AVNET INC
Form 424B5
January 27, 2003

This prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but it is not complete and may be changed. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-39530

SUBJECT TO COMPLETION, DATED JANUARY 27, 2003
PRELIMINARY PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED JANUARY 24, 2003

$250,000,000

Avnet, Inc.

% Notes Due 2008

Avnet will pay interest on the notes on and of each year. The first interest payment will be made on , 2003. The notes will mature on February , 2008.

Avnet may redeem all or part of the notes at any time at the redemption prices set forth in this prospectus supplement, plus accrued and unpaid interest, if any, to the date of redemption. The offering of the notes is subject to Avnet raising net proceeds of at least $325.0 million, including proceeds from the notes offered herein, in one or more permitted capital markets transactions as defined in Avnet s multi-year bank credit facility.

Investing in the notes involves risks. See Risk Factors on page S-11.

	Price to Public(1)	Underwriting Discounts and Commissions	Proceeds to Avnet
Per Note			
Total			

(1) Plus accrued interest, if any, from , 2003.

Delivery of the notes in book-entry form only will be made on or about , 2003.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Book-Running Managers

Credit Suisse First Boston **Banc of America Securities LLC**

Wachovia Securities

ABN AMRO Incorporated

Scotia Capital

Banc One Capital Markets, Inc.

The date of this prospectus supplement is , 2003.

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

PROSPECTUS

You should rely only on the information contained in this prospectus supplement or to which Avnet has referred you. Avnet has not authorized anyone to provide you with information that is different. This prospectus supplement may only be used where it is legal to sell these securities. The information in this prospectus supplement may only be accurate on the date of this prospectus supplement.

INDUSTRY AND MARKET DATA

Market data used throughout this prospectus supplement, including information relating to Avnet s relative position in the electronic components and computer products industry, is based on the good faith estimate of Avnet s management based upon their review of internal surveys, independent industry publications and other publicly available information. Although Avnet believes that these sources are reliable, the accuracy and completeness of this information is not guaranteed and has not been independently verified.

PROSPECTUS SUMMARY

The following summary includes basic information about Avnet and this offering. It may not contain all of the information that is important to you. For a more comprehensive understanding of Avnet and this offering, you should read this entire prospectus supplement and accompanying prospectus. Industry or business terms used but not defined in this summary are defined in the Business section of this prospectus supplement. References in this prospectus supplement and the accompanying prospectus to Avnet s results of operations for or as of the end of any year refer to the fiscal year ended or ending on the Friday closest to June 30.

Whenever we refer to Avnet, the Company or to us, or use the terms we or our in this prospectus supplement, we are referring to Avnet, Inc., a New York corporation, and its consolidated subsidiaries.

The Company

Avnet is the world s largest distributor, based on latest fiscal year sales, of electronic components, enterprise network and computer equipment, and embedded subsystems. Incorporated in 1955, Avnet has become a strategic channel-to-market for the world s leading electronic component and computer product manufacturers. Avnet creates a vital link in the chain that currently connects over 250 major suppliers to a global customer base of over 100,000 original equipment manufacturers (OEMs), contract manufacturers, value-added resellers (VARs) and end-users. Avnet distributes electronic components and computer products as received from its suppliers or with assembly or other value added by Avnet. Additionally, Avnet provides engineering design, material management and logistic services, system integration and configuration, and supply chain advisory services. For the twelve months ended December 27, 2002, Avnet recorded sales and Adjusted EBITDA (as defined in Summary Financial Information and Other Data below in this summary) of $8.9 billion and $205.6 million, respectively.

Avnet is one of a few electronic component and computer product distributors with contractual authorization from a broad array of major suppliers to sell their products on a worldwide basis. Avnet markets and sells products to a larger base of customers than an individual supplier economically could do on its own. As such, Avnet acts as a critical extension of each supplier s sales force. Avnet maintains a worldwide network of large, regional distribution centers and smaller warehouses located in proximity to its customers and suppliers and also maintains inventory on customers premises. Avnet has over 300 sales and marketing offices and sells to customers in over 60 countries. Avnet s industry-leading position and relationships with its suppliers and customers represent critical strengths necessary to compete in the electronic component and computer product distribution industry.

Avnet is comprised of three operating groups, each with operations in the three major economic regions of the world: the Americas, EMEA (Europe, Middle East, and Africa) and Asia.

Electronics Marketing (EM), Avnet s largest operating group, represented 54.3% of fiscal 2002 consolidated sales. EM markets and sells semiconductors; interconnect, passive and electromechanical devices; radio frequency/microwave components; and value-added services. EM markets and sells its products and services to all sizes of customers, spread across end-markets including communications, computer hardware and peripheral, industrial and manufacturing, medical equipment, and military and aerospace.

Computer Marketing (CM) represented 26.9% of fiscal 2002 consolidated sales. CM markets and sells enterprise computing products and value-added services, including mid- to high-end servers, storage and networking solutions. CM markets and sells its products and services to the VAR channel and enterprise computing customers.

Applied Computing (AC) represented 18.8% of fiscal 2002 consolidated sales. AC markets and sells products and solutions including the latest computer component technologies and embedded systems and technical services, such as product prototyping, configuration, integration and other value-added services. AC markets and sells computer components and services to PC builders and manufacturers of application-specific embedded computing solutions in the non-PC marketplace. Primary end-markets include medical equipment, communications, industrial and manufacturing.

One of Avnet s competitive strengths is the breadth and quality of the products it distributes. Listed below are Avnet s major product categories:

Semiconductors Avnet distributes semiconductors primarily to OEMs and contract manufacturers for use in the communications, computer hardware and peripheral, and industrial and manufacturing industries. Sales of semiconductors in fiscal 2002 were approximately $4.4 billion, or 49.7% of consolidated sales. Avnet s major suppliers of semiconductors include Analog Devices, Motorola, Texas Instruments and Xilinx. Substantially all of Avnet s semiconductor sales are through EM.

Computer Products Avnet distributes computer systems, subsystems, peripherals, networking equipment and software. Sales of computer products in fiscal 2002 from all of Avnet s business units were approximately $3.5 billion, or 39.0% of consolidated sales. Avnet s major suppliers of computer products include Cisco Systems, Hewlett-Packard/ Compaq, IBM and Oracle. Avnet distributes computer products primarily to OEMs, contract manufacturers, VARs and end-users. Approximately 69% of Avnet s fiscal 2002 sales of computer products were through CM with the remainder primarily through AC.

Connectors Avnet distributes connectors for use in a variety of end-markets, including computer hardware and peripheral, consumer electronics, military and aerospace, medical equipment and transportation. Sales of connector products in fiscal 2002 were approximately $385.0 million, or 4.3% of consolidated sales. Avnet s major suppliers of connectors include Amphenol, ITT Cannon, Molex, 3M and Tyco. Avnet distributes connectors primarily to OEMs, contract manufacturers and subsystem manufacturers. All of Avnet s connector sales are through EM.

Passives, Electromechanical and Other Avnet distributes passive and electromechanical components for use in a variety of end-markets, including the communications, military and aerospace, consumer electronics and medical equipment markets. Sales of passives, electromechanical and other products in fiscal 2002 were approximately $629.6 million, or 7.0% of consolidated sales. Avnet s major suppliers of these products include AVX, Bourns, Kemet, Murata and Vishay. Avnet distributes passives, electromechanical and other products primarily to OEMs, contract manufacturers and subsystem manufacturers. All of Avnet s passives, electromechanical and other product sales are through EM.

The Technology Supply Chain and Distribution Industry

Historically, distributors have created economic value in the technology supply chain by enabling suppliers of electronic components and computer products to extend their marketing reach, and by providing customers of these products with the product knowledge, services and available inventory necessary to meet demand for their finished goods. In today s increasingly complex technology supply chain, distributors continue to provide a strategic channel-to-market, serving an increasing number of component developers, subsystem and system manufacturers, contract manufacturers, VARs and end-users. Further, the role that distributors serve has expanded to include the provision of value-added services. These services include physical services, such as assembly and test services; knowledge- and information-based services, such as product design, procurement and materials management; logistics and supply chain advisory services; and select financial services.

There are over 250 major manufacturers of electronic components and computer products worldwide, whose products represent the total market for electronic components and computer products. Further, there are over 150,000 OEMs, subsystem manufacturers and contract manufacturers, and tens of thousands of computer resellers, VARs and direct commercial end-users. The significant imbalance in the number of suppliers and customers strengthens the importance of distributors as a strategic channel-to-market within the technology supply chain.

Based on industry data, including Semiconductor Industry Association and World Semiconductor Trade Statistics, management estimates that in 2001, the worldwide total market for electronic components and computer products in the technology supply chain was $362 billion. In 2001, this worldwide total market declined 20.3%, the worst single-year decline in industry history. Management projects that this worldwide total market will grow to $421 billion by 2003, representing a 7.8% average annual growth rate from calendar 2001 levels.

Several important trends have developed in the electronic component and computer product distribution industry.

Significant consolidation has resulted in a concentrated industry;

Suppliers have significantly reduced the number of distributors authorized to sell their products;

Value-added services and fee-based services have become a more important source of distributor revenue; and

The total market for electronic components and computer products has experienced long-term growth, with distribution representing an increasing share of the technology supply chain.

Competitive Strengths

Leading Market Position

Avnet is the world s largest distributor, based on latest fiscal year sales, of electronic components, enterprise network and computer equipment, and embedded subsystems. Avnet s leading market position has enabled it to develop authorized worldwide distribution relationships with industry-leading suppliers, as Avnet is able to provide its suppliers with access to a broad base of customers. Further, Avnet s broad product line and wide range of value-added services allow it to quickly and efficiently satisfy customers requirements for products configured for their needs. Avnet s leading market position also enables it to generate significant economies of scale.

Global Reach with Worldwide Customer Base

Avnet maintains a worldwide network of large, regional distribution centers and smaller warehouses located in proximity to its customers and suppliers, and also maintains inventory on customers premises. Avnet s global presence enhances its ability to serve suppliers and customers by providing them with valuable local market knowledge, short delivery times and superior customer service, and reduces its exposure to regional market downturns.

Extensive Authorized Distribution Relationships and Breadth of Product Line

Avnet s product line is among the most extensive in its industry. Avnet maintains authorized supply agreements with over 250 suppliers, which enables it to provide components, subsystems and systems from leading vendors in each of its product categories, as well as multi-vendor and multi-product configurations. Further, Avnet provides various services to support product delivery and utilization. As a result, Avnet is able to provide customers with the products and solutions they require, where and when they require them and at a competitive price.

Broad Array of Value-Added Services

Avnet provides its customers and suppliers with a broad array of value-added services, including product assembly and test services, product design, procurement and material management services, and logistics and supply chain advisory services. These services enable Avnet to strengthen its relationships with its suppliers and customers, increasing their dependence on Avnet.

Large, Technically Knowledgeable and Experienced Sales Force

Avnet s sales force is one of the largest and most experienced in its industry. Approximately 28% of Avnet s sales force holds advanced technical certifications. In some cases, Avnet s engineers work to adapt and integrate a number of suppliers products to meet a specific customer s needs and then market these integrated solutions to additional customers. As a result of these activities, Avnet creates growth opportunities for both suppliers and customers, and increases its involvement in their core business activities.

Experienced Senior Management Team

Avnet believes it has the most experienced senior management team in its industry. This team is led by Roy Vallee, Chairman and Chief Executive Officer, who joined Avnet in 1977 and has over 30 years of industry experience. Additionally, each of Avnet s senior executive officers have at least 20 years of industry experience.

Business Strategy

Avnet s objective is to leverage its position as a leading provider of distribution and other complementary services to create significant value throughout the technology supply chain, and to maximize return on capital employed. In order to achieve these objectives, management intends to continue to implement the following principal elements of Avnet s business strategy:

Foster Value-Based Management Culture and Continue to Improve Capital Efficiency

Avnet has developed a culture that focuses on improving return on capital employed through the company-wide implementation of value-based management principles. Managers of each of Avnet s business units are educated in and evaluated based upon value-based management, which focuses on improving returns on working capital and maximizing cash flow, and are expected to implement Avnet s principles in adjusting business, product and customer mix. This focus on value-based management principles is a primary reason for Avnet s improvement in certain key metrics, such as days sales outstanding and inventory turns, over the past eighteen months.

Further Develop Specialized Business Units

Management intends to continue to enhance the focus of Avnet s business units to capitalize on opportunities that exist throughout the technology supply chain, as well as future opportunities arising from the emergence of new market segments and technologies. For instance, Avnet created its Applied Computing operating group in fiscal 2000 to better serve customers for computer technologies and embedded systems and subsystems. Avnet s focused business units are able to offer services tailored to the needs of their respective suppliers and customers and to quickly identify new service opportunities. Management expects that these factors, combined with business unit level incentives, will continue to strengthen Avnet s relationships with suppliers and customers, diversify Avnet s revenue stream and increase overall return on capital.

Continue to Increase Scope, Penetration and Profitability of Value-Added Services

Management intends to continue to expand Avnet s suite of value-added services and to offer these services to a greater number of customers. Management intends to price Avnet s services on a fee-for-service basis, either bundling the price of its services with the core distribution offering or pricing them on a stand-alone basis. By expanding its service offering, management believes that Avnet can create additional value in the technology supply chain and strengthen Avnet s relationships with both suppliers and customers.

Continue Cost Structure Improvement Initiatives

Management intends to continue to improve Avnet s cost structure and increase operating efficiencies to enhance returns on capital employed. For instance, Avnet further reduced its annualized operating expenses, excluding special items, by approximately $226 million during fiscal 2002 primarily through a combination of personnel reductions and reorganization activities, including facility consolidation and curtailment of certain IT-related initiatives. In addition, Avnet continues to efficiently manage its working capital needs by maintaining inventory levels that are consistent with current customer demand.

Remain Focused on Balance Sheet Management

Avnet has placed significant management focus on improving cash flow and reducing financial leverage. Avnet has reduced its outstanding debt, including amounts reduced under the accounts receivable securitization program, by nearly $1.9 billion since December 2000, which includes approximately $746 million during fiscal 2002. Avnet s consistent reduction in debt is primarily a result of its ongoing focus on working capital management and, to a lesser extent, management s cost cutting initiatives. Days sales outstanding have improved from 72.2 in the fourth quarter of fiscal 2001 to 55.9 in the second quarter of fiscal 2003, an improvement of 23%. Similarly, inventory turns have improved from 3.9x in the fourth quarter of fiscal 2001 to 6.5x in the second quarter of fiscal 2003, an improvement of 67%. One of Avnet s strategic objectives is to maintain its investment grade rating and Avnet will continue to manage its balance sheet to achieve this goal.

Recent Operating Stabilization

Revenue and earnings reached quarterly peaks during the quarter ended December 29, 2000 and declined dramatically during an industry-wide downturn in technology spending that started in calendar 2001. Avnet s operating results, however, have stabilized during the past several quarters, and Avnet is poised to capitalize on an industry recovery with a lower cost structure and value-based management focus.

Revenue. During the fourth quarter of calendar 2001, demand for electronic components and computer products began to stabilize. After reaching a peak of $3,630.5 million during the quarter ended December 29, 2000, Avnet s revenue has remained between $2,144.8 million and $2,359.8 million for the past six quarters. Most recently, Avnet reported $2,346.7 million of revenue for the quarter ended December 27, 2002, compared with $2,359.8 million for the quarter ended December 28, 2001.

Adjusted EBITDA. Avnet s cost structure improvement initiatives (see further discussion in Business Strategy) have increased Adjusted EBITDA (as defined in Summary Financial Information and Other Data) in recent quarters. During the period between December 2000 and December 2002, Avnet reduced selling, general and administrative expenses, excluding special items, by approximately $300 million on an annualized basis. Adjusted EBITDA peaked during the quarter ended December 29, 2000 at $221.1 million, and has remained between $44.7 million and $59.4 million per quarter during the last five quarters. Most recently, Avnet reported Adjusted EBITDA of $54.4 million for the quarter ended December 27, 2002, compared with $48.0 million for the quarter ended December 28, 2001.

The Tender Offers

On January 27, 2003, Avnet commenced an offer to purchase (the 6.45% Notes Tender Offer) all $200.0 million of its outstanding 6.45% Notes due August 15, 2003 at a price of $1,020.50 per $1,000 principal amount of the 6.45% Notes and an offer to purchase (the 8.20% Notes Tender Offer, and, together with the 6.45% Notes Tender Offer, the Tender Offers) up to $117.2 million of its outstanding 8.20% Notes due October 17, 2003 at a price of $1,039.00 per $1,000 principal amount of the 8.20% Notes. The Tender Offers will expire on February 25, 2003, unless Avnet extends them. The Tender Offers are contingent upon Avnet raising net proceeds of at least $325.0 million, including proceeds from the notes offered herein, in one or more permitted capital markets transactions as defined in Avnet s multi-year bank credit facility. The consummation of this offering is not contingent upon the Tender Offers.

The Offering

The following summary contains basic information about the notes. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section of this prospectus supplement entitled Description of Notes.

