time its requirements and obligations regarding tax, social insurance and any other payroll tax ("TAX-RELATED ITEMS") withholding and reporting in connection with the Award. These requirements may change from time to time as laws or interpretations change. Regardless of Ingram's actions in this regard, Participant hereby acknowledges and agrees that the ultimate liability for any and all tax-related items is and remains his responsibility and liability and that Ingram: (1) makes no representations or undertakings regarding treatment of any tax-related items in connection with any aspect of his participation in the Plan, and (2) has no obligation to structure the terms of the Award or any aspect of his participation in the Plan to reduce or eliminate his liability regarding tax-related items.

(c) DATA PRIVACY CONSENT. As a condition of the grant of the Award, Participant consents to the collection, use, processing and transfer of personal data as described in this paragraph. Participant understands that Ingram and its Affiliates hold certain personal information about him, including his name, home address and telephone number, date of birth, social security number or identification number, salary, nationality, job title, any shares of Ingram stock or Ingram directorships held, details of all options or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in his favor, for the purpose of managing and administering the Plan ("DATA"). Participant further understands that Ingram and/or its Affiliates will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of his participation in the Plan, and that Ingram and/or any of its Affiliates may each further transfer Data to any third parties assisting Ingram in the implementation, administration and management of the Plan. Participant understands that these recipients may be located in the European Economic Area, or elsewhere, such as the United States. Participant authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan. Participant understands that he may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting his local Human Resources Department representative. Withdrawal of consent may, however, affect his ability to realize benefits from the Award.

SECTION 7. GENERAL.

(a) NOTICES. Any notice required to be delivered hereunder shall be in writing and shall be addressed

if to Ingram, to:

Ingram Micro Inc.
1600 East St. Andrew Place
Santa Ana, California 92705

Attn: General Counsel
Fax: (714) 566-9370

if to Participant, to Participant's last known address as reflected in Ingram's books and records

or such other address as such party may hereafter specify for the purpose by written notice to the other party hereto. Any such notice shall be deemed received on the date of receipt by the recipient thereof if received prior to 5p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice shall be deemed not to have been received until the next succeeding business day in the place of receipt.

(b) LEGAL FEES AND EXPENSES. Ingram shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are reasonably incurred by Participant as a result of (1) Ingram's improper refusal to pay the amounts payable in accordance herewith, (2) Ingram contesting the validity, enforceability, or interpretation of this Agreement, (3) any conflict between the parties pertaining to this Agreement, or (4) Participant's pursuing in good faith any claim under Section 7 (i) hereof.

(c) ARBITRATION. Participant shall have the right and option to elect (in lieu of litigation) to have any dispute or controversy arising under or in connection with this Agreement settled by arbitration, conducted before a panel of three arbitrators sitting in a location selected by Participant within 50 miles from the location of Participant's principal place of employment with Ingram, in accordance with the rules of the American Arbitration Association then in effect. Participant's election to arbitrate, as herein provided, and the decision of the arbitrators in that proceeding, shall be binding on Ingram and Participant. Judgement may be entered on the award of the arbitrator in any court having jurisdiction. All expenses of such arbitration shall be borne by Ingram to the extent they would have been borne by Ingram as provided in Section 7(b) hereof if such dispute or controversy had been resolved by litigation.

(d) UNFUNDED AGREEMENT. The obligations of Ingram under this Agreement represent an unsecured, unfunded promise to pay benefits to Participant and/or Participant's beneficiaries, and shall not entitle Participant or such beneficiaries to a preferential claim to any asset of Ingram.

(e) NO SET-OFF. Ingram's obligations to make all payments and honor all commitments under this Agreement shall be absolute and unconditional and shall not be affected by any circumstances including, without limitation, any set-off, counterclaim, recoupment, defense or other right which Ingram or any Affiliate may have against Participant.

(f) ENTIRE AGREEMENT. This Agreement represents the entire agreement between the Participant and Ingram and its Affiliates with respect to the Award, and supersedes all prior discussions, negotiations, and agreements concerning such rights.

(g) GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without reference to principles of conflict of laws.

(h) COUNTERPARTS. This Agreement may be signed in several counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were on the same instrument.

(i) CLAIM REVIEW PROCEDURE. If Participant is denied benefits under this Agreement, Participant may request, in writing, a review of the denial by Ingram or its designee within 60 days of receiving written notice of the denial. Ingram shall respond in writing to a written request for review within 90 days of receipt of such request. Neither the claim procedure set forth in this Section 7(i) nor Participant's failure to adhere to such procedure shall derogate from Participant's right to enforce this Agreement through legal action, including arbitration as provided in Section 7(c).

PARTICIPANT	INGRAM MICRO INC.
/s/ GUY P. ABRAMO	By: /s/ KENT B. FOSTER
	Title: Chairman and Chief Executive Officer

EXHIBIT 10.3

INGRAM MICRO INC.
2001 EXECUTIVE RETENTION PLAN

AWARD AGREEMENT

This Award Agreement sets forth the terms and conditions of an Award granted pursuant to the Ingram Micro Inc. 2001 Executive Retention Plan (the "Plan") to Kevin M. Murai ("Participant"). Capitalized terms not otherwise defined in this Award Agreement shall have the meanings provided in the Plan.

SECTION 1. DATE OF AWARD. The date of the Award is April 10, 2001.

SECTION 2. REQUIRED PERFORMANCE.

(a) In the event that Participant is employed by Ingram or one of its Affiliates on March 1, 2006, and has been continuously employed by Ingram and or one or more of its Affiliates throughout such period, Participant shall be entitled to a lump sum cash retention payment in the amount specified in Section 3 below.

(b) Participant shall not be entitled to receive any payment under this Award Agreement if his employment with Ingram and its Affiliates terminates at any time prior to March 1, 2006 as a result of Participant's resignation for any reason other than his Disability.

(c) Participant shall not be entitled to receive any payment under this Award Agreement if his employment with Ingram or any of its Affiliates is terminated by Ingram or any of its Affiliates at any time prior to March 1, 2006 for: (1) Cause, or (2) Participant's refusal to accept a transfer of his principal office location to Ingram's then corporate headquarters or any of its then regional headquarters.

(d) Unless payment is precluded as specified under Sections 2(b) or (c) above, if Participant's employment with Ingram and its Affiliates is terminated prior to March 1, 2006 and such termination is: (1) initiated by Ingram or any of its Affiliates, or (2) the result of Participant's death or Disability, Participant shall be entitled to receive a prorated portion of the target payment amount specified in Section 3 below calculated by multiplying such target payment by a fraction, the numerator of which is the number of days elapsed from and including the date of the Award and ending on the date of such termination and the denominator of which is 1,786. A change in Participant's duties or a change in Participant's employer to another entity among Ingram and its Affiliates shall not be deemed a termination of employment initiated by Ingram or any of its Affiliates.

(e) As used herein, the term "Cause" means the occurrence of any one or more of the following:

(1) A demonstrably willful and deliberate act by Participant (other than as a result of incapacity due to physical or mental illness) which is committed in bad faith, without reasonable belief that such action or inaction is in the best interests of Ingram, and which act or inaction is not remedied within 15 business days of written notice from Ingram,

(2) Participant's gross negligence in the performance of Participant's employment duties with Ingram or any of its Affiliates, or

(3) Participant's conviction for committing an act of fraud, embezzlement, theft, or any other act constituting a felony involving moral turpitude.

Notwithstanding the foregoing, Participant shall not be deemed to have been terminated for the reason set forth in clause (1) or (2) of this definition unless and until there shall have been delivered to Participant a copy of a resolution duly adopted by the affirmative vote (which cannot be delegated) of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (and after reasonable notice to Participant and an opportunity for Participant, together with Participant's counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Participant is guilty of conduct set forth above in such clauses (1) or (2) of this definition and specifying the particulars thereof in detail.

SECTION 3. TARGET PAYMENT. The target payment is Two Million Five Hundred Thousand Dollars (U.S.$2,500,000).

SECTION 4. AMENDMENTS. This Award may be amended as provided in the Plan.

SECTION 5. PLAN. This Award is subject to all the terms of the Plan, a copy of which has been received by Participant.

SECTION 6. ACKNOWLEDGEMENTS.

(a) GENERAL. By accepting the grant of the Award evidenced hereby, Participant acknowledges that: (1) the Plan is discretionary in nature and may be amended, suspended or terminated by Ingram at any time, (2) the grant of the Award is a one-time benefit which does not create any contractual or other right to receive future Awards, or benefits in lieu of Awards, (3) all determinations with respect to any such future Awards, including, but not limited to, the times when Awards shall be granted and the terms thereof, will be at the sole discretion of Ingram, (4) Participant's participation in the Plan shall not create a right to further employment with Ingram or any of its Affiliates and shall not interfere with the ability of Ingram or any of its Affiliates to change the terms of Participant's employment or the nature or responsibilities of his position, or terminate Participant's employment relationship at any time with or without cause, (5) Participant's participation in the Plan is voluntary, (6) the value of the Award is an extraordinary item of compensation which is outside the scope of Participant's employment contract, if any, and (7) the Award is not part of normal or expected compensation for purposes of calculating any termination, severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(b) TAX REPORTING AND PAYMENT LIABILITY. Ingram will review from time to time its requirements and obligations regarding tax, social insurance and any other payroll tax ("TAX-RELATED ITEMS") withholding and reporting in connection with the Award. These requirements may change from time to time as laws or interpretations change. Regardless of Ingram's actions in this regard, Participant hereby acknowledges and agrees that the ultimate liability for any and all tax-related items is and remains his responsibility and liability and that Ingram: (1) makes no representations or undertakings regarding treatment of any tax-related items in connection with any aspect of his participation in the Plan, and (2) has no obligation to structure the terms of the Award or any aspect of his participation in the Plan to reduce or eliminate his liability regarding tax-related items.