Issuer	Avnet, Inc.
Notes Offered	$250 million in aggregate principal amount of % Senior Notes.
Maturity Date	February 15, 2008 (5 years).
Interest	Interest on the notes will accrue from the date of their issuance at the annual rate of % per year and will be payable in cash semi-annually in arrears on and of each year, commencing .
Ranking	The notes will be unsecured senior obligations and will rank equal in right of payment with all of Avnet s existing and future senior indebtedness and senior to any of Avnet s future subordinated indebtedness. As of December 27, 2002, Avnet had $49.1 million of indebtedness which is effectively senior to the notes, consisting entirely of debt at Avnet s foreign subsidiaries.
Optional Redemption	Avnet may redeem all or part of the notes at any time at the redemption prices set forth in this prospectus supplement, plus accrued and unpaid interest, if any, to the date of redemption. See Description of Notes Optional Redemption.
Change of Control	If Avnet experiences a change of control at a time when the notes are rated below investment grade by either Moody s or S&P, or when a default or event of default has occurred and has not been cured, holders of the notes will have the right to require Avnet to repurchase all of the notes at a purchase price of 101% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the date of the repurchase. See Description of Notes Repurchase at the Option of Holders Repurchase of Notes at the Option of the Holder Upon a Change of Control.
Certain Covenants	If the notes receive and maintain a rating below investment grade by either Moody s or S&P, or a default or event of default occurs and is not cured, Avnet will thereafter, and until Avnet again complies with the minimum required credit ratings, be required to comply with certain covenants that will, among other things, limit Avnet s ability to: incur additional indebtedness; pay dividends, redeem capital stock or make certain other restricted payments of investments; sell assets or merge with or into other companies; or engage in transactions with affiliates.

	Independent of Avnet s credit rating, Avnet will be required to comply with certain covenants that will, among other things, limit Avnet s ability to create liens or other encumbrances.
	For more detailed information, see Description of Notes Applicability of Certain Covenants.
Use of Proceeds	Avnet will use the net proceeds of the offering to repay a portion of Avnet s outstanding notes due in 2003. See Use of Proceeds.
Risk Factors	You should carefully consider the information under the heading Risk Factors and all other information in this prospectus supplement before investing in the notes.

Summary Financial Information and Other Data

The summary financial data below is derived from the consolidated financial statements of Avnet. We refer you to those financial statements and accompanying notes that appear elsewhere in this prospectus supplement. All amounts have been restated to reflect Avnet s acquisition on June 8, 2001 of Kent Electronics Corporation (Kent) in a transaction accounted for as a pooling-of-interests. Income amounts are from continuing operations and net assets from discontinued operations are classified as current assets. Pro forma balance sheet data as of December 27, 2002 are presented as if the financing contemplated within this prospectus supplement had occurred on December 27, 2002. This summary financial information should be read in conjunction with the footnotes below as there are various special items recorded in certain of the periods presented.

	Fiscal Years Ended					Six Months Ended		Twelve Months Ended
	June 28, 2002(1)(2)	June 29, 2001(3)	June 30, 2000(4)	July 2, 1999(5)	June 26, 1998(6)	Dec. 27, 2002(7)	Dec. 28, 2001(2)	Dec. 27, 2002(1)(7)
	(Dollars in Millions)							
Statement of Operations Data:								
Sales	$8,920.2	$12,814.0	$9,915.0	$6,805.7	$6,334.6	$4,520.6	$4,561.0	$8,879.8
Cost of sales	7,697.4	10,948.5	8,470.2	5,757.7	5,253.5	3,907.4	3,931.9	7,672.9
Gross profit	1,222.8	1,865.5	1,444.8	1,048.0	1,081.1	613.2	629.1	1,206.9
Selling, general and administrative expenses	1,225.8	1,611.8	1,076.8	865.5	787.6	668.4	601.7	1,292.5
Operating income (loss)	(3.0)	253.7	368.0	182.5	293.5	(55.2)	27.4	(85.6)
Other income, net	6.8	25.5	10.5	13.0	9.4	10.6	3.8	13.6
Interest expense	(124.6)	(191.9)	(94.8)	(62.6)	(45.2)	(51.3)	(71.2)	(104.7)
Gain on dispositions of businesses				252.2	33.8			
Earnings (loss) before income taxes	(120.8)	87.3	283.7	385.1	291.5	(95.9)	(40.0)	(176.7)
Income tax provision (benefit)	(36.4)	87.2	121.1	204.8	125.6	(36.8)	(18.2)	(55.0)
Earnings (loss)	$ (84.4)	$ 0.1	$ 162.6	$ 180.3	$ 165.9	$ (59.1)	$ (21.8)	$ (121.7)
Other Data:								
EBITDA(8)	$ 100.9	$ 373.1	$ 451.5	$ 492.1	$ 382.7	$ (7.5)	$ 74.1	$ 19.3
Adjusted EBITDA(8)	180.5	700.6	500.5	309.1	397.6	99.2	74.1	205.6
Cash flows provided from (used for):								
Operating activities	976.3	186.2	(494.4)	97.9	(6.7)	451.0	604.3	823.0
Financing activities	(809.4)	452.6	1,065.3	(103.7)	184.5	(409.4)	(507.8)	(711.0)
Investing activities	(117.8)	(760.8)	(810.5)	262.5	28.0	(18.0)	(71.0)	(64.8)
Capital expenditures	83.8	125.4	92.5	79.1	58.9	16.1	45.6	54.3
Depreciation and amortization expense	103.9	119.4	83.5	57.4	55.4	47.7	46.7	104.9
Ratio of Adjusted EBITDA to interest expense	1.4x	3.7x	5.3x	4.9x	8.8x	N/A	N/A	2.0x
Ratio of total debt to Adjusted EBITDA(9)	9.0x	3.2x	4.3x	3.2x	2.6x	N/A	N/A	6.8x
Ratio of debt, net of cash and cash equivalents, to Adjusted EBITDA(9)	8.1x	3.0x	3.8x	1.5x	1.8x	N/A	N/A	5.9x
Ratio of earnings to fixed charges(10)	*	1.4x	3.6x	6.2x	6.3x	*	*	*
Days sales outstanding	63.7	62.2	53.6	50.7	48.0	57.6	65.3	59.7
Inventory turns	4.6x	5.0x	5.2x	4.9x	4.8x	5.9x	4.3x	5.4x

	As of the Fiscal Years Ended					December 27, 2002	
	June 28, 2002	June 29, 2001	June 30, 2000	July 2, 1999	June 26, 1998	Actual	Pro forma(9)
	(Dollars in Millions)						
Balance Sheet Data:							
Cash and cash equivalents	$ 159.2	$ 97.3	$ 268.2	$ 519.9	$ 292.5	$ 185.7	$ 184.9
Accounts receivable, net	1,374.0	1,629.6	1,900.0	1,033.6	954.7	1,535.5	1,535.5
Inventory	1,417.3	1,917.0	2,013.2	1,077.3	1,138.7	1,239.3	1,239.3
Working capital	1,928.7	1,177.4	2,368.7	1,977.0	1,899.1	1,330.9	1,647.3
Total assets	4,682.0	5,864.1	5,934.4	3,563.4	3,308.6	4,418.7	4,426.3
Debt due within one year	59.3	1,302.1	503.3	0.3	0.2	484.0	166.8
Total debt	1,625.1	2,221.6	2,153.9	998.5	1,017.9	1,390.4	1,408.2
Shareholders equity	1,804.5	2,374.6	2,246.7	1,718.8	1,628.5	1,772.7	1,762.5

* Earnings were deficient in covering fixed charges by $120.8 million for the fiscal year ended June 28, 2002, by $95.9 million for the six months ended December 27, 2002, by $40.0 million for the six months ended December 28, 2001 and by $176.8 million for the twelve months ended December 27, 2002. Pro forma ratio of earnings to fixed charges, giving affect to the offering herein and the paydown of existing notes as discussed in Use of Proceeds, for the fiscal year ended June 28, 2002 and for the six months ended December 27, 2002 have not been included as earnings are deficient in covering fixed charges in both periods.

(1) Includes the impact of incremental special charges related to the write-down of certain assets acquired in the 2001 acquisition of Kent, net of certain recoveries of previous write-downs and reserves, and other charges taken in response to business conditions, including an impairment charge to write-down certain investments in unconsolidated Internet-related businesses to their fair value and severance charges for workforce reductions announced during the fourth quarter of fiscal 2002. The net special charges amounted to $79.6 million pre-tax ($21.6 million included in cost of sales and $58.0 million included in operating expenses) and $62.1 million after-tax.

(2) Excludes the impact of Avnet s adoption of Statement of Financial Accounting Standards No. 142 (SFAS 142), Goodwill and Other Intangible Assets, on June 30, 2001, the first day of Avnet s fiscal year 2002. SFAS 142, which requires that ratable amortization of goodwill be replaced with periodic tests for goodwill impairment, resulted in a transition impairment charge recorded by Avnet of $580.5 million. This charge is reflected as a cumulative change in accounting principle in the consolidated statements of operations. Including the cumulative effect of change in accounting principle, Avnet recorded a net loss of $664.9 million in the year ended June 28, 2002 and a net loss of $602.3 million in the six months ended December 28, 2001.

(3) Includes the impact of incremental special charges related to the acquisition and integration of Kent, which was accounted for as a pooling-of-interests, and other integration, reorganization and cost cutting initiatives taken in response to business conditions. The special charges amounted to $327.5 million pre-tax ($80.6 million included in cost of sales and $246.9 million included in operating expenses) and $236.7 million after-tax.

(4) Includes special charges associated with: (a) the integration of Marshall Industries, Eurotronics B.V. and the SEI Macro Group into EM, (b) the integration of JBA Computer Solutions into CM North America, (c) the reorganization of EM Asia, (d) the reorganization of EM s European operations including costs related to the consolidation of EM s European warehousing operations, and (e) costs incurred in connection with certain litigation brought by Avnet. The total special charges for fiscal 2000 amounted to $49.0 million pre-tax and $30.4 million after-tax.

(5) Includes the net gain on exiting the printed catalog business recorded in the fourth quarter of fiscal 1999 offset by special charges recorded in the first quarter associated with the reorganization of EM. The net positive effect on fiscal 1999 income before income taxes and net income was $183.0 million and $64.0 million, respectively.

(6) Includes the net negative impact of $14.9 million pre-tax and $12.5 million after-tax for (a) the gain on the sale of Channel Master of $33.8 million pre-tax and $17.2 million after-tax, (b) costs relating to the divesture of Avnet Industrial, the closure of Avnet s corporate headquarters in Great Neck, New York, and the anticipated loss on the sale of Avnet-owned real estate, amounting to $13.3 million pre-tax and $8.5 million after-tax, and (c) incremental special charges associated with the reorganization of EM, amounting to $35.4 million pre-tax and $21.2 million after-tax.

(7) Includes the impact of incremental special charges recorded in connection with Avnet s cost reduction initiatives. The charges relate to (a) severance for workforce reductions, (b) reserves for non-cancelable lease obligations, write-downs of the carrying value of owned facilities and write-downs of owned assets located in the leased and owned facilities, all of which were identified by management to be consolidated into other existing Avnet facilities, and (c) costs related to write-offs of certain capitalized IT-related initiatives. The special charges amounted to $106.7 million pre-tax (all of which is included in selling, general and administrative expenses) and $65.7 million after tax.

(8) EBITDA represents earnings (loss) before interest expense, provision for income taxes, depreciation and amortization expense and other income. Adjusted EBITDA represents EBITDA, as adjusted, to exclude special items. Special items include reorganization and acquisition integration costs, impairment charges related to Avnet s non-consolidated investments and other special items. Management and investors have found information such as EBITDA and Adjusted EBITDA to be useful as a measure of our ability to satisfy principal and interest obligations on our debt and to provide cash for other purposes. EBITDA and Adjusted EBITDA do not represent, and should not be considered a substitute for, income (loss) from operations, net income (loss), operating cash flows or other measures of performance prepared in accordance with accounting principles generally accepted in the United States. Our definitions of EBITDA and Adjusted EBITDA may not be comparable to those reported by other companies and do not correspond to definitions of consolidated cash flow used as a defined term in the indenture as described under the caption Description of Notes.

The computation of EBITDA and Adjusted EBITDA for each of the respective periods is shown as follows:

	Fiscal Years Ended					Six Months Ended		Twelve Months Ended
	June 28, 2002(a)	June 29, 2001	June 30, 2000	July 2, 1999	June 26, 1998	Dec. 27, 2002	Dec. 28, 2001	Dec. 27, 2002
	(Dollars in Millions)							
Earnings (loss) before income taxes	$(120.8)	$ 87.3	$283.7	$ 385.1	$291.5	$ (95.9)	$(40.0)	$(176.7)
Add back:								
Interest expense	124.6	191.9	94.8	62.6	45.2	51.3	71.2	104.7
Depreciation and amortization expense	103.9	119.4	83.5	57.4	55.4	47.7	46.7	104.9
Less:								
Other income, net	6.8	25.5	10.5	13.0	9.4	10.6	3.8	13.6
EBITDA	100.9	373.1	451.5	492.1	382.7	(7.5)	74.1	19.3
Reorganization charges	13.7	127.3	14.6	69.2	48.7	106.7		120.4
Acquisition integration	29.7	157.3	31.7					29.7
Impairment of investments	36.2	42.9						36.2
Other non-recurring charges (gains)			2.7	(252.2)	(33.8)			
Adjusted EBITDA	$ 180.5	$700.6	$500.5	$ 309.1	$397.6	$ 99.2	$ 74.1	$ 205.6

(a) See footnote (2) on page S-9.

(9) Total debt, for purposes of calculating the ratios of total debt to Adjusted EBITDA and debt, net of cash and cash equivalents, to Adjusted EBITDA, in the twelve months ended December 27, 2002 and certain Balance Sheet Data as of such date, has been adjusted on a pro forma basis to reflect the sale of notes in this offering, the consummation of one or more permitted capital markets transactions and the use of proceeds from this offering and the permitted capital markets transactions, together with $0.8 million of cash and cash equivalents, to repurchase all of the 6.45% Notes due August 15, 2003 and a portion of the 8.20% Notes due October 17, 2003. See Use of Proceeds and Capitalization . See pro forma balance sheet data as of December 27, 2002 on page S-8.

(10) The calculation of the ratio of earnings to fixed charges includes the impact of the incremental special items described in Notes 1, 3, 4, 5, 6 and 7 above. Had the special charges incurred in fiscal 2002 been excluded from the calculation, earnings would have been deficient in covering fixed charges by $41.2 million. Had the special items related to the six months ended December 27, 2002, the last twelve months ended December 27, 2002 and fiscal years 2001, 2000, 1999 and 1998 been excluded from these calculations, the ratio of earnings to fixed charges in those periods would have been 1.2x, 1.1x, 3.0x, 4.0x, 3.7x and 6.5x, respectively.

RISK FACTORS

You should carefully consider the following risk factors and the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus before making an investment in the notes. The information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus includes forward-looking statements that involve risks and uncertainties. Avnet refers you to Forward-Looking Statements in this prospectus supplement. Avnet s actual results could differ materially from those anticipated in those forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this prospectus supplement and the accompanying prospectus.

Avnet has separated the risks into two general groups:

Risks that relate specifically to owning the notes; and

Risks that relate to Avnet s business.

Avnet has described certain risks that management believes are applicable to Avnet s business and the industry in which it operates that may affect Avnet s ability to pay interest on the notes and repay the notes at maturity. There may be additional risks that are not material or that are not presently known to Avnet. There are also general risks within the economy, the industry and the capital markets that affect Avnet generally, which have not been described below.

If any of the described events occur, Avnet s business, prospects, financial condition, results of operations or cash flows could be materially adversely affected. When stated below that a risk may have a material adverse effect, it means that such risk may have one or more of these effects. In such case, the market price of the notes could decline and Avnet s ability to pay interest and principal payments under the notes could be impaired.

Risks Relating to Ownership of the Notes

Avnet has a significant amount of outstanding debt which could adversely affect Avnet s financial health and prevent it from making payments on the notes.

At December 27, 2002, Avnet s consolidated debt was $1,390.4 million before, and $1,408.2 million after, adjustment to reflect the sale of the notes in this offering and the application of the net proceeds therefrom to repurchase its 6.45% Notes due August 15, 2003 and a portion of its 8.20% Notes due October 17, 2003. As of December 27, 2002 and as adjusted for this offering, Avnet also had the ability to borrow an additional $728.8 million under its financing agreements. The indenture governing these notes will permit Avnet to incur additional debt, including secured debt, after this offering.

The amount of Avnet s debt could have important consequences to you as an investor in the notes. For example, it could:

increase the amount of Avnet s interest expense and make compliance with its existing debt covenants more difficult;

place Avnet at a competitive disadvantage with competitors that have less debt;

increase Avnet s vulnerability to interest rate fluctuations, as well as general adverse economic and industry conditions;

limit Avnet s flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;

require Avnet to dedicate a substantial portion of its cash flow from operations to payments on its debt and other obligations, thereby reducing the availability of cash flow from operations for other purposes; and make it more difficult for Avnet to satisfy its obligations with respect to the notes being offered in this prospectus supplement.

The notes will be effectively subordinated to any secured debt.

The notes are unsecured and therefore will be effectively subordinated to all of Avnet s secured debt, if any, to the extent of the value of the assets securing such debt or the amounts of secured debt outstanding, whichever is less. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding, Avnet s pledged assets would be available to satisfy obligations of the secured debt before any payment could be made on the notes. To the extent that such assets cannot satisfy in full Avnet s secured debt, the holders of such debt would have a claim for any shortfall that would rank equally in right of payment with the notes. In that case, Avnet may not have sufficient assets remaining to pay amounts due on any or all of the notes.

At December 27, 2002, Avnet did not have any outstanding consolidated secured debt. Avnet s primary bank credit facility contains a springing lien provision that would secure the debt under that facility with certain assets of Avnet upon the occurrence of certain events. These events are:

- the establishment of a rating of Avnet s senior unsecured debt of Ba1 or lower by Moody s Investor Services or BB+ or lower by Standard and Poor s;

- the failure by Avnet to consummate qualified capital markets transactions yielding net proceeds of $325 million or more by February 14, 2003; or

- the termination of Avnet s current accounts receivable securitization program without simultaneously entering into another securitization program with similar terms.