(c) DATA PRIVACY CONSENT. As a condition of the grant of the Award, Participant consents to the collection, use, processing and transfer of personal data as described in this paragraph. Participant understands that Ingram and its Affiliates hold certain personal information about him, including his name, home address and telephone number, date of birth, social security number or identification number, salary, nationality, job title, any shares of Ingram stock or Ingram directorships held, details of all options or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in his favor, for the purpose of managing and administering the Plan ("DATA"). Participant further understands that Ingram and/or its Affiliates will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of his participation in the Plan, and that Ingram and/or any of its Affiliates may each further transfer Data to any third parties assisting Ingram in the implementation, administration and management of the Plan. Participant understands that these recipients may be located in the European Economic Area, or elsewhere, such as the United States. Participant authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan. Participant understands that he may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting his local Human Resources Department representative. Withdrawal of consent may, however, affect his ability to realize benefits from the Award.

SECTION 7. GENERAL.

(a) NOTICES. Any notice required to be delivered hereunder shall be in writing and shall be addressed

if to Ingram, to:

Ingram Micro Inc.
1600 East St. Andrew Place
Santa Ana, California 92705

Attn: General Counsel
Fax: (714) 566-9370

if to Participant, to Participant's last known address as reflected in Ingram's books and records

or such other address as such party may hereafter specify for the purpose by written notice to the other party hereto. Any such notice shall be deemed received on the date of receipt by the recipient thereof if received prior to 5p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice shall be deemed not to have been received until the next succeeding business day in the place of receipt.

(b) LEGAL FEES AND EXPENSES. Ingram shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are reasonably incurred by Participant as a result of (1) Ingram's improper refusal to pay the amounts payable in accordance herewith, (2) Ingram contesting the validity, enforceability, or interpretation of this Agreement, (3) any conflict between the parties pertaining to this Agreement, or (4) Participant's pursuing in good faith any claim under Section 7 (i) hereof.

(c) ARBITRATION. Participant shall have the right and option to elect (in lieu of litigation) to have any dispute or controversy arising under or in connection with this Agreement settled by arbitration, conducted before a panel of three arbitrators sitting in a location selected by Participant within 50 miles from the location of Participant's principal place of employment with Ingram, in accordance with the rules of the American Arbitration Association then in effect. Participant's election to arbitrate, as herein provided, and the decision of the arbitrators in that proceeding, shall be binding on Ingram and Participant. Judgement may be entered on the award of the arbitrator in any court having jurisdiction. All expenses of such arbitration shall be borne by Ingram to the extent they would have been borne by Ingram as provided in Section 7(b) hereof if such dispute or controversy had been resolved by litigation.

(d) UNFUNDED AGREEMENT. The obligations of Ingram under this Agreement represent an unsecured, unfunded promise to pay benefits to Participant and/or Participant's beneficiaries, and shall not entitle Participant or such beneficiaries to a preferential claim to any asset of Ingram.

(e) NO SET-OFF. Ingram's obligations to make all payments and honor all commitments under this Agreement shall be absolute and unconditional and shall not be affected by any circumstances including, without limitation, any set-off, counterclaim, recoupment, defense or other right which Ingram or any Affiliate may have against Participant.

(f) ENTIRE AGREEMENT. This Agreement represents the entire agreement between the Participant and Ingram and its Affiliates with respect to the Award, and supersedes all prior discussions, negotiations, and agreements concerning such rights.

(g) GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without reference to principles of conflict of laws.

(h) COUNTERPARTS. This Agreement may be signed in several counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were on the same instrument.

(i) CLAIM REVIEW PROCEDURE. If Participant is denied benefits under this Agreement, Participant may request, in writing, a review of the denial by Ingram or its designee within 60 days of receiving written notice of the denial. Ingram shall respond in writing to a written request for review within 90 days of receipt of such request. Neither the claim procedure set forth in this Section 7(i) nor Participant's failure to adhere to such procedure shall derogate from Participant's right to enforce this Agreement through legal action, including arbitration as provided in Section 7(c).

PARTICIPANT	INGRAM MICRO INC.
/s/ KEVIN M. MURAI	By: /s/ MICHAEL J. GRAINGER
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	Title: President, Chief Operating Officer and Chief Financial Officer
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EXHIBIT 10.4

INGRAM MICRO INC.
2001 EXECUTIVE RETENTION PLAN

AWARD AGREEMENT

This Award Agreement sets forth the terms and conditions of an Award granted pursuant to the Ingram Micro Inc. 2001 Executive Retention Plan (the "Plan") to Gregory M.E. Spierkel ("Participant"). Capitalized terms not otherwise defined in this Award Agreement shall have the meanings provided in the Plan.

SECTION 1. DATE OF AWARD. The date of the Award is April 10, 2001.

SECTION 2. REQUIRED PERFORMANCE.

(a) In the event that Participant is employed by Ingram or one of its Affiliates on March 1, 2006, and has been continuously employed by Ingram and or one or more of its Affiliates throughout such period, Participant shall be entitled to a lump sum cash retention payment in the amount specified in Section 3 below.

(b) Participant shall not be entitled to receive any payment under this Award Agreement if his employment with Ingram and its Affiliates terminates at any time prior to March 1, 2006 as a result of Participant's resignation for any reason other than his Disability.