If any such event occurs, the debt under this credit facility would become secured by the inventory held by Avnet and certain of its domestic and foreign subsidiaries, substantially all of its domestic real property, certain deposit accounts, certain receivables and other intangible assets. As a result, the notes will be effectively subordinated to the debt under Avnet s credit facility to the extent of the value of the assets securing the debt or the amounts outstanding under the facility, whichever is less, and the notes would remain unsecured. Completion of permitted capital markets transactions netting proceeds of over $325 million to Avnet by February 14, 2003 (including proceeds from the notes offered herein) would eliminate the capital markets transaction trigger event.

In addition, Avnet has entered into a receivables securitization transaction in which Avnet sells, on an ongoing basis, most of its domestic trade accounts receivables to a bankruptcy remote subsidiary, which in turn sells a portion of these receivables to a bank conduit. These receivables, and the proceeds from these receivables, will not be available for repayment of the notes and the indenture governing the notes will not restrict Avnet s ability to securitize its receivables. At December 27, 2002, Avnet had $50 million outstanding under the securitization program.

The provisions of the Indenture governing the notes allow Avnet and its subsidiaries to incur a substantial amount of indebtedness, which can be secured by substantially all of Avnet s assets. Unless the notes are rated below either Baa3 by Moody s or BBB- by S&P, or a default or event of default occurs and is not cured, Avnet will not be limited by the Indenture in its ability to incur debt under a credit facility. The provisions of the Indenture governing the notes do not restrict Avnet s participation in its current receivables securitization program and, with certain restrictions, allow Avnet to replace or increase its receivables securitization program.

The notes will be effectively subordinated to any debt of Avnet s subsidiaries.

The notes will be effectively subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of Avnet s subsidiaries, whether or not secured. The notes will not be guaranteed by Avnet s subsidiaries and Avnet may not have direct access to the assets of its subsidiaries unless these assets are transferred by dividend or otherwise to Avnet. At December 27, 2002, Avnet s subsidiaries had approximately $49.1 million aggregate principal amount of debt, most of which is also guaranteed by Avnet and the ability to borrow an additional $115.1 million under various lines of credit, which are cancelable on short-term notice. The ability of the subsidiaries to pay dividends or otherwise transfer assets to Avnet is subject to various restrictions under applicable law. Avnet s right to receive assets of any of its subsidiaries upon the subsidiary s liquidation or reorganization will be effectively subordinated to the claim of that subsidiary s creditors. Consequently, the notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of Avnet s subsidiaries and any subsidiaries that Avnet may in the future acquire or establish.

Avnet may not have the ability to raise sufficient funds to purchase all of the notes upon a change of control of Avnet, as required by the indenture.

If a change of control of Avnet should occur at a time when the notes are rated below investment grade or a default or event of default occurs and is not cured, as defined in the indenture, Avnet would be required to offer to repurchase all of the notes at 101% of their principal amount, plus accrued and unpaid interest through the date of repurchase. The lenders under Avnet s primary financing agreements would have a similar right to be repaid because a change of control, as defined in each such agreement, constitutes an event of default that gives the lenders the right to accelerate all amounts due. Any of Avnet s future financing agreements also may contain a similar provision. Avnet s ability to pay cash to the holders of the notes in connection with such repurchase will be limited by Avnet s then existing financial resources. Accordingly, it is possible that Avnet will not have sufficient funds at the time of the change of control to make the required repurchase of notes. If Avnet fails to repurchase any notes submitted in a change of control offer, it would constitute an event of default under the indenture which could, in turn, constitute an event of default under Avnet s other financing agreements, even if the change of control itself would not cause a default.

Any reduction in Avnet s credit ratings could materially and adversely affect the holders of the notes.

Avnet s senior unsecured debt has been assigned a rating by S&P of BBB- with negative outlook and by Moody s of Baa3 with negative outlook. Avnet cannot assure you that any of its current ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn. If Avnet s credit rating was reduced, the number of investors that can hold the notes, as well as our other outstanding debt securities, would be reduced, which could result in significant sales of the notes and Avnet s other debt securities and could adversely affect the trading prices of the notes.

An active trading market may not develop for the notes.

The notes are a new issue of securities with no established trading market. The underwriters have advised Avnet that they presently intend to make a market in the notes as permitted by applicable law. However, the underwriters are not obligated to make a market in the notes and may cease their market-making activities at any time at their discretion without notice. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for securities and by changes in Avnet s financial performance or prospects of, or financial performance of, companies in Avnet s industry generally. As a result, Avnet cannot assure you that an active trading market will develop or be maintained for the notes. If a market for the notes does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected.

Risks Relating to Avnet s Business

A large portion of Avnet s revenues come from sales of semiconductors, which is a highly cyclical industry, and continuation of the current industry down-cycle could significantly affect Avnet s operating results.

The semiconductor industry historically has experienced periodic fluctuations in product supply and demand, often associated with changes in technology and manufacturing capacity, and is generally considered to be highly cyclical. According to the Semiconductor Industry Association, the semiconductor industry experienced its worst annual downturn in history with revenue from worldwide semiconductor sales estimated to have fallen by approximately 28% from calendar 2000 to 2001. Avnet s revenues closely follow the strength or weakness of the semiconductor market. Avnet s total sales of semiconductors in fiscal years 2002, 2001 and 2000 were $4,430 million, $7,106 million and $5,834 million, respectively. These sales represented 49.7%, 55.5% and 58.8%, respectively, of Avnet s consolidated sales in those years. The significant decline in Avnet s semiconductor sales in total and as a percentage of consolidated sales from fiscal year 2001 to 2002 represents the largest decline Avnet has experienced in semiconductor sales in its history. Continuation or worsening of the current technology industry downcycle, particularly in the semiconductor sector, could negatively affect Avnet s operating results.

Avnet may not have adequate or cost-effective liquidity, or capital resources.

Avnet needs cash to make interest payments on and refinance indebtedness, including, as adjusted for this offering, approximately $235.8 million aggregate principal amount of publicly-held debt maturing in calendar years 2003 and 2004, and for general corporate purposes, such as funding Avnet s capital expenditure program and working capital. Avnet s ability to satisfy its cash needs depends on its ability to generate cash from operations and to access the financial markets, both of which are subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond Avnet s control.

If Avnet does not generate sufficient cash from its operations, it will need to access the financial markets. External financing may not be available to it on acceptable terms or at all. Under the terms of any external financing, Avnet may incur higher than expected financing expenses and become subject to additional restrictions and covenants. In addition, Avnet s $350 million accounts receivable securitization is subject to an annual renewal in June of each year and Avnet s multi-year bank credit facility matures in October 2004. Avnet cannot provide any assurance that these financing arrangements will be renewed with acceptable terms.

Avnet s ability to obtain external financing is affected by its debt ratings, which are periodically reviewed by the major credit rating agencies. In September 2002, Moody s downgraded Avnet s long-term senior unsecured debt to Baa3 from Baa1, with a negative outlook. In October 2002, Standard & Poor s downgraded Avnet s long-term rating to BBB- from BBB, also with a negative outlook. These recent downgrades have impaired Avnet s ability to obtain financing on more favorable terms. Any increase in Avnet s level of debt, change in status of its debt from unsecured to secured debt or deterioration of its operating results may cause a further reduction in the current debt ratings. Any further downgrade, among other factors, could impair Avnet s ability to obtain additional financing on acceptable terms and Avnet cannot assure you that it will be successful in raising any new financing.

Avnet currently participates in a receivables securitization program, which allows Avnet to sell, on a revolving basis, an undivided interest of up to $350.0 million in eligible U.S. receivables while retaining a subordinated interest in a portion of the receivables. Avnet is required to maintain minimum senior unsecured credit ratings in order to continue using the receivable securitization program. If Avnet s credit rating is reduced below either Ba1 by Moody s or BB+ by Standard & Poor s, Avnet would be unable to continue to utilize the securitization program. If Avnet could not continue to participate in the accounts receivables securitization program, Avnet may not have sufficient cash available to make interest payments on and refinance indebtedness and for general corporate needs.

Any material increase in Avnet s financing costs could have a material adverse effect on its profitability.

In connection with Avnet s January 2000 acquisition of 84% of the stock of Eurotronics B.V., which went to market as SEI, Avnet entered into a share purchase agreement with the sellers (the SEI Agreement). Under the SEI Agreement, Avnet may be required to make an additional payment to the sellers in January 2004 if the closing price of Avnet s stock does not reach a specified minimum price at any time before that date. The specified minimum was calculated as a premium to the market price of Avnet s common stock at the time of the transaction, which was approximately $28 per share. Should Avnet s stock price not achieve this minimum, the additional payment will be based upon the stock price on the four-year anniversary date of the agreement and could range from $0 to a maximum of $106 million. Based upon the closing price of Avnet s common stock on December 27, 2002, Avnet would have been required to pay approximately $80.6 million to settle this obligation. Under the SEI Agreement, Avnet has the option to settle this obligation through the payment of cash or the issuance of an equivalent amount of Avnet s common stock. An October 2002 amendment to Avnet s credit facility prohibits Avnet from settling this obligation through the payment of cash.

Avnet s revenue and profitability have declined significantly from historical highs and, although revenue appears to have stabilized in recent quarters, Avnet may be unable to achieve consistent profitability at levels experienced in the past.

Avnet s operations have been significantly and negatively affected by the current downturn in the technology industry and the general economy. From a high of approximately $3.6 billion in sales in the fiscal quarter ended December 29, 2000, Avnet s sales now appear to have stabilized in the $2.1 $2.4 billion range per quarter. Since December 29, 2000, Avnet has not yet been able to achieve consistent profitability at a level deemed acceptable to management. As a result, Avnet continues to implement substantial cost-cutting measures designed to align its expenses to provide profitability at current revenue levels. The success of these cost-cutting measures, as well as the timing of any economic recovery, will affect Avnet s ability to achieve consistent profitability at reasonable levels. If Avnet is not able to maintain current revenue levels while continuing to cut expenses, Avnet may need to consider additional expense reductions.

The agreements governing some of Avnet s financing, including the Indenture related to the notes, contain various covenants and restrictions that limit the discretion of management in operating Avnet s business and could prevent Avnet from engaging in some activities that may be beneficial to its business.

Avnet s financing agreements contain various covenants and restrictions that, in certain circumstances, limit its ability and the ability of certain subsidiaries to:

- grant liens on assets;
- make restricted payments (including paying dividends on capital stock, redeeming or repurchasing capital stock, or early repayment of outstanding bond obligations);
- make investments or acquisitions; or
- merge, consolidate or transfer all or substantially all of its assets.

With respect to the indenture governing the notes, there are, in certain circumstances, similar restrictions, including limitations on Avnet s ability to incur additional debt, pay dividends or make other restricted payments, sell assets or merge with or into companies, and engage in certain transactions with affiliates. In addition, Avnet s financing agreements contain covenants that require it to maintain specified financial ratios and satisfy financial tests. As a result of these covenants and restrictions, Avnet is limited in how it conducts its business and may be unable to raise additional debt, compete effectively or take advantage of new business opportunities.

Avnet may not be able to comply with the covenants contained in certain financing agreements, including the indenture related to the notes, and, if Avnet fails to comply, it may not be able to obtain waivers or amend the covenants.

Some of Avnet s financing agreements contain covenants that require Avnet to satisfy specified financial tests and/or maintain specified corporate credit or debt ratings or financial ratios. For example, Avnet must maintain financial ratios, including an interest coverage and net worth test, and must maintain long-term senior debt ratings of at least BB+ by Standard & Poor s and Ba1 by Moody s in order to continue to participate in its receivables securitization program. If Avnet is unable to comply with the financial covenants and cannot amend or obtain waivers of those covenants, Avnet would cease to have access to its receivables securitization program. If the accounts receivables securitization program terminated, Avnet s bank credit facility would become secured, unless Avnet was able to simultaneously enter into another securitization program with similar terms. A violation of the minimum credit rating requirements of the indenture related to the notes will thereafter, until Avnet again complies with the minimum required credit ratings, limit Avnet s ability to:

- incur additional indebtedness;
- pay dividends, redeem capital stock or make certain other restricted payments of investments;
- sell assets or merge with or into other companies; or
- engage in certain transactions with affiliates.

In addition, an event of default under one financing agreement would create cross defaults under other financing agreements. If any of these events occur, Avnet cannot assure you that it will have sufficient funds available to pay in full the total amount of obligations that become due as a result of any such acceleration, or that it will be able to obtain additional or alternative financing. Even if Avnet could obtain additional or alternative financing, it may not be able to do so on acceptable terms.

If Avnet were unable to maintain its relationships with key suppliers, it could adversely affect Avnet s sales.

Approximately 16% of Avnet s consolidated revenues in fiscal 2002 came from sales of IBM products and services. In fiscal 2002, sales of products and services from three other suppliers fell in a range between 4.0% and 7.3% of Avnet s consolidated revenues. As a result, to the extent IBM or a group of other primary suppliers is not willing to do business with Avnet in the future on terms acceptable to Avnet, the loss of these suppliers could materially adversely affect Avnet s business, results of operations and financial condition. If any of these industry leading suppliers was unwilling to do business with Avnet, Avnet s relationships with its customers could be materially adversely affected because Avnet s customers depend on Avnet s distribution of electronic components and computer products from the industry s leading suppliers.

Declines in the value of Avnet s inventory may materially adversely affect Avnet s financial condition, results from operations and liquidity.

The electronic components and computer products industry is subject to rapid technological change, new and enhanced products and evolving industry standards, which can contribute to decline in value or obsolescence of inventory. During an economic downturn, which the industry is 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. Although it is the policy of many of Avnet s suppliers to offer distributors like Avnet certain protections from the loss in value of inventory (such as price protection, limited rights of return and rebates), Avnet cannot assure you that such return policies and rebates will fully compensate it for the loss in value, or that the vendors will choose to, or be able to, honor such agreements, some of which are not documented and therefore subject to the discretion of the vendor. Avnet cannot assure you that unforeseen new product developments or declines in the value of its inventory will not materially adversely affect its results of operations, financial condition or liquidity, or that Avnet will successfully manage its existing and future inventories.

Substantial defaults by Avnet s customers on its accounts receivable could have a significant negative impact on Avnet s financial condition, results of operations and liquidity.

A significant portion of Avnet s working capital consists of accounts receivable from customers. If customers responsible for a significant amount of accounts receivable were to become insolvent or otherwise unable to pay for products and services, or were to become unwilling or unable to make payments in a timely manner, Avnet s operating results and financial condition could be adversely affected. If the current economic downturn becomes more pronounced or lasts longer than currently expected, it could have an adverse affect on the servicing of these accounts receivable, which could result in longer payment cycles, increased collection costs and defaults in excess of management s expectations. A significant deterioration in Avnet s ability to collect on accounts receivable could also impact the cost or availability of financing under Avnet s accounts receivable securitization program.

The electronics component and computer industries are highly competitive and if Avnet cannot effectively compete, its revenue may decline.

The market for Avnet s products and services is very competitive and subject to rapid technological advances. Not only does Avnet compete with other distributors, it also competes for customers with some of its own suppliers. Avnet s failure to maintain and enhance its competitive position would adversely affect its business and prospects.

The sizes of Avnet s competitors vary across market sectors, as do the resources Avnet has allocated to the sectors in which it does business. Therefore, some of the competitors may have greater financial, personnel, capacity and other resources than Avnet has in one or more of its market sectors. As a result, Avnet s competitors may be in a stronger position to respond quickly to potential acquisitions and other market opportunities, new or emerging technologies and changes in customer requirements.

Avnet s non-U.S. locations represent a significant and growing portion of its revenue, and consequently, Avnet is increasingly exposed to risks associated with operating internationally.

In the first six months of fiscal 2003, approximately 43% of Avnet s sales came from its operations outside the United States. During fiscal 2002 and 2001, respectively, approximately 41% and 32% of sales were from locations outside the United States. As a result of Avnet s foreign sales and locations, its operations are subject to a variety of risks that are specific to international operations, including the following:

- potential restrictions on transfers of funds;
- foreign currency fluctuations;
- import and export duties and value added taxes;
- import and export regulation changes that could erode profit margins or restrict exports;
- changing foreign tax laws and regulations;
- potential military conflicts;
- inflexible employee contracts in the event of business downturns; and
- the burden and cost of compliance with foreign laws.

Manufacturing of electronic component and computer products is increasingly shifting to lower-cost production facilities in Asia, and most notably the People s Republic of China, which historically have not relied upon independent distributors to the same extent as North America and Europe. Avnet s business and prospects could be materially adversely affected if this shift continues and Avnet is unable to develop distribution relationships with these or other manufacturers on acceptable terms. Moreover, Avnet s results from operations and financial condition could be adversely affected if Avnet is able to develop relationships with these manufacturers that do not provide profit margins comparable to the margins Avnet has maintained with its current relationships.

In addition, Avnet has operations in several locations in emerging or developing economies that have a potential for higher risk. The risks associated with these economies include currency volatility and other economic or political risks. While Avnet has and will continue to adopt measures to reduce the impact of losses resulting from volatile currencies and other risks of doing business abroad, Avnet cannot ensure that such measures will be adequate.

Failure to retain key senior management could harm Avnet s operations.

Avnet s success depends to a large extent upon the efforts and abilities of key senior management. Avnet s senior management is very experienced, with significant longevity in both years of industry experience and years at Avnet. For example, Roy Vallee, Avnet s Chairman and Chief Executive Officer, has over 30 years experience in the industry, including 25 years at Avnet. Losing the services of such key personnel could harm Avnet s operations.

FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference forward-looking statements with respect to Avnet s financial condition, results of operations and business. You can find many of these statements by looking for words like believes, expects, anticipates, estimates or similar expressions.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Factors that may cause actual results to differ materially from those contemplated by the forward-looking statements include the following:

Continuation or worsening of the current technology industry down-cycle, particularly the semiconductor sector, would adversely affect Avnet s operating results.

Competitive pressures among distributors of electronic components and computer products may increase significantly through entry of new competitors or otherwise.

General economic or business conditions, domestic and foreign, may be less favorable than management expected, resulting in lower sales and declining operating results which can, in turn, impact Avnet s credit ratings, debt covenant compliance and liquidity as well as Avnet s ability to maintain existing unsecured financing or to obtain new financing whether secured or unsecured.

Legislative or regulatory changes may adversely affect the businesses in which Avnet is engaged.

Adverse changes may occur in the securities markets.

Changes in interest rates and currency fluctuations may reduce Avnet s profit margins.

Avnet may be adversely affected by the allocation of products by suppliers.

Avnet is subject to other risks identified in this prospectus supplement under the caption Risk Factors.

Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by them. Management cautions you not to place undue reliance on these statements, which speak only as of the date of this prospectus supplement.

Avnet does not undertake any obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

Management estimates that the net proceeds from this offering will be approximately $243.4 million, after deducting fees and expenses. The offering of the notes is subject to Avnet raising net proceeds of at least $325.0 million, including proceeds from the notes offered herein, in one or more permitted capital markets transactions as defined in Avnet s multi-year bank credit facility. Avnet will use the net proceeds from the permitted capital markets transactions, which management estimates to be $325.8 million, together with approximately $0.8 million of cash and cash equivalents, to repurchase its outstanding 6.45% Notes due August 15, 2003 and up to $117.2 million of its outstanding 8.20% Notes due October 17, 2003 in the tender offers, as described under Prospectus Summary The Tender Offers. If Avnet acquires less than all of its outstanding 6.45% Notes or less than $117.2 million of its outstanding 8.20% Notes in the tender offers, management intends to deposit the remaining net proceeds of the offering into an account until the maturity date of the 6.45% Notes on August 15, 2003 and the maturity date of the 8.20% Notes on October 17, 2003.

CAPITALIZATION

The following table sets forth the actual consolidated cash and cash equivalents, short-term debt and capitalization of Avnet at December 27, 2002, and these amounts as adjusted to reflect the sale of the notes in this offering and $85.0 million in gross proceeds from one or more permitted capital markets transactions, and the application of the net proceeds from the sale of the notes and the other permitted capital markets transactions together with approximately $0.8 million from cash and cash equivalents to repurchase its 6.45% Notes due August 15, 2003 and a portion of its 8.20% Notes due October 17, 2003. See Use of Proceeds. You should read this table together with Avnet s audited and unaudited financial statements that appear elsewhere in this prospectus supplement.

	December 27, 2002(1)	
	Actual	As adjusted
	(in millions)	
Cash and cash equivalents(2)	$ 185.7	$ 184.9
Short-term debt:		
Foreign bank credit facilities(3)	$ 30.0	$ 30.0
4.5% Convertible Notes due 2004(4)	3.0	3.0
6.45% Notes due August 15, 2003(2)	200.0	
8.20% Notes due October 17, 2003(2)	250.0	132.8
Other debt due within one year	1.0	1.0
Total short-term debt	484.0	166.8
Long-term debt, less amounts due within one year:		
U.S. bank credit facilities		
Commercial paper	8.3	8.3
6 7/8% Notes due March 15, 2004	100.0	100.0
7 7/8% Notes due February 15, 2005(5)	360.0	360.0
8.00% Notes due November 15, 2006(6)	400.0	400.0
% Notes due 2008, offered hereby(2)		250.0
Permitted Capital Markets Transactions(7)		85.0
Other long-term debt	7.5	7.5
Subtotal	875.8	1,210.8
Fair value adjustment for hedged 8.00% Notes(8)	30.6	30.6
Total long-term debt	906.4	1,241.4
Total debt	1,390.4	1,408.2
Shareholders equity(9):		
Common stock, $1.00 par value	119.4	119.4
Additional paid-in capital	569.1	569.1
Retained earnings	1,028.9	1,018.7
Cumulative other comprehensive income	55.4	55.4
Treasury stock, at cost	(0.1)	(0.1)
Total shareholders equity	1,772.7	1,762.5
Total capitalization	$3,163.1	$3,170.7

(1) Not included in the above capitalization table is $50.0 million of amounts outstanding under Avnet s accounts receivable securitization program as of December 27, 2002. See Management s Discussion and Analysis Liquidity and Capital Resources Financing Transactions.

(2) The as adjusted balances assume the issuance and application of the proceeds from the notes offered hereby and $85.0 million in gross proceeds from one or more permitted capital markets transactions, together with approximately $0.8 million of cash and cash equivalents, to repurchase all of the 6.45% Notes due August 15, 2003 with the remaining proceeds utilized to repurchase a portion of the 8.20%

Notes due October 17, 2003. If Avnet acquires less than all of its outstanding 6.45% Notes or less than $117.2 million of its outstanding 8.20% Notes in the tender offers, management intends to deposit the remaining proceeds into an account until the maturity dates of the 6.45% Notes and 8.20% Notes.

(3) Represents short-term foreign borrowings under various bank credit facilities.

(4) As a result of its acquisition of Kent Electronics Corporation on June 8, 2001, Avnet assumed these notes. Avnet has the right to redeem these notes upon 30-days prior notice.

(5) Does not reflect the original issue discount of $1.5 million, which represents the difference between the face amount of the 7 7/8% notes and the price paid by the public.

(6) Does not reflect the original issue discount of $3.1 million, which represents the difference between the face amount of the 8.00% notes and the price paid by the public.

(7) Permitted Capital Markets Transactions may include additional proceeds from the notes offered hereby or other debt or equity offerings, the gross proceeds of which are assumed to be $85.0 million.

(8) Represents the fair value adjustment to long-term debt relating to two interest rate swaps, with a total notional amount of $400.0 million, entered into by Avnet to hedge the change in fair value due to fluctuations in interest rates. These swaps modify Avnet s interest rate exposure by effectively converting the 8.00% fixed rate on these notes to a floating rate based upon three-month U.S. LIBOR plus a spread. The fair value adjustment is offset by a comparable long-term asset on Avnet s consolidated balance sheet as the hedges are currently effective and have been effective since their inception. See the Management s Discussion and Analysis Liquidity and Capital Resources Financing Transactions for further discussion of this hedge.

(9) Under a share purchase agreement entered into in connection with Avnet s January 2000 acquisition of 84% of the stock of Eurotronics B.V., which went to market as SEI, Avnet may be required to make an additional payment to the sellers in January 2004. Avnet has the option to settle this obligation through the payment of cash or the issuance of an equivalent amount of Avnet s common stock. An October 2002 amendment to Avnet s credit facility prohibits Avnet from settling this obligation through the payment of cash. If Avnet settles this obligation in cash, Avnet s shareholder equity will be reduced. If Avnet settles the obligation through the payment of Avnet common stock, Avnet s shareholder equity will not be reduced, but there will be additional shares outstanding.

SELECTED FINANCIAL DATA

The selected financial data below is derived from the consolidated financial statements of Avnet. We refer you to those financial statements and accompanying notes that appear elsewhere in this prospectus supplement. All amounts prior to fiscal 2002 have been restated to reflect Avnet s acquisition on June 8, 2001 of Kent Electronics Corporation (Kent) in a transaction accounted for as a pooling-of-interests. Income amounts are from continuing operations and net assets from discontinued operations are classified as current assets. This selected financial data should be read in conjunction with the footnotes below as there are various special items recorded in certain periods presented.

	Fiscal Years Ended					Six Months Ended	
	June 28, 2002(1)(2)	June 29, 2001(3)	June 30, 2000(4)	July 2, 1999(5)	June 26, 1998(6)	Dec. 27, 2002(7)	Dec. 28, 2001(2)
				(Dollars in Millions)			
Income Statement Data:							
Sales	$8,920.2	$12,814.0	$9,915.0	$6,805.7	$6,334.6	$4,520.6	$4,561.0
Cost of sales	7,697.4	10,948.5	8,470.2	5,757.7	5,253.5	3,907.4	3,931.9
Gross profit	1,222.8	1,865.5	1,444.8	1,048.0	1,081.1	613.2	629.1
Operating expenses	1,225.8	1,611.8	1,076.8	865.5	787.6	668.4	601.7
Operating income (loss)	(3.0)	253.7	368.0	182.5	293.5	(55.2)	27.4
Other income, net	6.8	25.5	10.5	13.0	9.4	10.6	3.8
Interest expense	(124.6)	(191.9)	(94.8)	(62.6)	(45.2)	(51.3)	(71.2)
Gain on dispositions of businesses				252.2	33.8		
Earnings (loss) before income taxes	(120.8)	87.3	283.7	385.1	291.5	(95.9)	(40.0)
Income tax provision (benefit)	(36.4)	87.2	121.1	204.8	125.6	(36.8)	(18.2)
Earnings (loss)	$ (84.4)	$ 0.1	$ 162.6	$ 180.3	$ 165.9	$ (59.1)	$ (21.8)
Ratio of earnings to fixed charges(8)	*	1.4x	3.6x	6.2x	6.3x	*	*
Balance Sheet and Other Data at end of periods:							
Accounts receivable, net	$1,374.0	$ 1,629.6	$1,900.0	$1,033.6	$ 954.7	$1,535.5	$1,360.9
Inventory	1,417.3	1,917.0	2,013.2	1,077.3	1,138.7	1,239.3	1,612.8
Working capital	1,928.7	1,177.4	2,368.7	1,977.0	1,899.1	1,330.9	1,897.2
Total assets	4,682.0	5,864.1	5,934.4	3,563.4	3,308.6	4,418.7	4,749.0
Long-term debt	1,565.8	919.5	1,650.6	998.2	1,017.7	906.4	1,673.6
Shareholders equity	1,804.5	2,374.6	2,246.7	1,718.8	1,628.5	1,772.7	1,772.2
Cash flows provided from (used for):							
Operating activities	976.3	186.2	(494.4)	97.9	(6.7)	451.0	604.3
Financing activities	(809.4)	452.6	1,065.3	(103.7)	184.5	(409.4)	(507.8)
Investing activities	(117.8)	(760.8)	(810.5)	262.5	28.0	(18.0)	(71.0)
EBITDA(9)	100.9	373.1	451.5	492.1	382.7	(7.5)	74.1
Adjusted EBITDA(9)	180.5	700.6	500.5	309.1	397.6	99.2	74.1
Days sales outstanding	63.7	62.2	53.6	50.7	48.0	57.6	65.3
Inventory turns	4.6x	5.0x	5.2x	4.9x	4.8x	5.9x	4.3x

* Earnings were deficient in covering fixed charges by $120.8 million for the fiscal year ended June 28, 2002 and by $95.9 million and $40.0 million for the six months ended December 27, 2002 and December 28, 2001, respectively. Pro forma ratio of earnings to fixed charges, giving effect to the offering herein and the paydown of existing notes as discussed in Use of Proceeds , for the fiscal year ended June 28, 2002 and for the six months ended December 27, 2002 have not been included, as earnings are deficient in covering fixed charges in both periods.

(1) Includes the impact of incremental special charges related to the write-down of certain assets acquired in the fiscal 2001 acquisition of Kent, net of certain recoveries of previous write-downs and reserves, and other charges taken in response to business conditions, including an impairment charge to write down certain investments in unconsolidated Internet-related businesses to their fair value and severance charges for workforce reductions announced during the fourth quarter of fiscal 2002. The net special charges amounted to $79.6 million pre-tax ($21.6 million included in cost of sales and $58.0 million included in operating expenses) and $62.1 million after-tax.

(2) Excludes the impact of Avnet s adoption of Statement of Financial Accounting Standards No. 142 (SFAS 142), Goodwill and Other Intangible Assets, on June 30, 2001, the first day of Avnet s fiscal year 2002. SFAS 142, which requires that ratable amortization of goodwill be replaced with periodic tests for goodwill impairment, resulted in a transition impairment charge recorded by Avnet of $580.5 million. This charge is reflected as cumulative change in accounting principle in the consolidated statements of operations. Including the cumulative effect of change in accounting principle, Avnet recorded a net loss of $664.9 million in the year ended June 28, 2002 and a net loss of $602.3 million in the six months ended December 28, 2001.

(3) Includes the impact of incremental special charges related to the acquisition and integration of Kent, which was accounted for as a pooling-of-interests, and other integration, reorganization and cost cutting initiatives taken in response to business conditions. The special charges amounted to $327.5 million pre-tax ($80.6 million included in cost of sales and $246.9 million included in operating expenses) and $236.7 million after-tax.

(4) Includes special charges associated with: (a) the integration of Marshall Industries, Eurotronics B.V. and the SEI Macro Group into EM, (b) the integration of JBA Computer Solutions into CM North America, (c) the reorganization of EM Asia, (d) the reorganization of EM s European operations, including costs related to the consolidation of EM s European warehousing operations, and (e) costs incurred in connection with certain litigation brought by Avnet. The total special charges for fiscal 2000 amounted to $49.0 million pre-tax and $30.4 million after-tax.

(5) Includes the net gain on exiting the printed catalog business recorded in the fourth quarter of fiscal 1999 offset by special charges recorded in the first quarter associated with the reorganization of Avnet s EM operations in Europe. The net positive effect on fiscal 1999 income before income taxes and net income was $183.0 million and $64.0 million, respectively.

(6) Includes the net negative impact of $14.9 million pre-tax and $12.5 million after-tax from (a) the gain on the sale of Channel Master of $33.8 million pre-tax and $17.2 million after-tax, (b) costs relating to the divestiture of Avnet Industrial, the closure of Avnet s corporate headquarters in Great Neck, New York, and the anticipated loss on the sale of Avnet-owned real estate, amounting to $13.3 million pre-tax and $8.5 million after-tax, and (c) incremental special charges associated with the reorganization of Avnet s EM operations in the Americas, amounting to $35.4 million pre-tax and $21.2 million after-tax.

(7) Includes the impact of incremental special charges recorded in connection with Avnet s continuing cost reduction initiatives. The charges relate to (a) severance for workforce reductions, (b) reserves for non-cancelable lease obligations, write-downs of the carrying value of owned facilities and write-downs of owned assets located in the leased and owned facilities, all of which were identified by management to be consolidated into other existing Avnet facilities, and (c) costs related to write-offs of certain capitalized IT-related initiatives. The special charges amounted to $106.7 million pre-tax (all of which is included in selling, general and administrative expenses) and $65.7 million after tax.

(8) The calculation of the ratio of earnings to fixed charges includes the impact of the incremental special items described in Notes 1, 3, 4, 5, 6 and 7 above. Had the special charges incurred in fiscal 2002 been excluded from the calculation, earnings would have been deficient in covering fixed charges by $41.2 million. Had the special items related to the six months ended December 27, 2002 and fiscal years 2001, 2000, 1999 and 1998 been excluded from these calculations, the ratio of earnings to fixed charges in those periods would have been 1.2x, 3.0x, 4.0x, 3.7x and 6.5x, respectively.

(9) EBITDA represents earnings (loss) before other income, interest expense, income taxes and depreciation and amortization expense. Adjusted EBITDA represents EBITDA excluding special items. Special items include reorganization and acquisition integration costs, impairment charges related to Avnet s non-consolidated investments and other special items. Management and investors have found information such as EBITDA and Adjusted EBITDA to be useful as a measure of Avnet s ability to satisfy principal and interest obligations on its debt and to provide cash for other purposes. EBITDA and Adjusted EBITDA do not represent, and should not be considered a substitute for, income (loss) from operations, net income (loss), operating cash flows or other measures of performance prepared in accordance with accounting principles generally accepted in the United States. Avnet s definitions of EBITDA and Adjusted EBITDA may not be comparable to those reported by other companies and do not correspond to definitions of consolidated cash flow.

The computation of EBITDA and Adjusted EBITDA for each of the respective periods is as follows:

	Fiscal Years Ended					Six Months Ended	
	June 28, 2002(a)	June 29, 2001	June 30, 2000	July 2, 1999	June 26, 1998	Dec. 27, 2002	Dec. 28, 2001
	(Dollars in Millions)						
Earnings (loss) before income taxes	$(120.8)	$ 87.3	$283.7	$ 385.1	$291.5	$ (95.9)	$(40.0)
Add back:							
Interest expense	124.6	191.9	94.8	62.6	45.2	51.3	71.2
Depreciation and amortization expense	103.9	119.4	83.5	57.4	55.4	47.7	46.7
Less:							
Other income, net	6.8	25.5	10.5	13.0	9.4	10.6	3.8
EBITDA	100.9	373.1	451.5	492.1	382.7	(7.5)	74.1
Reorganization charges	13.7	127.3	14.6	69.2	48.7	106.7	
Acquisition integration costs	29.7	157.3	31.7				
Impairment of investments	36.2	42.9					
Other non-recurring charges (gains)			2.7	(252.2)	(33.8)		
Adjusted EBITDA	$ 180.5	$700.6	$500.5	$ 309.1	$397.6	$ 99.2	$ 74.1

(a) See footnote (2) on page S-23.

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

For an understanding of the significant factors that influenced Avnet s performance during the past three fiscal years, the following discussion should be read in conjunction with the consolidated financial statements, including the related notes, and other information appearing elsewhere in this prospectus supplement. The fiscal 2001 acquisition of Kent Electronics Corporation (Kent), which has been accounted for as a pooling-of-interests and is more fully described below under the caption Business, materially impacts the nature of the reported results for the years prior to fiscal 2002 presented herein. In addition, the severe economic downturn in the technology markets in which Avnet competes is also a material contributor to the financial results discussed in this management s discussion and analysis.