(c) Participant shall not be entitled to receive any payment under this Award Agreement if his employment with Ingram or any of its Affiliates is terminated by Ingram or any of its Affiliates at any time prior to March 1, 2006 for: (1) Cause, or (2) Participant's refusal to accept a transfer of his principal office location to Ingram's then corporate headquarters or any of its then regional headquarters.

(d) Unless payment is precluded as specified under Sections 2(b) or (c) above, if Participant's employment with Ingram and its Affiliates is terminated prior to March 1, 2006 and such termination is: (1) initiated by Ingram or any of its Affiliates, or (2) the result of Participant's death or Disability, Participant shall be entitled to receive a prorated portion of the target payment amount specified in Section 3 below calculated by multiplying such target payment by a fraction, the numerator of which is the number of days elapsed from and including the date of the Award and ending on the date of such termination and the denominator of which is 1,786. A change in Participant's duties or a change in Participant's employer to another entity among Ingram and its Affiliates shall not be deemed a termination of employment initiated by Ingram or any of its Affiliates.

(e) As used herein, the term "Cause" means the occurrence of any one or more of the following:

(1) A demonstrably willful and deliberate act by Participant (other than as a result of incapacity due to physical or mental illness) which is committed in bad faith, without reasonable belief that such action or inaction is in the best interests of Ingram, and which act or inaction is not remedied within 15 business days of written notice from Ingram,

(2) Participant's gross negligence in the performance of Participant's employment duties with Ingram or any of its Affiliates, or

(3) Participant's conviction for committing an act of fraud, embezzlement, theft, or any other act constituting a felony involving moral turpitude.

Notwithstanding the foregoing, Participant shall not be deemed to have been terminated for the reason set forth in clause (1) or (2) of this definition unless and until there shall have been delivered to Participant a copy of a resolution duly adopted by the affirmative vote (which cannot be delegated) of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (and after reasonable notice to Participant and an opportunity for Participant, together with Participant's counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Participant is guilty of conduct set forth above in such clauses (1) or (2) of this definition and specifying the particulars thereof in detail.

SECTION 3. TARGET PAYMENT. The target payment is Two Million Five Hundred Thousand Dollars (U.S.$2,500,000).

SECTION 4. AMENDMENTS. This Award may be amended as provided in the Plan.

SECTION 5. PLAN. This Award is subject to all the terms of the Plan, a copy of which has been received by Participant.

SECTION 6. ACKNOWLEDGEMENTS.

(a) GENERAL. By accepting the grant of the Award evidenced hereby, Participant acknowledges that: (1) the Plan is discretionary in nature and may be amended, suspended or terminated by Ingram at any time, (2) the grant of the Award is a one-time benefit which does not create any contractual or other right to receive future Awards, or benefits in lieu of Awards, (3) all determinations with respect to any such future Awards, including, but not limited to, the times when Awards shall be granted and the terms thereof, will be at the sole discretion of Ingram, (4) Participant's participation in the Plan shall not create a right to further employment with Ingram or any of its Affiliates and shall not interfere with the ability of Ingram or any of its Affiliates to change the terms of Participant's employment or the nature or responsibilities of his position, or terminate Participant's employment relationship at any time with or without cause, (5) Participant's participation in the Plan is voluntary, (6) the value of the Award is an extraordinary item of compensation which is outside the scope of Participant's employment contract, if any, and (7) the Award is not part of normal or expected compensation for purposes of calculating any termination, severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(b) TAX REPORTING AND PAYMENT LIABILITY. Ingram will review from time to time its requirements and obligations regarding tax, social insurance and any other payroll tax ("TAX-RELATED ITEMS") withholding and reporting in connection with the Award. These requirements may change from time to time as laws or interpretations change. Regardless of Ingram's actions in this regard, Participant hereby acknowledges and agrees that the ultimate liability for any and all tax-related items is and remains his responsibility and liability and that Ingram: (1) makes no representations or undertakings regarding treatment of any tax-related items in connection with any aspect of his participation in the Plan, and (2) has no obligation to structure the terms of the Award or any aspect of his participation in the Plan to reduce or eliminate his liability regarding tax-related items.

(c) DATA PRIVACY CONSENT. As a condition of the grant of the Award, Participant consents to the collection, use, processing and transfer of personal data as described in this paragraph. Participant understands that Ingram and its Affiliates hold certain personal information about him, including his name, home address and telephone number, date of birth, social security number or identification number, salary, nationality, job title, any shares of Ingram stock or Ingram directorships held, details of all options or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in his favor, for the purpose of managing and administering the Plan ("DATA"). Participant further understands that Ingram and/or its Affiliates will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of his participation in the Plan, and that Ingram and/or any of its Affiliates may each further transfer Data to any third parties assisting Ingram in the implementation, administration and management of the Plan. Participant understands that these recipients may be located in the European Economic Area, or elsewhere, such as the United States. Participant authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan. Participant understands that he may, at any time, review Data, require any necessary amendments to it or withdraw the consents herein in writing by contacting his local Human Resources Department representative. Withdrawal of consent may, however, affect his ability to realize benefits from the Award.

SECTION 7. GENERAL.

(a) NOTICES. Any notice required to be delivered hereunder shall be in writing and shall be addressed

if to Ingram, to:

Ingram Micro Inc.
1600 East St. Andrew Place
Santa Ana, California 92705

Attn: General Counsel
Fax: (714) 566-9370

if to Participant, to Participant's last known address as reflected in Ingram's books and records

or such other address as such party may hereafter specify for the purpose by written notice to the other party hereto. Any such notice shall be deemed received on the date of receipt by the recipient thereof if received prior to 5p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice shall be deemed not to have been received until the next succeeding business day in the place of receipt.

(b) LEGAL FEES AND EXPENSES. Ingram shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are reasonably incurred by Participant as a result of (1) Ingram's improper refusal to pay the amounts payable in accordance herewith, (2) Ingram contesting the validity, enforceability, or interpretation of this Agreement, (3) any conflict between the parties pertaining to this Agreement, or (4) Participant's pursuing in good faith any claim under Section 7 (i) hereof.

(c) ARBITRATION. Participant shall have the right and option to elect (in lieu of litigation) to have any dispute or controversy arising under or in connection with this Agreement settled by arbitration, conducted before a panel of three arbitrators sitting in a location selected by Participant within 50 miles from the location of Participant's principal place of employment with Ingram, in accordance with the rules of the American Arbitration Association then in effect. Participant's election to arbitrate, as herein provided, and the decision of the arbitrators in that proceeding, shall be binding on Ingram and Participant. Judgement may be entered on the award of the arbitrator in any court having jurisdiction. All expenses of such arbitration shall be borne by Ingram to the extent they would have been borne by Ingram as provided in Section 7(b) hereof if such dispute or controversy had been resolved by litigation.

(d) UNFUNDED AGREEMENT. The obligations of Ingram under this Agreement represent an unsecured, unfunded promise to pay benefits to Participant and/or Participant's beneficiaries, and shall not entitle Participant or such beneficiaries to a preferential claim to any asset of Ingram.

(e) NO SET-OFF. Ingram's obligations to make all payments and honor all commitments under this Agreement shall be absolute and unconditional and shall not be affected by any circumstances including, without limitation, any set-off, counterclaim, recoupment, defense or other right which Ingram or any Affiliate may have against Participant.

(f) ENTIRE AGREEMENT. This Agreement represents the entire agreement between the Participant and Ingram and its Affiliates with respect to the Award, and supersedes all prior discussions, negotiations, and agreements concerning such rights.

(g) GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without reference to principles of conflict of laws.

(h) COUNTERPARTS. This Agreement may be signed in several counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were on the same instrument.

(i) CLAIM REVIEW PROCEDURE. If Participant is denied benefits under this Agreement, Participant may request, in writing, a review of the denial by Ingram or its designee within 60 days of receiving written notice of the denial. Ingram shall respond in writing to a written request for review within 90 days of receipt of such request. Neither the claim procedure set forth in this Section 7(i) nor Participant's failure to adhere to such procedure shall derogate from Participant's right to enforce this Agreement through legal action, including arbitration as provided in Section 7(c).

PARTICIPANT	INGRAM MICRO INC.
/s/ GREGORY M.E. SPIERKEL	By: /s/ MICHAEL J. GRAINGER
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	Title: President, Chief Operating Officer and Chief Financial Officer

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 desires to take advantage of the safe harbor provisions of the Act.

Our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001 to which this exhibit is appended, our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our 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, our representatives participate from time to time in:

- speeches and calls with market analysts,
- conferences, meetings and calls with investors and potential investors in our securities, and
- other meetings and conferences.

Some of the information presented in these calls, meetings and conferences may be forward-looking within the meaning of the Act.

It is not reasonable for us to itemize all of the factors that could affect us and/or the information technology products and services distribution industry as a whole. In some cases, we may convey additional information regarding important factors that could cause actual results to differ materially from those projected in forward-looking statements made by or on behalf of Ingram Micro. The following factors (in addition to other possible factors not listed) could affect our actual results and cause these results to differ materially from those projected or otherwise expressed in forward-looking statements made by or on behalf of Ingram Micro:

We are subject to intense competition, both in the United States and internationally.

We operate in a highly competitive environment, both in the United States and internationally. The intense competition that characterizes the information technology products and services distribution industry is based primarily on:

- breadth, availability and quality of product lines and services;
- price;
- terms and conditions of sale;
- credit terms and availability;
- speed and accuracy of delivery;
- ability to tailor specific solutions to customer needs;
- effectiveness of sales and marketing programs; and
- availability of technical and product information.

Our competitors include regional, national, and international distributors, as well as vendors that employ a direct sales model. In addition, when there is overcapacity in our industry, as is currently the case, our competitors may reduce their prices in response to this overcapacity. We cannot assure you that we will not lose market share in the United States or in international markets, or that we will not be forced in the future to reduce our prices in response to the actions of our competitors and thereby experience a further reduction in our gross margins.

We have initiated and continue to initiate other business activities and may face competition from companies with more experience and/or new entries in those new markets. For example, there has been an accelerated movement among transportation and logistics companies to provide fulfillment and e-commerce supply chain services. Within this arena, we face competition from transportation and logistics suppliers, such as United Parcel Service, Federal Express, and express logistics companies such as PFSWeb, SubmitOrder.com, and SameDay.com. In addition, as we enter new business areas, we may also encounter increased competition from current competitors and/or from new competitors, some of which may be our current customers or suppliers, which may impact our net sales and profitability.