Since the second quarter of Avnet s fiscal 2001, technology markets have been severely impacted by a global economic and industry downturn. This downturn in the technology markets is primarily a consequence of several economic and geopolitical forces: weakened financial markets following the collapse within the dot com industry and other recent significant business failures; weak global demand for IT capital equipment following on the heels of the Y2K and dot com infrastructure buildup; a severe oversupply of electronic components (specifically semiconductors the worldwide semiconductor industry experienced its worst performance in annual revenue trends in calendar 2001, registering a 32% decline in revenues according to the Semiconductor Industry Association); and an uncertain geopolitical climate precipitated by the events of September 11, 2001. These events have impacted, to varying degrees, all facets of the technology markets in which Avnet competes.

Please note that unless otherwise specifically indicated, references herein to any particular year or quarter are to Avnet s fiscal year periods. Avnet s fiscal year ends on the Friday closest to June 30.

Organizational Developments

Brian Hilton, president of Avnet s Electronics Marketing Group (EM), retired from Avnet effective June 28, 2002 in conjunction with the close of the fiscal year. Andrew Bryant, a 22-year Avnet employee and prior president of Avnet s Computer Marketing Group (CM), was appointed the new global president of EM. Richard Hamada, a 20-year Avnet employee, was promoted to president of CM worldwide. Mr. Hamada was the president of CM s largest division prior to assuming his new responsibilities. The change in responsibilities for Messrs. Bryant and Hamada took place in January 2002 in order to ensure a smooth transition prior to Mr. Hilton s retirement.

Critical Accounting Policies

Avnet s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires Avnet to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. These estimates and assumptions are based upon Avnet s continuous evaluation of historical results and anticipated future events. Actual results may differ from these estimates under different assumptions or conditions.

The Securities and Exchange Commission defines critical accounting polices as those that are, in management s view, most important to the portrayal of Avnet s financial condition and results of operations and those that require significant judgments and estimates. Avnet does not consider revenue recognition to be a critical accounting policy due to the nature of its business in which revenues are generally recognized upon the actual shipment of product. Accordingly, other than for estimates related to possible returns of products from customers, discounts or rebates, the recording of revenue does not require significant judgments or estimates. Furthermore, revenues and anticipated profits from long-term contracts, which are recorded on a percentage of completion basis, are not material to the consolidated results of operations of Avnet.

Management believes that Avnet s most critical accounting policies relate to:

Valuation of Receivables: Avnet maintains an allowance for doubtful accounts for estimated losses resulting from customer defaults. Bad debt reserves are recorded based upon historic default averages as well as through the creation of reserves established for specific customers deemed marginal in their ability to pay based upon contemporaneous factors. In general, if the financial condition of a customer were to deteriorate, resulting in an impairment of that customer s ability to make payments to Avnet, additional reserves may be required.

Valuation of Inventories: Inventories are recorded at the lower of cost (first in first out) or estimated market value. Avnet s inventories include high-technology components, embedded systems and computing technologies sold into rapidly changing, cyclical and competitive markets whereby such inventories may be subject to early technological obsolescence.

Avnet evaluates inventories for excess, obsolescence or other factors that may render inventories unmarketable at normal margins. Write-downs are recorded so that inventories reflect the approximate net realizable value and take into account Avnet s contractual provisions with its suppliers governing price protection, stock rotation and return privileges relating to obsolescence. Because of the large number of transactions and the complexity of managing the process around price protections and stock rotations, estimates are made regarding adjustments to the carrying amount of inventories. Additionally, assumptions about future demand, market conditions and decisions to discontinue certain product lines can impact the decision to write down inventories. If assumptions about future demand change or actual market conditions are less favorable than those projected by management, additional write-downs of inventories may be required. In any case, actual values could be different from those estimated.

Accounting for Income Taxes: Management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against net deferred tax assets. The carrying value of Avnet s net foreign operating loss carry-forwards is dependent upon its ability to generate sufficient future taxable income in certain tax jurisdictions. In addition, Avnet considers historic levels of income, expectations and risk associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing a tax valuation allowance. Should Avnet determine that it is not able to realize all or part of its deferred tax assets in the future, a valuation allowance is recorded against the deferred tax assets with a corresponding charge to income in the period such determination is made.

Special and Acquisition-Related Charges: Avnet has been subject to the financial impact of integrating acquired businesses and charges related to business reorganizations. In connection with such events, management is required to make estimates about the financial impact of such matters that are inherently uncertain. Accrued liabilities and reserves are established to cover the cost of severance, facility consolidation and closure, lease termination fees, inventory adjustments based upon acquisition-related termination of supplier agreements and/or the re-evaluation of the acquired working capital assets (inventory and accounts receivable), change-in-control expenses, and write-down of other acquired assets including goodwill. Actual amounts incurred could be different from those estimated.

Additionally, in assessing Avnet s goodwill for impairment in accordance with the Financial Accounting Standards Board s (FASB) Statement of Financial Accounting Standards No. 142 (SFAS 142), Goodwill and Other Intangible Assets, Avnet is required to make significant assumptions about the future cash flows and overall performance of its reporting units. Should these assumptions or the structure of the reporting units change in the future based upon market conditions or changes in business strategy, Avnet may be required to record additional impairment charges to its remaining goodwill. See Note 6 to Avnet s consolidated financial statements located elsewhere in this prospectus supplement for further discussion of SFAS 142 and Avnet s transitional and annual impairment tests.

Contingencies and Litigation: Avnet is involved in various legal proceedings and other claims related to environmental, labor, product and other matters, all of which arise in the normal course of business. Avnet is required to assess the likelihood of any adverse judgment or outcome to these matters, as well as the range of potential losses. A determination of the reserves required, if any, is made after careful analysis by management and internal and, if necessary, external counsel. The required reserves may change in the future due to related developments or a change in circumstances. Changes to reserves could increase or decrease earnings in the period the changes are effective.

Recently Issued Accounting Pronouncements

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143 (SFAS 143), Accounting for Asset Retirement Obligations. SFAS No. 143 became effective for Avnet beginning on June 29, 2002 (the first day of fiscal 2003) and provides new criteria for the measurement of a liability for an asset retirement obligation and the associated asset retirement cost. The adoption of SFAS 143 did not have a material effect on Avnet s consolidated financial statements.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144 (SFAS 144), Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 became effective for Avnet beginning on June 29, 2002. SFAS No. 144 amends and supersedes SFAS No. 121 (SFAS 121), Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. However, SFAS 144 retains the fundamental provisions of SFAS No. 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS 144 also amends and supersedes previous guidance on reporting for discontinued operations. The adoption of SFAS 144 did not have a material effect on Avnet s consolidated financial statements.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146 (SFAS 146), Accounting for Costs Associated with Exit or Disposal Activities. SFAS 146 supersedes former guidance addressing the financial accounting and reporting for costs associated with exit or disposal activities. SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured when the liability is incurred (as opposed to upon the date of an entity s commitment to a plan as provided for under previous guidance). The provisions of SFAS 146 will be effective for any exit or disposal activities that are initiated by Avnet after December 31, 2002.

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 addresses the disclosure requirements of a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. FIN 45 also requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN 45 are effective for Avnet in its quarter ended December 27, 2002. The liability recognition requirements will be applicable prospectively to all guarantees issued or modified after December 31, 2002.

Results of Operations   Second Quarters and First Halves Ended December 27, 2002 and December 28, 2001

Sales

The table below provides period sales for the Company and its operating groups**:**

Period Sales by Operating Group and Geography

	Q2-03 (Dec 02)	Q1-03 (Sep 02)	Sequential % Change	Q2-02 (Dec 01)	Year-Year % Change
			(Dollars in Thousands)		
Avnet, Inc.	$2,346,665	$2,173,890	7.9%	$2,359,850	(0.6)%
EM	1,204,074	1,241,766	(3.0)	1,171,915	2.7
CM	682,910	532,210	28.3	704,797	(3.1)
AC	459,681	399,914	14.9	483,138	(4.9)
EM					
Americas	$ 584,830	$ 661,800	(11.6)%	$ 675,129	(13.4)%
EMEA	405,948	394,001	3.0	358,988	13.1
Asia	213,296	185,965	14.7	137,798	54.8
CM					
Americas	$ 567,947	$ 440,303	29.0%	$ 559,669	1.5%
EMEA	105,455	81,706	29.1	135,435	(22.1)
Asia	9,508	10,201	(6.8)	9,693	(1.9)
AC					
Americas	$ 161,005	$ 171,006	(5.8)%	$ 212,267	(24.1)%
EMEA	278,722	213,510	30.5	251,676	10.7
Asia	19,954	15,398	29.6	19,195	4.0
Totals by Region					
Americas	$1,313,782	$1,273,109	3.2%	$1,447,065	(9.2)%
EMEA	790,125	689,217	14.6	746,099	5.9
Asia	242,758	211,564	14.7	166,686	45.6

The electronic component and computer industries continued operating through a stable, but relatively weak technology marketplace during the second quarter of fiscal 2003. A large portion of Avnet s revenues come from sales of semiconductors, which are highly cyclical. Avnet s sales, specifically within EM, closely follow the strength or weakness of the semiconductor market. Consolidated sales of $2.35 billion were down $13.2 million, or 0.6%, in comparison with the prior year second quarter consolidated sales of $2.36 billion.

EM sales of $1.20 billion in the second quarter of fiscal 2003 were up $32.2 million, or 2.7%, over the prior year second quarter. The largest contributor to this growth in EM sales was significantly stronger sales results in Asia, as more moderate growth in EMEA was offset by weaker sales in the Americas. The $75.5 million, or 54.8%, year-over-year growth in EM sales in Asia is indicative of that region s continually growing presence in the electronic component and computer products industry, which is further discussed below. Worldwide CM sales of $682.9 million were down $21.9 million, or 3.1%, mostly due to declines in EMEA, and AC sales of $459.7 million were down $23.5 million, or 4.9%, mostly due to declines in the Americas. The year-over-year declines in the two computer groups offset the gains for EM discussed above.

Avnet s second fiscal quarter is traditionally the strongest quarter for the two computing businesses (CM and AC). The sequential improvement in these two groups helped to yield a $172.8 million, or 7.9%, increase in consolidated sales as compared to the first quarter of fiscal 2003. CM worldwide sales of $682.9 million were up $150.7 million, or 28.3%, as compared with the first quarter of fiscal 2003. This increase was due primarily to strength in CM s computer hardware, storage and software product lines. AC worldwide sales of $459.7 million were up $59.8 million, or 14.9%, as compared with the first quarter of fiscal 2003. These increases were due primarily to strong demand for microprocessors, which was most evident in EMEA and Asia. These regional sequential improvements in AC were offset in part by a decline in the Americas, which is attributable primarily to management s strategic decision to exit some low-profit, low return-on-capital-employed business relationships. The sequential quarterly increases at CM and AC more than offset the worldwide sequential decline in EM sales of $37.7 million, or 3.0%. EM s sequential decline is most evident in the Americas due to continued weakness in demand for components, which was compounded by the decision of many OEMs to shut down their manufacturing operations in advance of and through the year-end holidays. Sequential improvement in EMEA and Asia helped to offset a portion of the decline in the Americas, with the strength of Asia due primarily to healthier markets driven by strong demand in the consumer and automotive markets served by OEMs in Asia.

As a result of the growth of Avnet s foreign sales as a percentage of consolidated sales, Avnet s business is increasingly exposed to risks of operating internationally. During the second quarter of fiscal 2003, revenue by region depicts the continued relative importance of the Asia region, which increased to 10.3% of consolidated sales across all three operating groups, up from 7.1% in the same quarter of fiscal 2002. The Company expects the Asia region to continue to be a primary growth driver for Avnet as this region is becoming a more vital link in the technology supply chain. As a result, the trend of growth of the Asia region as a percentage of consolidated sales will likely continue as the Company continues to invest in that region, specifically in the Peoples Republic of China, where the Company continues to enhance its already established position. As a result of the 2001 acquisition of Sunrise Technology Ltd. and the organic growth of Avnet s existing businesses in the Peoples Republic of China and other parts of Asia, management feels Avnet is well positioned to capitalize on the transition of Americas-based OEM customers to Asia.

Consolidated sales for the first half of fiscal 2003 were $4.52 billion, down slightly by $40.5 million, or 0.9%, as compared with $4.56 billion in the first half of fiscal 2002. EM sales of $2.45 billion for the first half of fiscal 2003 were up $36.3 million, or 1.5%, as compared with the first half of fiscal 2002. CM sales of $1.22 billion and AC sales of $859.6 million in the first half of fiscal 2003 were down 4.8% and 1.7%, respectively, as compared with the prior year first half sales for these operating groups.

Gross Profit Margins

Consolidated gross profit margins for the second quarter of fiscal 2003 of 13.45% were essentially flat in comparison to the 13.50% gross profit margins in the second quarter of fiscal 2002. Gross profit margins were down sequentially by 24 basis points from 13.69% in the first quarter of fiscal 2003. The sequential decline in consolidated gross profit margin was attributable to the increased volume of lower gross profit margin computer product sales from the CM and AC business units. EM accounted for 51.3% of consolidated sales in the second quarter of fiscal 2003 and the combined computer businesses of CM and AC accounted for the remaining 48.7%. This compares with EM accounting for 57.1% of consolidated sales in the first quarter of fiscal 2003 with the combined computer businesses accounting for the remaining 42.9%.

The mix-of-business shift in favor of the computer products businesses is indicative of the intensely cyclical nature of the electronic component industry. During the peak of the last semiconductor up-cycle (the third quarter of fiscal 2000 through the fourth quarter of fiscal 2001), EM accounted for approximately 67% of consolidated revenues, as compared with the down-cycle time period (the first quarter of fiscal 2002 through the current quarter) where EM has accounted for approximately 54% of consolidated revenues. During these same periods, average gross profit margins were 15.12% during the cycle peak and 13.82% during the cycle trough a difference of 130 basis points due to the shift in mix-of-business. Management expects that relatively higher gross profit margins previously enjoyed during the last up-cycle are achievable again once the current industry down-cycle comes to an end and the components business again represents a larger share of consolidated revenues.

Consolidated gross profit margins in the first half of fiscal 2003 were 13.56% as compared with 13.79% in the first half of fiscal 2002. This 23 basis point decrease in gross profit margins is due to the same mix-of-business issue described above.

Operating Expenses

Operating expense, before special charges further discussed below, totaled $284.0 million ($390.8 million including special charges) for the second quarter of fiscal 2003 as compared with $294.8 million in the second quarter of fiscal 2002 and $277.7 million in the prior sequential quarter. The decline in operating expenses from the prior year second quarter is primarily a result of the Company s ongoing cost reduction initiatives further discussed below, much of which resulted from certain reorganizations of the Company s operations that took place during the fourth quarter of fiscal 2002. These cost reduction initiatives are more fully described in the Company s Annual Report on Form 10-K for the year ended June 28, 2002. These cost reductions are offset in part by a stronger Euro in the current fiscal year. On a sequential basis, the slightly higher operating expenses in the second quarter of fiscal 2003 are primarily a result of the favorable impact in the first quarter of fiscal 2003 related to the resolution of certain purchase price contingencies associated with the acquisition of the VEBA Electronics Group (consisting of EBV, WBC, Atlas Logistics and RKE Systems, collectively the VEBA Group). This resolution resulted in a refund of approximately $6.5 million to Avnet from the seller of the VEBA Group representing a portion of the amount paid at closing. This refund was recorded as a reduction of operating expenses as the goodwill related to the VEBA Group had been written off during fiscal 2002 upon the adoption of Statement of Financial Accounting Standards No. 142 (SFAS 142), Goodwill and Other Intangible Assets. Excluding the impact of this item, operating expense dollars are essentially flat on a sequential quarterly basis as a portion of the benefit of the cost cutting actions described below were offset by higher expenses to support the significantly higher sales and gross profits during the second quarter of fiscal 2003.

Operating expenses, before special charges, as a percentage of sales in the second quarter of fiscal 2003 were 12.1%, down from 12.5% in the second quarter of fiscal 2002 and 12.8% in the prior sequential quarter. Including special charges, operating expenses in the second quarter of fiscal 2002 were 16.7% of sales. The decline in operating expenses as a percentage of sales is a result of ongoing expense reduction plans implemented during this and prior quarters. Beginning with the second quarter of fiscal 2001, management has reduced quarterly operating expenses, before special charges, by nearly $75.0 million per quarter. If the impact of the change in foreign currency exchange rates on the translation of foreign currency denominated financial statements into U.S. dollars since the second quarter of fiscal 2001 were excluded, the savings would total approximately $89.0 million per quarter. This reduction takes into account a pro forma adjustment of $15.7 million to increase the actual reported expenses in the second quarter of fiscal 2001 to account for the impact of the operations of the VEBA Group, which were acquired partway through that quarter. Additionally, the pro forma adjustments to operating expenses remove the goodwill amortization expense of $8.8 million for periods prior to the beginning of fiscal 2002, the Company s adoption date for SFAS 142, in order to be consistent with the current method of accounting under SFAS 142 whereby goodwill is no longer amortized.

During the second quarter of fiscal 2003, the Company executed certain actions as part of its ongoing cost reduction initiatives and, accordingly, recorded a special charge totaling $106.7 million pre-tax, $65.7 million after tax, or $0.55 per diluted share for the second quarter and for the year to date. The entire pre-tax charge is included in selling, general and administrative expenses in the accompanying statements of operations. The charge consisted of severance costs ($21.7 million pre-tax), charges related to the consolidation of selected facilities ($37.3 million pre-tax) and charges related to certain IT-related initiatives ($47.7 million pre-tax).