Our gross margins have been historically narrow, and we expect them to continue to be narrow; this magnifies the impact of variations on costs on our operating results.

As a result of intense price competition in the IT products and services distribution industry, our gross margins have historically been narrow and we expect them to continue to be narrow in the future. We receive purchase discounts and rebates from suppliers based on various factors, including sales or purchase volume and breadth of customers. These purchase discounts and rebates 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 us to achieve the percentage growth in sales required for larger discounts due to the current size of our net sales base. This is particularly true in an environment of declining demand for IT products and services, as is currently the case. We expect these competitive pricing pressures and the more restrictive vendor terms and conditions to continue for the foreseeable future. In addition, the percentage of purchase discounts as a component of gross margins has declined. A decrease in net sales could also negatively affect the level of volume rebates received from our suppliers.

A significant percentage of our net sales relates to products sold to us by relatively few vendors or publishers. They each have the ability to make, and have in the past already made, rapid and significantly adverse changes in their sales terms and conditions, such as reducing the amount of price protection and return rights as well as reducing the level of purchase discounts and rebates they make available to us. We expect more restrictive vendor terms and conditions to continue in the foreseeable future. Our inability to pass through to our 175,000 reseller customers the impact of these changes, as well as our failure to develop systems to manage ongoing supplier pass-through programs, could cause us to record inventory write-downs and could have a material negative impact on our gross margins. Our narrow gross margins magnify the impact of variations in operating costs, bad debts or interest expense on our operating results.

To partially offset the decline in gross margins, we seek to continually institute more effective operational and expense controls to reduce selling, general and administrative, or SG&A, expenses as a percentage of net sales. However, the reduction in SG&A expenses may not be large enough to offset a decline in gross margins and as a result, operating margins may decline. In addition, in an environment of declining sales, as is currently the case, we may be unable to reduce our SG&A expenses as a percentage of net sales. If we cannot reduce operating expenses as a percentage of net sales to mitigate any further reductions in gross margins in the future, our profitability will suffer.

We may not be able to adequately adjust our cost structure in a timely fashion in response to a sudden decrease in demand, which may cause our profitability to suffer.

A significant portion of our SG&A expense is comprised of personnel, facilities and costs of invested capital. Historically, we have monitored and controlled the growth in operating costs in relation to overall net sales growth and continue to pursue and implement process and organizational changes to provide sustainable operating efficiencies. However, in the event of a significant downturn in net sales we may not be able to exit facilities, reduce personnel, or make other significant changes to our cost structure without significant disruption to our operations or without significant termination and exit costs. Additionally, management may not be able to implement such actions, if at all, in a timely manner to offset an immediate shortfall in net sales and gross profit. As a result, our profitability may suffer.

If the current downturn in economic conditions continues for a long period of time or worsens, it will likely have an adverse impact on our business.

The IT industry in general, and the IT products and services distribution industry in particular, have recently experienced a severe downturn in demand. This downturn has resulted in a decline in our net sales and operating results. If the current downturn continues or worsens we may experience significant operating losses and elevated levels of obsolete inventory and bad debt.

Our quarterly results have fluctuated significantly in the past and will likely continue to do so, which may cause the market price of our securities to fluctuate.

Our 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 our products and services, such as occurs during the fourth quarter due to holiday shopping;
- competitive conditions in our industry, which may impact the prices charged by suppliers and the prices we charge resellers;
- variations in our levels of excess inventory and doubtful accounts, and changes in the terms of vendor-sponsored programs such as price protection and return rights;
- changes in the level of our operating expenses;
- the impact of acquisitions we may make;
- the introduction by us or our competitors of new products and services offering improved features and functionality;
- the loss or consolidation of one or more of our significant suppliers or customers;
- product supply constraints;
- interest rate fluctuations, which may increase our borrowing costs, and may influence the willingness of customers and end-users to purchase products and services;
- currency fluctuations in countries in which we operate; and
- general economic conditions.

Our narrow margins may magnify the impact of these factors on our operating results. We believe that you should not rely on period-to-period comparisons of our operating results 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. From time to time, we have failed to meet consensus analyst earnings estimates. In future quarters, our operating results may be below the expectations of public market analysts or investors. This may cause the market price of our securities to decline.

Because of the capital intensive nature of our business, we need continued access to capital which, if not available to us, could harm our ability to operate or expand our business.

Our business requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. In order to continue operating our business, we will continue to need access to capital, including debt financing. This is especially true when our business is expanding, including through acquisitions, but we still have substantial demand for capital even during periods of stagnant or declining net sales, which we are currently experiencing. The capital we require may not be available on terms acceptable to us, or at all. In this regard, our United States and Canadian senior revolving credit facilities, aggregating $1.15 billion of availability, mature in October 2001. We do not presently intend to refinance the full amount of these senior credit facilities. Our prospects, financial condition and results of operations, as well as macroeconomic factors such as fluctuations in interest rates or a general economic downturn, may restrict our ability to raise the necessary capital. We cannot assure you that we will continue to be able to raise capital in adequate amounts on terms acceptable to us, and the failure to do so could harm our ability to operate or expand our business.

Rapid changes in the operating environment for IT distributors have placed significant strain on our business, and we cannot assure you of our ability to successfully manage future adverse industry trends.

Dynamic changes in the industry have resulted in new and increased responsibilities for management personnel and have placed and continue to place a significant strain upon our management, operating and financial systems, and other resources. This strain may result in disruptions to our business and decreased revenues and profitability. We may not be able to attract or retain sufficient personnel to successfully manage, expand or improve our operations through such dynamic changes. Also crucial to our success in managing any potential growth will be our ability to achieve additional economies of scale. Our failure to achieve these additional economies of scale, could harm our profitability.

We are subject to the risk that our inventory values may decline and protective terms under vendor agreements may not adequately cover the decline in values.

The IT 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. It is the policy of many suppliers of IT products to offer distributors like us, who purchase directly from them, limited protection from the loss in value of inventory due to technological change or such suppliers' price reductions. For example, we can receive a credit from some suppliers for products, based upon the terms and conditions with those suppliers, in the event of a supplier price reduction. In addition, we have a limited right to return to some vendors a certain percentage of purchases. These policies are often not embodied in written agreements and are subject to the discretion of the vendors. As a result, these policies do not protect us in all cases from declines in inventory value. We cannot assure you that price protection will continue, that unforeseen new product developments will not materially adversely affect us, or that we will successfully manage our existing and future inventories.

During an economic downturn, which we are currently experiencing, it is possible that prices will decline due to an oversupply of product, and therefore, there may be greater risk of declines in inventory value. If major vendors decrease the availability of price protection to us, such a change in policy could lower our gross margins on products we sell or cause us to record inventory write-downs. For example, during 1999 and 2000, we experienced higher expenses related to excess and obsolete inventory as compared to 1998, primarily resulting from the rapid changes in the technology marketplace and imposition of more restrictive vendor terms and conditions in 1999. We expect the more restrictive vendor terms and conditions to continue for the foreseeable future. We are also exposed to inventory risk to the extent that vendor protections are not available on all products or quantities and are subject to time restrictions. In addition, vendors may become insolvent and unable to fulfill their protection obligations to us.

We are dependent on a variety of information systems and a failure of these systems could disrupt our business and harm our reputation and net sales.

We depend on a variety of information systems for our operations, particularly our centralized IMpulse information processing system which supports more than 40 operational functions, including:

- inventory management;
- order processing;
- shipping;
- receiving; and
- accounting.

At the core of IMpulse is on-line, real-time distribution software which supports basic order entry and processing and customers' shipments and returns. Although we have not in the past experienced material system-wide failures or downtime of IMpulse or any of our other information systems, we have experienced failures in IMpulse in certain specific geographies. Failures or significant downtime for IMpulse could prevent us from taking customer orders, printing product pick-lists, and/or shipping product. It could also prevent customers from accessing our price and product availability information. From time to time we may acquire other businesses having information systems and records which must be converted and integrated into IMpulse or other Ingram Micro information systems. This can be a lengthy and expensive process that results in a material diversion of resources from other operations. In addition, because IMpulse is comprised of a number of legacy, internally developed applications, it can be harder to upgrade, and may not be adaptable to commercially available software. Particularly as our needs or technology in general evolve, we may experience greater than acceptable difficulty or cost in upgrading IMpulse, or we may be required to replace IMpulse entirely.

We also rely on the Internet for a percentage of our orders and information exchanges with our customers. The Internet and individual web sites have experienced a number of disruptions and slowdowns, some of which were caused by organized attacks. In addition, some web sites have experienced security breakdowns. To date, our web site has not experienced any material breakdowns, or disruptions or breaches in security; however, we cannot assure you that this will not occur in the future. If we were to experience a security breakdown that compromised sensitive information, this could harm our relationship with our customers or vendors, disruption or breach that compromised sensitive information, this could harm our relationship with our customers or vendors. Disruption of our web site or the Internet in general could impair our order processing or more generally prevent our customers and vendors from accessing information. This could cause us to lose business.

We believe that customer information systems and product ordering and delivery systems, including Internet-based systems, are becoming increasingly important in the distribution of technology products and services. As a result, we are continually enhancing our customer information systems by adding new features, including on-line ordering through the Internet. However, we cannot assure you that competitors will not develop superior customer information systems or that we will be able to meet evolving market requirements by upgrading our current systems at a reasonable cost, or at all. Our inability to develop competitive customer information systems or upgrade our current systems could cause our business and market share to suffer.

Our international operations impose risks upon our business, such as exchange rate fluctuations.

We operate, through our subsidiaries, in a number of countries outside the United States, and we expect our international net sales to increase as a percentage of total net sales in the future. Our international net sales are primarily denominated in currencies other than the U.S. dollar. Accordingly, our international operations impose risks upon our business as a result of exchange rate fluctuations. We have operations in countries which may have a greater risk of exchange rate fluctuations. Exchange rate fluctuations may cause our international revenues to fluctuate significantly when reflected in U.S. dollar terms. In some 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 Asia and Latin America in 1997), we may experience significant foreign exchange losses. In addition, our operations may be significantly adversely affected as a result of the general economic impact of the devaluation of the local currency.