Severance costs and charges related to the consolidation of selected facilities were taken during the quarter in response to the current business environment. During the quarter, management identified a number of facilities worldwide to be consolidated into other existing facilities. The charges relate to reserves for remaining non-cancelable lease obligations, write-downs of the carrying value of certain owned facilities and write-downs of owned assets located in the applicable leased and owned facilities. Additionally, workforce reductions at these and other facilities worldwide resulted in terminations of more than 750 personnel and the related severance charges.

Also during the second quarter of fiscal 2003, management evaluated and elected to discontinue a number of IT-related initiatives that, in light of recent business restructurings, no longer meet the Company s return on investment standards for continued use or development. The charges relate to the write off of capitalized hardware, software and software licenses.

Management estimates that future annualized cost reductions from the special charge activity in the second quarter of fiscal 2003 will be in excess of $90 million on an annualized basis. Of that amount, approximately $80 million of annualized expenses were removed from the business during the quarter ended December 27, 2002 and will thus be reflected in the Company s third fiscal quarter results with the remaining annualized impact taking effect in full during the fourth quarter of fiscal 2003.

Of the special charge of $106.7 million, $59.0 million represented non-cash writedowns and $47.7 million requires the use of cash, of which $6.8 million had been expended as of December 27, 2002. The unutilized portion of the fiscal 2003 special charge at December 27, 2002 relates to severance accruals, substantially all of which are expected to be utilized by the end of fiscal 2003, and contractual lease commitments, substantially all of which are scheduled to be utilized by the end of fiscal 2006. The unutilized portion of special charges recorded prior to fiscal 2003 relate primarily to contractual lease commitments, substantially all of which are scheduled to be utilized by the end of fiscal 2007.

Operating expenses, before special charges, for the first half of fiscal 2003 were $561.7 million ($668.4 million including special charges) down significantly as compared with $601.7 million in the first half of fiscal 2002. This 6.7% decrease in operating expenses exceeded the pace of the 0.9% decline in consolidated sales over the same comparative periods. As a result, consolidated operating expenses, before special charges, as a percentage of consolidated sales were 12.4% in the first half of fiscal 2003 as compared with 13.2% in the first half of fiscal 2002.

Operating Income (Loss)

The following table provides consolidated and group operating income (loss) margins, before and after special charges, for the December 2002 quarter and compares these results to prior sequential and year-over-year quarterly results.

Quarterly Operating Income (Loss) Margin Analysis

By Operating Unit

	Q2-03 (Dec 02)	Q1-03 (Sep 02)	Sequential Basis Point Change	Q2-02 (Dec 01)	Year-Year Basis Point Change
Before Special Charges					
Avnet, Inc.	1.35%	0.92%	43	1.01%	34
EM	1.87	1.18	69	(0.15)	202
CM	2.35	1.34	101	3.27	(92)
AC	1.22	0.82	40	3.51	(229)
After Special Charges					
Avnet, Inc.	(3.20)%	0.92%	(412)	1.01%	(421)
EM	(5.11)	1.18	(629)	(0.15)	(496)
CM	(0.45)	1.34	(179)	3.27	(372)
AC	0.74	0.82	(8)	3.51	(277)

Consolidated operating income, before special charges, was $31.6 million (1.35% of consolidated sales) in the second quarter of fiscal 2003 as compared to $23.8 million (1.01% of consolidated sales) in the second quarter of fiscal 2002 and $20.0 million (0.92% of consolidated sales) in the prior sequential quarter.

Including special charges incurred in the second quarter of fiscal 2003, the Company recorded an operating loss of $75.2 million, or 3.20% of consolidated sales.

Consolidated operating income, before special charges, was $51.5 million (1.14% of consolidated sales) in the first half of fiscal 2003 as compared to $27.4 million (0.60% of consolidated sales) in the first half of fiscal 2002. Including special charges incurred in the second quarter of fiscal 2003, the Company recorded an operating loss of $55.2 million (1.2% of consolidated sales) in the first half of fiscal 2003. This improvement in operating income and operating income margin, before special charges, during the comparative first halves is also indicative of the cost reduction efforts discussed previously.

Interest Expense

Interest expense of $24.3 million for the second quarter of fiscal 2003 was down significantly from $33.1 million in the prior year second quarter and down from $27.0 million in the prior sequential quarter. The Company has experienced interest expense reductions in six of the last seven quarters, with five consecutive quarterly reductions in interest expense prior to the slight increase in the first quarter of fiscal 2003 as compared with the fourth quarter of fiscal 2002. These reductions are attributed specifically to the significant reductions of debt and, to a lesser extent, lower interest rates. Since the end of December 2000, the Company has reduced total debt by approximately $1.88 billion, including amounts outstanding under the accounts receivable securitization program as debt. This debt reduction has had a similar impact on the interest expense for the first half of fiscal 2003, which was $51.3 million, as compared to $71.2 million in the first half of fiscal 2002.

Net Income (Loss) Before Cumulative Effect of Change in Accounting Principle

The following table summarizes the Company s net income (loss), both before and after special charges and the cumulative effect of change in accounting principle, for the December 2002 quarter in comparison to prior sequential and year-over-year results:

Quarterly Net Income (Loss)

	Q2-03 (Dec 02)	Q1-03 (Sep 02)	Q2-02 (Dec 01)
		(Thousands, except per share information)	
Before special charges			
Net income (loss)	$ 7,092	$ (488)	$ (2,576)
Per share basis:			
Basic and diluted	$ 0.06	$	$ (0.02)
After special charges			
Net loss	$ (58,657)	$ (488)	$ (2,576)
Per share basis:			
Basic and diluted	$ (0.49)	$	$ (0.02)

As a result of the operational performance and other factors described in preceding sections of this MD&A, the consolidated net income, excluding special charges, for the second quarter of fiscal 2003 was $7.1 million or $0.06 per share on a diluted basis. This compares with a second quarter fiscal 2002 loss of $2.6 million, or $0.02 per share on a diluted basis and a net loss of $0.5 million, essentially breakeven on a per diluted share basis, in the prior sequential quarter.

Net income, before special charges, was $6.6 million for the first half of fiscal 2003, or $0.06 per share on a diluted basis. This compares with a loss, excluding the cumulative effect of change in accounting principle associated with the adoption of SFAS 142, of $21.8 million, or $0.18 per share on a diluted basis, in the first half of fiscal 2002. Including the cumulative effect of change in accounting principle, the

Company recorded a net loss of $602.3 million, or $5.10 per share on a diluted basis, in the first half of fiscal 2002.

Cash Flow

During the first half of fiscal 2003, cash generated from income before depreciation, amortization, deferred taxes and other non-cash items (including provisions for doubtful accounts and non-cash special charges) totaled $64.6 million. During that period, $386.4 million was generated by reductions in working capital (excluding cash and cash equivalents), resulting in net cash flow from operations of $451.0 million. In addition, the Company used $13.2 million for other normal business operations including purchases of property, plant and equipment ($16.1 million) net of cash generated by other items ($2.9 million). This resulted in $437.8 million, net, being generated from normal business operations. Also during the first half of fiscal 2003, the Company used $1.9 million for acquisitions. This overall net generation of cash of $435.9 million was used to repay $150.0 million under the accounts receivable securitization program and to repay $259.4 million in debt with a resulting net increase in cash and cash equivalents of $26.5 million.

Results of Operations Fiscal Years Ended June 28, 2002, June 29, 2001 and June 30, 2000

The table below provides a year-over-year summary of the results from operations for Avnet and its operating units.

Three-Year Operating Unit Analysis: Sales and Operating Income (Loss)

	Years Ended						**Percent Change**	
	June 28, 2002	***% of* Total**	**June 29, 2001**	***% of* Total**	**June 30, 2000**	***% of* Total**	**2002 to 2001**	**2001 to 2000**
			(Dollars in Millions)					
Sales by Operating Unit:								
EM	$4,841.9	*54.3%*	$ 8,286.6	*64.7%*	$7,105.2	*71.7%*	(41.6)%	16.6%
CM	2,399.2	*26.9%*	2,855.6	*22.3%*	2,139.4	*21.6%*	(16.0)%	33.5%
AC	1,679.1	*18.8%*	1,671.8	*13.0%*	670.4	*6.7%*	0.4%	149.4%
	$8,920.2		$12,814.0		$9,915.0		(30.4)%	29.2%
Sales by Geographic Area:								
Americas	$5,295.2	*59.4%*	$ 8,746.0	*68.3%*	$7,420.9	*74.9%*	(39.5)%	17.9%
EMEA	2,900.3	*32.5%*	3,511.6	*27.4%*	2,055.9	*20.7%*	(17.4)%	70.8%
Asia	724.7	*8.1%*	556.4	*4.3%*	438.2	*4.4%*	30.2%	27.0%
	$8,920.2		$12,814.0		$9,915.0		(30.4)%	29.2%
Operating Income (Loss) by Operating Unit:								
EM	$ 22.7		$ 532.3		$ 421.7		(95.7)%	26.2%
CM	63.0		86.4		57.9		(27.1)%	49.2%
AC	42.8		63.9		20.5		(33.0)%	211.7%
Corporate	(51.9)		(101.4)		(83.1)		48.8%	(22.0)%
Operating income before special charges	76.6		581.2		417.0		(86.8)%	39.4%
Special charges	(79.6)		(327.5)		(49.0)		75.7%	(568.4)%
	$ (3.0)		$ 253.7		$ 368.0		(101.2)%	(31.1)%

The results of operations for 2002 reflected dramatically different results from the prior year across nearly every category of operational performance. Similarly, the first half of 2001 was substantially different than the second half as the significant decline in market conditions referenced previously began in the December 2000 quarter (the second quarter of fiscal 2001). The results for the first half of 2001 reflected a strong electronic component distribution industry where Avnet posted both record revenues and earnings. The results for the second half of 2001 and all of 2002 were then negatively affected by an abrupt and severe downturn in the electronic components industry, compounded by a general slowdown in the global economic environment. Avnet s results reflect these factors as, despite revenue growth and operating income growth before special items over the course of both 2000 and 2001, Avnet experienced declines in revenues, gross profit margins, operating income margins, net income margins, and for the first time in over four decades, recorded a net loss from continuing operations in 2002.

Most significantly impacted was EM, which showed significant deterioration in both sales and operating income (before special charges) in 2002 as compared with 2001 and 2000. The dramatic drop in sales in 2002 was directly related to the sharp decline in semiconductor sales on a global level. This may also be indicative of a technology industry shift in revenue mix away from the Americas, which declined year-over-year, partly toward the Asia region where Avnet s 2002 operations were also bolstered by the acquisition of Sunrise Technology Ltd. late in 2001.

Avnet s operations were impacted by the economic downturn in a number of areas. Revenues continued to be depressed compared with prior year levels due primarily to excess inventory in the supply chain combined with widespread weak demand across the technology segments served by Avnet. This impact has been compounded by pricing pressures within the supply chain, common to the industry in a down-cycle, which have also kept profits at suppressed levels. The combination of these factors led to substantially reduced gross profit dollars in 2002. The rapid decline in gross profit dollars occurred at a rate greater than operating expenses could be removed from the business and, as a result, each operating group experienced significant declines in operating income in 2002 as compared with 2001. In addition, operating losses occurred within EM in the first and second quarters of 2002 and within AC during the fourth quarter of 2002.

Sales

On a year-over-year basis, Avnet completed 2002 with sales of $8.92 billion, down 30.4%, or $3.89 billion, from the record sales of $12.81 billion recorded in 2001. As discussed above, the decrease in consolidated sales was due primarily to the confluence of global and domestic economic forces that caused the severe downturn in the technology markets Avnet serves. EM sales of $4.84 billion and CM sales of $2.40 billion which, combined, represented over 80% of Avnet s consolidated revenues in 2002, were down from 2001 levels by 41.6% and 16.0%, respectively. AC sales of $1.68 billion in 2002 increased marginally by 0.4% from 2001 due primarily to growth in its European operations (affected, in part, by a full year of operations of RKE Systems in 2002, acquired as part of the VEBA Group acquisition) as well as marginally positive growth in Asia.

Consolidated sales for 2001 of $12.81 billion were up $2.90 billion, or 29.2%, as compared with 2000. A significant portion of the increase in sales was primarily due to the robust market conditions that existed through the December 2000 timeframe, especially in the telecommunications sectors being fueled by the dot com infrastructure buildup, and the impact of acquisitions. EM sales represented 64.7% of Avnet s consolidated sales in 2001, down from 71.7% in 2000. However, revenue dollars at EM year-over-year grew to record levels of $8.29 billion in 2001, an increase of $1.18 billion, or 16.6%, over sales of $7.11 billion in 2000. This continued increase in sales was due primarily to the impact of acquisitions (the VEBA Group of companies and the first full year of operations of Marshall Industries and SEI Macro Group) and the strengthening of business conditions in the electronics component distribution market. CM achieved a $716.2 million, or 33.5%, increase in sales from $2.14 billion in 2000 to $2.86 billion in 2001. The continued growth rate was primarily impacted by the acquisition of Savoir Technology Group, Inc. and by growth in sales of enterprise IT equipment and services that accompanied the dot com infrastructure buildup in larger companies in the industry that comprise a significant portion of the CM customer base. EM and CM sales for 2000 include $368 million of AC sales recorded prior to the period when AC was separated into its own operating group, making AC global sales approximately $1.04 billion on a pro forma basis for 2000.

Special Charges

Avnet recorded a number of special charges during the last three fiscal years. These charges relate primarily to three items: (1) the change in accounting principle further discussed in Change in Accounting Principle Goodwill in this Management s Discussion and Analysis and in Note 6 to Avnet s consolidated financial statements for the year ended June 28, 2002; (2) charges stemming from the acquisition and integration of newly acquired businesses; and (3) the reorganization of operations in each of the three major regions of the world in which Avnet operates and other non-recurring items, generally taken in response to business conditions at the time of the charge. Management believes that Avnet s future results of operations will continue to benefit from the cost savings resulting from its acquisitions and integrations of new businesses and reorganizations, and that the impact of these activities on liquidity and sources and uses of capital will not be material.

Summary of Special Charges

(Thousands)

Year	Quarter	Category	Pre-Tax Charge	After-Tax Charge
2002	Q4	Write-down of certain acquired Kent assets	$ 29,734	$ 17,974
		Reorganization charges	13,712	8,289
		Impairment of Internet investments	36,177	35,821
		Total for Year	$ 79,623	$ 62,084
2001	Q4	Kent acquisition and integration costs	$157,331	$130,609
		Reorganization charges	127,274	80,302
		Impairment of Internet investments	42,880	25,781
		Total for Year	$327,485	$236,692
2000	Q3	EBV and SEI Macro integration costs	$ 10,120	$ 6,073
		JBA Computer Solutions integration costs	3,146	1,870
		Reorganization charges	1,557	934
	Q2	Marshall integration costs	18,413	10,951
		Reorganization charges	6,918	5,016
		Litigation Charges	2,699	1,606
	Q1	Reorganization charges	6,111	3,976
		Total for Year	$ 48,964	$ 30,426

See also Note 17 to Avnet s consolidated financial statements for the year ended June 28, 2002 for a detail of activity within the special charge accounts during the past three years.

In the fourth quarter of 2002, Avnet recorded a special charge representing a write-down in value of certain assets acquired in the 2001 acquisition of Kent and certain other charges taken in response to business conditions. The special charge totaled $79.6 million pre-tax ($21.6 million included in cost of sales and $58.0 million included in operating expenses) and $62.1 million after tax, or $0.52 per share on a diluted basis for the fourth quarter and the year.

The Kent-related items resulted from the acquisition of Kent being accounted for using the pooling-of-interests method of accounting. Under this method, items that normally would have been reflected as adjustments to goodwill as opening balance sheet adjustments if the purchase method of accounting could have been used were instead recorded to Avnet s consolidated statement of operations. These items amounted to $29.7 million pre-tax and related primarily to write-downs to the value of receivables considered uncollectible ($8.2 million), excess and obsolete inventory ($21.6 million) and property, plant and equipment and non-cancelable lease obligations ($15.9 million) acquired in the Kent acquisition, net of approximately $16.0 million pre-tax in cash recoveries of certain charges recorded as part of the special charges taken in the fourth quarter of 2001. The write-downs of Kent-related assets were recorded at the earliest date that management had sufficient information to evaluate the recoverability of the assets in order to conclude that a write-down was necessary to record the assets at their net realizable value.

The remaining pre-tax special charge recorded in the fourth quarter of 2002, amounting to $49.9 million, includes an impairment charge of $36.2 million pre-tax to write-down certain of Avnet s investments in unconsolidated Internet-related businesses to their fair market value and $13.7 million pre-tax for severance charges taken for workforce reductions of approximately 850 personnel announced during the fourth quarter. The impairments recorded to Avnet s investments are considered capital losses for tax purposes and are therefore only deductible to the extent Avnet has available capital gains. As there are no capital gains to offset these losses currently or forecasted in the foreseeable future, Avnet generally has not recorded a tax benefit for these losses. The timing of the impairment charge to the investments is a function of the timing with which financial and other information regarding these ventures typically becomes available to Avnet. Although management evaluates these investments for potential impairment throughout the year, a charge to record any impairment is not recorded until management possesses sufficient information to reach a definitive conclusion as to the realizable value of the investments.

Of the special charge of $79.6 million pre-tax recorded in the fourth quarter of 2002, $77.9 million did not require the use of cash and $1.7 million required the use of cash (net of the $16.0 million in recoveries discussed above), of which $8.6 million remains unexpended at June 28, 2002 related primarily to remaining payments for severance, substantially all of which is scheduled to be utilized during 2003, and for contractual lease commitments, substantially all of which are expected to be utilized by the end of 2007.

In the fourth quarter of 2001, Avnet recorded a special charge in connection with the acquisition and integration of Kent and for costs related to actions taken in response to business conditions and other restructuring activity. The charge amounted to $327.5 million pre-tax ($80.6 million included in cost of sales and $246.9 million included in operating expenses) and $236.7 million after-tax, or $2.01 per share on a diluted basis for the fourth quarter ($1.99 per share for the year). Of the total charge of $327.5 million, approximately $143.5 million required an outflow of cash, of which approximately $122.7 million had been utilized at June 28, 2002. The unutilized portion relates primarily to remaining contractual lease commitments, substantially all of which are expected to be utilized by the end of 2006. The unusually large impact on income taxes related to the special charge is due primarily to the non-deductibility of certain acquisition-related costs and the impact of tax rates in foreign jurisdictions.

Approximately $157.3 million of the pre-tax charge resulted from the acquisition of Kent having been accounted for using the pooling-of-interests method as described above. These items consist of costs incurred in completing the acquisition, including significant change-in-control and other executive benefit-related payments made as a result of the acquisition ($68.3 million), professional fees for investment banking, legal and accounting services rendered to both Avnet and Kent ($12.7 million), as well as adjustments to the assets acquired and liabilities assumed ($76.3 million). The adjustments to the assets acquired and liabilities assumed include accruals for severance ($4.6 million), write-downs of receivables considered uncollectible ($8.0 million), inventory reserves related to termination of non-strategic product lines ($20.5 million), write-downs associated with the disposal of fixed assets ($25.1 million), lease terminations ($8.5 million) and other items ($9.6 million).

The balance of the charge recorded in the fourth quarter of 2001, amounting to approximately $170.2 million, related to a number of actions taken to cope with market conditions and to strengthen Avnet s operations. These actions included cost reductions associated with the reorganization of Avnet s businesses, the integration of the recent acquisitions, as well as important cost-cutting actions taken in response to business conditions. These special charges fall into a number of categories including severance ($28.5 million), inventory reserves related to terminations of non-strategic product lines ($9.4 million), inventory valuation adjustments for special inventory purchases to meet customer requirements which were in excess of what was anticipated to be sold or returned ($50.7 million), write-downs associated with the disposal of fixed assets ($15.2 million), lease terminations ($21.1 million), adjustments to the book value of investments in unconsolidated entities ($42.9 million) and other items ($2.4 million).

During 2000, Avnet recorded $49.0 million pre-tax ($37.2 million included in operating expenses and $11.8 million included in cost of sales), $30.4 million after-tax and $0.28 per share on a diluted basis of incremental special charges associated with (1) the integration of acquired businesses into Avnet as described below ($31.7 million), (2) the reorganization of EM s European operations ($9.2 million), consisting primarily of costs related to the centralization of warehousing operations, (3) the reorganization of EM Asian operations ($5.4 million) and (4) costs incurred in the second quarter in connection with its lawsuit against Wyle Laboratories, Inc. and certain individuals ($2.7 million). Of the $49.0 million pre-tax charge, $29.9 million required the use of cash, substantially all of which had been utilized at June 28, 2002.

The charges in 2000 associated with the integration of acquired businesses included the integration of Marshall Industries into Avnet s North American EM and AC operations ($18.4 million), the integration of JBA Computer Solutions into CM North America ($3.2 million) and the integration of Eurotronics B.V. and the SEI Macro Group into EM EMEA ($10.1 million). The charges related to the reorganization of EM Asia are comprised of severance, inventory reserves required related to supplier terminations, real property lease terminations, employee and facility relocation costs, write-downs associated with the disposal of fixed assets, special incentive payments and other items.

The charges related to the reorganization of EM s European operations consisted primarily of costs related to the centralization of warehousing operations into Avnet s new facility in Tongeren, Belgium. These charges were for severance, adjustment of the carrying value of fixed assets, real property lease terminations, duplicate employee and property related costs and other items.

The costs incurred pertaining to the Wyle lawsuit, in which Avnet was the plaintiff, related to legal and professional fees associated with the trial of the case, which commenced in September 1999. On February 4, 2000, a jury in Tampa, Florida returned a verdict in the case absolving the defendants of any liability. Subsequently, the parties agreed to settle the case by dismissing all claims and appeals with prejudice and with each side bearing its own costs and expenses.

Gross Profit Margins

The following table compares consolidated gross profit margins, operating expenses as a percent of sales and operating profit margins for the three years ending June 28, 2002;

Avnet Consolidated Margin Analysis

	Years Ended		
	June 28, 2002	**June 29, 2001**	**June 30, 2000**
Gross profit margins			
Before special charges	14.0%	15.2%	14.7%
After special charges	13.7	14.6	14.6
Operating expense as a percent of sales			
Before special charges	13.1%	10.7%	10.5%
After special charges	13.7	12.6	10.9
Operating profit margins			
Before special charges	0.9%	4.5%	4.2%
After special charges		2.0	3.7

Consolidated gross profit margins, before special charges, were 14.0% in 2002 as compared with 15.2% and 14.7% in 2001 and 2000, respectively. The decline in gross profit margin in 2002 from the prior year illustrated the difficult market environment and pressure on average selling prices across the operating groups. The downward trend also included the effect of business mix: increased sales of computer products (including microprocessors, DRAMS, disk drives, etc.) that generally have lower gross profit margins than other products in Avnet s product lines. The strong gross profit margin performance during 2001 was due in part to a mix of business that included a lower percentage of sales during that year to large customers who are typically granted better pricing due to their significant sales volume. This effect partially offset the impact of pricing pressures on gross profit margins during 2002 as Avnet made the strategic decision to reduce its exposure to larger tier-one OEM customers whose return on working capital fails to meet Avnet performance requirements.

Operating Expenses

Operating expenses, before special charges, as a percentage of sales increased substantially to 13.1% during 2002 due to the dramatic decline in revenues discussed earlier. Operating expenses in the fourth quarter of 2002 reflected an annualized reduction of over $300 million as compared with operating expenses in the December 2000 quarter. This annualized reduction includes a pro forma adjustment to the actual reported expenses in the second quarter of 2001 as discussed previously in this Management s Discussion and Analysis. However, the revenue declines during that period occurred at an unprecedented rate and faster than management could reasonably remove expense from the business. Operating expenses before special charges, as a percentage of sales, were fairly consistent at 10.7% and 10.5% during 2001 and 2000, respectively. Avnet s operating expenses before special charges, as a percentage of sales, for the entire 2000 year reached a record low of 10.5% due in part to Avnet s highly successful integration of Marshall Industries into its EM Americas operations. The impact of the synergy benefits was more evident in the first and second quarters of 2001 and the fourth quarter of 2000 as operating expenses as a percentage of sales fell to a record low of 9.7% in those quarters.

Operating Income

Operating income, before special charges, declined to $76.6 million in 2002, or 0.9% of sales, from 2001 levels of $581.2 million, or 4.5% of sales. This represented a percentage decline of 86.8% year over year. Operating profit margins before special charges in 2002 deteriorated substantially from 2001 and 2000 levels. However, management believes that the combination of cost savings derived from synergies realized from Avnet s recent acquisitions as well as restructured operations and additional operating expense reductions over the past year and forthcoming, have situated Avnet with considerable operating leverage when market conditions improve. Management believes that its current operations are well poised for a market upturn, and any material improvement in revenues brought about by more favorable economic and industry conditions should generate operating income growth at a faster rate than both revenue and gross profit dollar growth.

Each of Avnet s operating groups experienced deep year-over-year declines in operating income. EM s 2002 operating income, excluding special charges, was $22.7 million, down 95.7% from 2001 levels of $532.3 million. CM and AC also experienced declines in operating income, excluding special charges, from $86.4 million and $63.9 million in 2001, respectively, to 2002 levels of $63.0 million and $42.8 million, respectively. Including special charges and the results of operations of corporate, Avnet recorded an operating loss of $3.0 million. This compares to consolidated operating income, including special charges, of $253.7 million and $368.0 million in 2001 and 2000, respectively.

Management s actions to improve gross profit margins as well as implement careful expense reductions through the year have created increased operating leverage in the business model. As a result, excluding special items, Avnet experienced three consecutive quarterly improvements in operating profit margins through the end of 2002. From a low of 0.16% in the first quarter, operating profit margins improved by 106 basis points to finish at 1.22% in the fourth quarter. The table below outlines quarterly operating profit (loss) margin performance for Avnet and its operating groups:

Quarterly Operating Profit (Loss) Margin Analysis

by Operating Unit

	Q4-02 (Jun-02)	Q3-02 (Mar-02)	Q2-02 (Dec-01)	Q1-02 (Sep-01)	Q4-01 (Jun-01)	Total 2002
Before Special Charges						
Avnet, Inc.	1.22%	1.04%	1.01%	0.16%	1.96%	0.86%
EM	1.49	0.94	(0.15)	(0.40)	2.67	0.47
CM	3.32	1.83	3.27	1.89	2.37	2.62
AC	(0.61)	3.03	3.51	3.70	4.65	2.55
After Special Charges						
Avnet, Inc.	(2.49)%	1.04%	1.01%	0.16%	(10.94)%	(0.03)%
EM	0.43	0.94	(0.15)	(0.40)	(3.57)	0.20
CM	(2.17)	1.83	3.27	1.89	(0.38)	1.32
AC	(0.94)	3.03	3.51	3.70	3.28	2.48

Interest Expense

Interest expense was $124.6 million in 2002 as compared with $191.9 million in 2001, declining by 35.1%. The decrease was due primarily to the reduction of debt as a result of cash generated by reductions in working capital and, to a lesser extent, as a result of lower interest rates on Avnet s variable rate debt. Avnet has reduced its total debt by approximately $1.5 billion since the end of December 2000.

Interest expense for the fourth quarter of 2002 of $26.5 million was down 42.9% in comparison to the $46.3 million of interest expense in the fourth quarter of 2001. The decrease in interest expense in the fourth quarter reflected the fifth consecutive quarterly reduction, due principally to the significant reductions of debt discussed above.

Interest expense was $94.8 million in 2000. The significant increase in interest expense from 2000 to 2001 was due primarily to increased borrowings to fund Avnet s acquisitions and the additional working capital requirements to support the growth in business Avnet was experiencing in the first half of 2001. This included approximately $893.7 million and $1.35 billion, respectively, for working capital and acquisitions, net of cash received from dispositions of businesses, during 2000 and 2001. Interest expense in 2001 compared to 2000 was also impacted by increased interest rates as a result of the Federal Reserve s actions to increase short-term rates and Avnet s decision to issue, in February 2000, $360.0 million of 7 7/8% Notes due 2005.

See Liquidity and Capital Resources below in this Management s Discussion and Analysis for further discussion of Avnet s capital structure.

Net Income (Loss) from Continuing Operations

As a result of the factors described in the preceding sections of this Management s Discussion and Analysis related to the current year results, the consolidated loss from continuing operations before special charges in 2002 was $22.4 million. Including special items and the cumulative effect of change in accounting principle discussed elsewhere herein, Avnet reported a loss of $664.9 million. In 2001, Avnet reported net income from continuing operations, before special charges, of $236.8 million. Including special items and income from discontinued operations, Avnet reported net income of $15.4 million.

In 2000, Avnet reported income from continuing operations before special charges of $193.0 million, as compared with income from continuing operations of $236.8 million, in 2001. Including the special charges referred to previously and income from discontinued operations, Avnet reported net income of $163.4 million, in 2000 as compared to net income of $15.4 million.

Change in Accounting Principle Goodwill

In June 2001, the FASB issued SFAS 142, which establishes financial accounting and reporting for acquired goodwill and other intangible assets. SFAS 142 requires that ratable amortization of goodwill be replaced with periodic tests for goodwill impairment and that intangible assets with finite lives be amortized over their useful lives. Avnet elected early adoption of the provisions of SFAS 142 effective June 30, 2001, the first day of Avnet s fiscal year 2002.

Therefore, the amortization of goodwill was suspended effective on that date. Under the required transitional provisions of SFAS 142, Avnet identified and evaluated its reporting units for impairment as of June 30, 2001 using a two-step process. Avnet engaged an outside valuation consultant to assist in this process. The first step was to ascertain whether there was an indication that any of Avnet s goodwill was impaired. This was accomplished by identifying Avnet s reporting units pursuant to the guidelines set out in SFAS 142 and then determining the carrying value of each of those reporting units by assigning Avnet s assets and liabilities, including existing goodwill, to each of those reporting units as of June 30, 2001. For the purpose of this process, the reporting unit structure was defined as each of the three regional businesses (Americas, EMEA and Asia) for each of Avnet s operating groups. The fair value of each reporting unit was determined by using a combination of present value and multiple of earnings valuation techniques. Such fair value was then compared to the carrying value of each reporting unit. As a result of completing the first step of the process, it was determined that there was an impairment of goodwill related to Avnet s EM and CM operations in both EMEA and Asia. Avnet identified no impairment of goodwill in the Americas region. In the second step of the process, the implied fair value of the affected reporting unit s goodwill was compared to its carrying value. This was done in order to determine the amount of impairment; that is, the amount by which the carrying amount exceeded the fair value. As a result of the valuation process, Avnet recorded an impairment charge of $580.5 million, which was recorded as a cumulative effect of a change in accounting principle in the first quarter of 2002. As reflected in the consolidated statement of cash flows for 2002, the charge resulting from the cumulative effect of change in accounting principle did not impact cash flow.

The magnitude of the impairment charge was significantly impacted by the timing of the effective date of when the fair value analysis was performed and the designation of the reporting unit structure. Since Avnet adopted SFAS 142 on June 30, 2001, the fair value analysis was required to be completed as of that date. Due to the difficult business and economic conditions at that date, which severely impacted the market sectors in which Avnet operates, and the uncertainty as to when such conditions would materially improve, the fair value of Avnet s businesses was significantly less than it might have been at other times. In other words, in a cyclical business, the timing of a valuation such as this may be an important factor in the outcome of the valuation exercise. The reporting units with the most significant impairment of goodwill are in Europe where Avnet has not yet generated an acceptable level of profits and cash flows. In addition, the defined reporting unit structure has resulted in an impairment of goodwill which includes goodwill related to certain recent acquisitions that otherwise might not have been impaired.

Cash Flow

The table below highlights cash flow activity in 2002 and provides comparisons with the prior two years. Cash flow generated from operating activities in 2002 increased substantially over 2001, generated primarily by working capital reductions that are common in Avnet s business during down-cycles. Changes in working capital balances generated $824.8 million in cash inflows in 2002. Consequently, cash flows from operations totaled $976.3 million during the most recent year.

Cash flow from financing activities has declined over the past three years, decreasing by $1.26 billion from 2001 to 2002 alone, as the cash proceeds from operations were used primarily to pay down debt. Included in this decline was the repayment of $150 million under the accounts receivable securitization program (see Note 3 to Avnet s consolidated financial statements for the year ended June 28, 2002). Cash outflows for investing activities have declined over the past two years, most significantly during 2002, indicative of the fact that no material capital expenditures or acquisitions of operations have been undertaken during the current market downturn. This lower level of investing activity is expected to continue in 2003.

Comparison of

Consolidated Statements of Cash Flows

	Years Ended		
	June 28, 2002	**June 29, 2001**	**June 30, 2000**
		(Thousands)	
Cash Flow Provided from (Used for):			
Operating Activities	$ 976,305	$ 186,200	$ (494,382)
Net Change in Working Capital	*824,794*	*(150,086)*	*(743,642)*
Financing Activities	(809,368)	452,626	1,065,269
Investing Activities	(117,841)	(760,837)	(810,490)
Net Effects on Cash from:			
Exchange Rates	12,859	(7,468)	(995)
Discontinued Operations		(25,073)	(11,082)

Over the past three years, cash generated from continuing operations before depreciation, amortization, deferred taxes and other non-cash items (including provisions for doubtful accounts and non-cash portions of special charges recorded during those years) totaled $737.0 million. During that period, $68.9 million was used for working capital (excluding cash and cash equivalents), resulting in net cash flow from operations of $668.1 million. In addition, $305.2 million, net, was needed for other normal business operations including purchases of property, plant and equipment ($301.7 million) and payment of dividends ($72.1 million), offset in part by net cash generated from other items ($68.6 million). This resulted in $362.9 million, net, being generated by normal business operations. During the same three year period, Avnet also used $1.424 billion, net, for acquisitions of operations in excess of cash acquired and cash received from dispositions ($1.388 billion) and net cash used for discontinued operations ($36.2 million). This overall use of cash of $1.061 billion was financed by a net increase in debt ($516.4 million), net proceeds from the asset securitization program ($200.0 million) and utilization of available cash ($344.3 million).

In 2002, cash flow from operating activities totaled $976.3 million. During this period, $151.5 million was generated from continuing operations before depreciation, amortization, deferred taxes and other non-cash items (principally provisions for doubtful accounts and the non-cash portion of special charges) and $824.8 million was generated by reductions in working capital (excluding cash and cash equivalents). In addition, Avnet used $73.2 million for normal business operations including dividend payments ($26.5 million), purchases of property plant and equipment ($83.8 million), offset in part by net cash generated from other items ($37.1 million). Combined, Avnet generated $903.1 million in net cash and cash equivalents from normal business operations. Avnet also used $34.1 million for acquisitions of operations and investments during 2002. The combined net cash proceeds discussed above of $869.0 million along with $394.3 million of cash generated from new long-term debt financing were used to repay $150.0 million under the accounts receivable securitization program and to, net, repay debt balances of $1.051 billion. Finally, cash and cash equivalents increased by $62.0 million for the year.