Our international operations are subject to other risks such as:

- the imposition of governmental controls in jurisdictions in which we operate;
- export license requirements;
- restrictions on the export of certain technology to certain jurisdictions;
- political instability in jurisdictions in which we operate;
- trade restrictions in jurisdictions in which we operate;
- tariff changes in jurisdictions in which we operate;
- difficulties in staffing and managing our international operations;
- difficulties in our collecting accounts receivable and longer collection periods; and
- the impact of local economic conditions and practices on our business.

We are dependent on key individuals in our company, and our ability to retain our personnel.

We are dependent in large part on our ability to retain the services of our key management, finance, sales, IT, and operational personnel. Our continued success is also dependent upon our ability to retain and recruit other qualified employees, including highly skilled technical, managerial, and marketing personnel, to meet our needs. Competition for qualified personnel is intense, particularly in technical areas such as IT. In addition, we have recently announced restructuring actions designed to reduce our investment in personnel. These reductions could negatively impact our relationships with our workforce, or make hiring of other employees more difficult. We may not be successful in attracting and retaining the personnel we require, which could have a material adverse effect on our business.

We are dependent on suppliers to maintain an adequate supply of products to fulfill customer orders on a timely basis.

Our ability to obtain particular products or product lines in the required quantities and to fulfill customer orders on a timely basis is critical to our success. We generated approximately 42%, 39%, and 40% of our net sales in fiscal 2000, 1999, and 1998, respectively, from products purchased from three vendors. In most cases, we have no guaranteed price or delivery agreements with suppliers. In certain product categories, such as systems, limited price protection or return rights offered by vendors may have a bearing on the amount of product we may be willing to stock. The IT industry experiences significant product supply shortages and customer order backlogs from time to time due to the inability of certain vendors to supply certain products on a timely basis. As a result, we have experienced, and may in the future continue to experience, short-term shortages of specific products. In addition, vendors who currently distribute their products through us may decide to distribute, or to substantially increase their existing distribution, through other distributors, their own dealer networks, or directly to resellers. In addition, in the case of software, there is the emergence of alternative means of distribution, such as site licenses and electronic distribution. If suppliers are not able to maintain an adequate supply of products to fulfill our customer orders on a timely basis or we cannot otherwise obtain particular products or a product line, our reputation and sales may suffer.

We have historically pursued a strategy of acquisitions and similar transactions, which involve various risks and difficulties.

As part of our growth strategy, we have pursued, and from time to time may continue to pursue, acquisitions, joint ventures and other strategic relationships to complement or expand our existing business. These types of transactions involve a number of risks and difficulties, including:

- diversion of management’s attention to the integration of the operations and personnel of the acquired companies;
- the inability to manage and retain key personnel and customers;
- the inability to convert the acquired companies’ management information systems to ours;
- potential adverse short-term effects on our operating results;
- the possibility that we could incur or acquire substantial debt in connection with the acquisitions;
- the logistical difficulties inherent in expanding into new geographic markets and business areas;
- the difficulty inherent in understanding local business practices;
- the increased expense resulting from the amortization of acquired intangible assets; and

- the need to present a unified corporate image.

These risks and difficulties may adversely impact the benefits of acquisitions and our business generally.

We have significant credit exposure to our reseller customers and negative trends in their businesses could cause us significant credit loss.

We extend credit to our reseller customers for a significant portion of our net sales. Resellers have a period of time, generally 30 to 90 days after date of invoice, to make payment. We are subject to the risk that our reseller customers will not pay for the products they have purchased. The risk that we may be unable to collect on receivables may increase if our reseller customers experience decreases in demand for their products and services or otherwise become less stable, due to adverse economic conditions. If there is a substantial deterioration in the collectibility of our receivables or if we cannot obtain credit insurance at reasonable rates, our earnings, cash flows and our ability to utilize receivable-based financing could deteriorate.

We are dependent on independent shipping companies for the delivery of our products.

We rely almost entirely on arrangements with independent shipping companies for the delivery of our products. The termination of our 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 us or products from us to our reseller customers or their end-user customers, could disrupt our business and harm our reputation and net sales.

We are subject to the risk of termination of subsidized floor plan financing by our systems vendors.

The gross margins and operating margins relating to our sales of PCs, servers and other similar hardware products, or systems, are even narrower than those relating to our sales of other IT products and services. Payment for some of our U.S. systems sales is funded for our reseller customers by floor plan financing companies. Under these floor plan financing arrangements, we generally receive payment from these financing institutions within three to thirty business days from the date of our sale of these systems, depending on the specific arrangement, allowing this business to operate at much lower relative working capital levels than our traditional distribution business. This floor plan financing is typically subsidized for our reseller customers by the systems vendors. If the arrangements for these subsidies are terminated or substantially reduced, such a change in policy could have a negative effect on our working capital needs. In addition, our net sales may be reduced if our reseller customers are unable to obtain suitable alternative financing for their purchases from us.