In 2001, Avnet generated $336.3 million from income from continuing operations before depreciation, amortization, deferred taxes, cash payments related to the acquisition of Kent (included in cash used for acquisitions in the consolidated statement of cash flows) and other non-cash items (including the non-cash portion of special charges). This was offset by $150.1 million of cash used for working capital (excluding cash and cash equivalents), resulting in $186.2 million of net cash flows provided from operations. In addition, Avnet used $149.4 million for other normal business operations including purchases of property, plant and equipment ($125.4 million) and dividends ($27.4 million), offset by cash generated from other items ($3.4 million). This resulted in $36.8 million being generated from normal business operations. Avnet also used $660.5 million for acquisitions, net of cash received from dispositions and the net cash used for discontinued operations. This overall use of cash of $623.7 million was financed by a $119.2 million net increase in debt, $350.0 million of proceeds from the asset securitization program and the utilization of $154.5 million of available cash.

In 2000, Avnet generated $249.3 million from income from continuing operations before depreciation, amortization, deferred taxes and other non-cash items (including the non-cash portion of special charges), and used $743.7 million for working capital (excluding cash and cash equivalents), resulting in $494.4 million of net cash flows being used for operating activities. In addition, Avnet used $82.5 million for other normal business operations including purchases of property, plant and equipment ($92.5 million) and dividends ($18.2 million), offset by cash generated from other items ($28.2 million). This resulted in $576.9 million being used for normal business operations. Avnet also used $729.1 million for acquisitions and the net cash used for discontinued operations. This overall use of cash of $1.306 billion was financed by a $1.054 billion net increase in debt and the utilization of $251.7 million of available cash.

Liquidity and Capital Resources

Capital Structure

The following table summarizes the Company s capital structure as of the end of the first half of fiscal 2003 with a comparison to fiscal 2002 year-end:

Capital Structure

	December 27, 2002	June 28, 2002
	(Thousands)	
Short-term debt	$ 483,974	$ 59,309
Long-term debt	906,381	1,565,836
Total debt	1,390,355	1,625,145
Shareholders equity	1,772,650	1,804,510
Total capitalization	$3,163,005	$3,429,655

The table above excludes amounts outstanding under Avnet s accounts receivable securitization program. These amounts totaled $50.0 million and $200.0 million at December 27, 2002 and June 28, 2002, respectively.

Long-Term Contractual Obligations

Avnet has the following contractual obligations outstanding as of June 28, 2002 (in millions):

	Total	Due in Less than 1 Year	Due in 1-3 Years	Due in 4-5 Years	Due After 5 Years
Long-term debt, including amounts due within one year	$1,618.1	$ 59.3	$1,154.0	$400.8	$ 4.0
Operating leases	220.7	51.0	75.5	43.2	51.0
	$1,838.8	$110.3	$1,229.5	$444.0	$55.0

The issuance of new debt to pay down existing long-term debt as well as other debt pay-down activity subsequent to December 27, 2002 has not been reflected in this table above. See Capitalization for further discussion of the impact of this activity. With the exception of other paydowns and amendments to debt obligations discussed below and regularly scheduled lease payments, there are no material changes to the information presented above.

As discussed below, Avnet has two interest rate swaps outstanding on one of its fixed rate debt instruments which have yielded, in accordance with SFAS 133, as amended, a fair value adjustment of $30.6 million and $7.0 million to Avnet s long-term debt included in the consolidated balance sheets at December 27, 2002 and June 28, 2002, respectively.

In connection with Avnet s January 2000 acquisition of 84% of the stock of Eurotronics B.V., which went to market as SEI, Avnet entered into a share purchase agreement with the sellers (the SEI Agreement). Under the SEI Agreement, Avnet may be required to make an additional payment to the sellers in January 2004 if the closing price of Avnet s stock does not reach a specified minimum price at any time before that date. The specified minimum was calculated as a premium to the market price of Avnet s common stock at the time of the transaction, which was approximately $28 per share. Should Avnet s stock price not achieve this minimum, the additional payment will be based upon the stock price on the four-year anniversary date of the agreement and could range from $0 to a maximum of $106 million. Based upon the closing price of Avnet s common stock on December 27, 2002, Avnet would have been required to pay approximately $80.6 million to settle this obligation. Under the SEI Agreement, Avnet has the option to settle this obligation through the payment of cash or the issuance of an equivalent amount of Avnet s common stock. An October 2002 amendment to Avnet s credit facility prohibits Avnet from settling this obligation through the payment of cash.

Financing

During the quarter ended December 27, 2002, the Company amended its syndicated bank credit facilities. Prior to the amendment, the bank credit facilities included: a multi-year credit facility with a syndicate of banks that provided up to $428.8 million in financing; a 364-day credit facility providing up to $488.7 million in financing; and a $82.5 million term loan facility that matured in November 2001. The multi-year credit facility is a three-year revolving, multi-currency facility that matures on October 25, 2004. The Company may select from various interest rate options and maturities under this facility.

The amended terms of the multi-year credit facility reduce the available borrowings under the facility to $300.0 million. Availability under the facility will increase back to the original $428.8 million if the Company completes one or more qualified capital markets transactions with combined net proceeds of $325.0 million or more by April 15, 2003. Additionally, the 364-day credit facility was terminated as part of this amendment. There were no drawings on the 364-day credit facility at the time of its termination.

The amended agreement also modifies the interest coverage ratio, as defined therein, that the Company must maintain through the remaining term of the agreement. The amended agreement did not modify the other financial covenants of the bank credit facilities. The Company was in compliance with all of the covenants at December 27, 2002.

The amended agreement also contains a springing lien provision whereby borrowings under the amended multi-year credit facility will become collateralized by certain assets of the Company and its subsidiaries if certain events occur. These events include: (a) the establishment of a debt rating of Ba1 or lower by Moody s Investor Services (Moody s) or BB+ or lower by Standard and Poor s (S&P); (b) the failure by the Company to consummate a qualified capital markets transaction with net proceeds of $325.0 million or more by February 14, 2003; and (c) the termination of Avnet s current accounts receivable securitization program (see Notes to Consolidated Financial Statements) without simultaneously entering into another securitization with similar terms. The amended terms also call for the lien to spring if the Company draws on the facility at any time prior to February 14, 2003 without having completed a qualified capital markets transaction. There were no borrowings outstanding on the facility at December 27, 2002.

The amended multi-year facility does not prohibit the Company from drawing upon its availability, if needed, to pay down outstanding debt obligations as they come due.

The multi-year, 364-day and term loan facility discussed above replaced, in October 2001, a $1.25 billion 364-day credit facility with a syndicate of banks that expired upon its maturity in that same month. The Company was able to select from various interest rate options and maturities under this facility, although the Company utilized the facility primarily as back-up for its commercial paper program.

In November 2001, the Company issued $400.0 million of 8.0% Notes due November 15, 2006 (the 8% Notes). The net proceeds received by the Company from the sale of the 8% Notes were approximately $394.3 million after deduction of the underwriting discounts and other expenses associated with the sale. The net proceeds from the 8% Notes were used to repay commercial paper and other short-term indebtedness. The 8% Notes are hedged with two interest rate swaps. The swaps effectively convert the 8% Notes from a fixed rate to a floating rate based upon U.S. LIBOR plus a spread. The Company accounts for the hedges using the shortcut method as defined under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by Statement of Financial Accounting Standards No. 138, Accounting for Certain Derivative and Hedging Activities. Due to the effectiveness of the hedges since inception, the market value adjustments for the hedged 8% Notes and for the swaps directly offset one another in interest expense.

In October 2001, Avnet Financial Services CVA, a wholly owned subsidiary incorporated in Belgium, entered into an agreement with a Belgian bank which provides for the issuance of up to Euro 100 million in Treasury Notes. The Treasury Note program is a multi-currency program pursuant to which short-term notes may be issued with maturities from seven days to one year with either fixed or floating rates of interest. This program is intended to partially finance the working capital requirements of the Company s European operations.

In addition to its primary financing arrangements, the Company has several small lines of credit in various locations to fund the short-term working capital, foreign exchange, overdraft and letter of credit needs of its wholly owned subsidiaries in Europe and Asia. These facilities are generally guaranteed by Avnet. The Company also has available to it certain vendor financing programs for its payables, creating additional flexibility for short-term financing needs.

Covenants and Conditions

The amended multi-year credit agreement described above contains certain covenants with various limitations on total debt, capital expenditures, investments and acquisitions, and require that net worth, interest coverage and other ratios be maintained at specific levels. Similarly, the receivable securitization program contains certain covenants relating to the quality of the receivables sold under the program. If these conditions are not met, the Company may not be able to borrow any additional funds under these facilities and the lenders generally have the right to accelerate any amounts outstanding. Circumstances that could affect the Company s ability to meet the required financial covenants and conditions in its various financing arrangements include the duration and depth of the current economic downturn and its impact on profitability, perceived financial strength or weakness by credit rating agencies and various other economic, market and industry factors. The Company was in compliance with all covenants for these facilities at December 27, 2002.

The Company is also required to maintain minimum senior unsecured credit ratings in order to continue using the receivable securitization program in its present form. If the Company s credit rating is reduced to Ba2 or lower by Moody s or BB or lower by S&P, two grades below the Company s current rating levels, the Company may be in default under the securitization program. Both the bank credit facility and the securitization program contain certain standard cross-default provisions, meaning that if there is a default under one facility, such as a covenant breach or a credit ratings trigger, that default can also trigger a default under the other facility. If any event of default occurs, the Company would either have to negotiate with the lenders to modify the facilities or pay off all amounts outstanding, terminate the facilities and, if necessary, seek alternative financing.

There are no other material financial or non-financial covenants associated with Avnet s bank credit facilities or notes described in Financing above.

See Liquidity Analysis for further discussion of the Company s availability under these various facilities.

Liquidity Analysis

Under its two primary borrowing facilities (the multi-year credit facility and the accounts receivable securitization program) the Company has total borrowing capacity of $650.0 million against which amounts outstanding at December 27, 2002 total $50.0 million (all under the accounts receivable securitization program), leaving available capacity of $600.0 million. The Company also has an additional $185.7 million of cash and cash equivalents on hand at December 27, 2002. The Company is not restricted in its ability to use the current multi-year bank credit facility or the accounts receivable securitization program to liquidate debt upon maturity, if needed. The Company is only restricted from using these facilities to pay off its public debt *prior* to maturity. The Company is also considering other financing alternatives including the notes being offered herein, the proceeds from which will be used to pre-fund all or part of the senior notes maturing during calendar 2003. The Company may also pursue a new, larger securitized borrowing facility, and use the proceeds to liquidate the two primary existing financing facilities and pre-fund any additional needs related to the notes maturing in calendar 2003. The Company is considering such a facility as part of its long-term capital structure as it may provide a more efficient way to finance a cyclical business like that of Avnet. Should markets recover and revenue growth begin to increase, management believes cash generation from this offering and any other financing alternative it selects, anticipated profits from the Company s operations, and the available liquidity discussed above, are more than sufficient to cover any capital required to fund its maturing debt obligations and any other normal operational requirements.

The following table highlights the Company s liquidity ratios as of the end of the second quarter of fiscal 2003 with a comparison to the fiscal 2002 year-end:

Comparative Analysis Liquidity*

	December 27, 2002	June 28, 2002	% Change
	(Dollars in Thousands)		
Current assets	$3,034,772	$3,205,532	(5.3)%
Quick assets	1,721,198	1,533,251	12.3
Current liabilities	1,703,880	1,276,836	33.4
Working capital	1,330,892	1,928,696	(31.0)
Total debt	1,390,355	1,625,145	(14.4)
Total capitalization	3,163,005	3,429,655	(7.8)
Quick ratio	1.0:1	1.2:1	
Working capital	1.8:1	2.5:1	
Debt to total capital ratio	44.0%	47.4%	

* Excludes (i) receivables that have been sold from current and quick assets and (ii) amounts outstanding under the Company s accounts receivable securitization program from debt. These amounts total $50.0 million and $200.0 million at December 27, 2002 and June 28, 2002, respectively.

The Company s quick assets at December 27, 2002 totaled $1.72 billion as compared to $1.53 billion at June 28, 2002. At December 27, 2002, quick assets were greater than the Company s current liabilities by $17.3 million as compared with $256.4 million at the end of fiscal 2002. The increase in quick assets is primarily due to the seasonal increase in receivables resulting from the strong quarterly sales at the Company s computer businesses as discussed previously. Working capital at December 27, 2002 was $1.33 billion as compared with $1.93 billion at June 28, 2002. At December 27, 2002, to support each dollar of current liabilities, the Company had $1.01 of quick assets and $0.77 of other current assets for a total of $1.78 as compared with $2.51 at June 28, 2002. The principal reason for the decrease in the working capital and quick ratios noted above is the classification of the $200.0 million 6.45% Notes and the $250.0 million 8% Notes as current as of December 27, 2002 based upon the maturity of these notes in August 2003 and October 2003, respectively. See Capital Structure and Liquidity Analysis above for discussion of the Company s capital and financing alternatives.

The Company does not currently have any material commitments for capital expenditures.

BUSINESS

Company Overview

Avnet is the world s largest distributor, based on latest fiscal year sales, of electronic components, enterprise network and computer equipment, and embedded subsystems. Incorporated in 1955, Avnet has become a strategic channel-to-market for the world s leading electronic component and computer product manufacturers. Avnet creates a vital link in the chain that currently connects over 250 major suppliers to a global customer base of over 100,000 original equipment manufacturers (OEMs), contract manufacturers, value-added resellers (VARs) and end-users. Avnet distributes electronic components and computer products as received from its suppliers or with assembly or other value added by Avnet. Additionally, Avnet provides engineering design, material management and logistic services, system integration and configuration, and supply chain advisory services. For the twelve months ended December 27, 2002, Avnet recorded sales and Adjusted EBITDA (as defined in Selected Financial Data) of $8.9 billion and $205.6 million, respectively.

Avnet is one of a few electronic component and computer product distributors with contractual authorization from a broad array of major suppliers to sell their products on a worldwide basis. Avnet markets and sells products to a larger base of customers than an individual supplier economically could do on its own. As such, Avnet acts as a critical extension of each supplier s sales force. Avnet maintains a worldwide network of large, regional distribution centers and smaller warehouses located in proximity to its customers and suppliers and also maintains inventory on customers premises. Avnet has over 300 sales and marketing offices and sells to customers in over 60 countries. Avnet s industry-leading position and relationships with its suppliers and customers represent critical strengths necessary to compete in the electronic component and computer product distribution industry.

Avnet is comprised of three operating groups, each with operations in the three major economic regions of the world: the Americas, EMEA (Europe, Middle East, and Africa), and Asia.

Electronics Marketing (EM), Avnet s largest operating group, represented 54.3% of fiscal 2002 consolidated sales. EM markets and sells semiconductors; interconnect, passive and electromechanical devices; radio frequency / microwave components; and value-added services. EM markets and sells its products and services to all sizes of customers, spread across end-markets including communications, computer hardware and peripheral, industrial and manufacturing, medical equipment, and military and aerospace.

Computer Marketing (CM) represented 26.9% of fiscal 2002 consolidated sales. CM markets and sells enterprise computing products and value-added services, including mid- to high-end servers, storage and networking solutions. CM markets and sells its products and services to the VAR channel and corporate enterprise computing customers.

Applied Computing (AC) represented 18.8% of fiscal 2002 consolidated sales. AC markets and sells products and solutions including the latest computer component technologies and embedded systems and technical services, such as product prototyping, configuration, integration and other value-added services. AC markets and sells computer components and services to PC builders and manufacturers of application-specific embedded computing solutions in the non-PC marketplace. Primary end-markets include medical equipment, communications, industrial and manufacturing.

One of Avnet s competitive strengths is the breadth and quality of the products it distributes. Listed below are Avnet s major product categories:

Semiconductors Avnet distributes semiconductors primarily to OEMs and contract manufacturers for use in the communications, computer hardware and peripheral, and industrial and manufacturing industries. Sales of semiconductors in fiscal 2002 were approximately $4.4 billion, or 49.7% of consolidated sales. Avnet s major suppliers of semiconductors include Analog Devices, Motorola, Texas Instruments and Xilinx. Substantially all of Avnet s semiconductor sales are through EM.

Computer Products Avnet distributes computer systems, subsystems, peripherals, networking equipment and software. Sales of computer products in fiscal 2002 from all of Avnet s business units were approximately $3.5 billion, or 39.0% of consolidated sales. Avnet s major suppliers of computer products include Cisco Systems, Hewlett Packard/Compaq, IBM and Oracle. Avnet distributes computer products primarily to OEMs, contract manufacturers, VARs and end-users. Approximately 69% of Avnet s fiscal 2002 sales of computer products were through CM with the remainder primarily through AC.

Connectors Avnet distributes connectors for use in a variety of end-markets, including computer hardware and peripheral, consumer electronics, military and aerospace, medical equipment and transportation. Sales of connector products in fiscal 2002 were approximately $385.0 million, or 4.3% of consolidated sales. Avnet s major suppliers of connectors include Amphenol, ITT Cannon, Molex, Tyco and 3M. Avnet distributes connectors primarily to OEMs, contract manufacturers and subsystem manufacturers. All of Avnet s connector sales are through EM.

Passives, Electromechanical and Other Avnet distributes passive and electromechanical components for use in a variety of end-markets, including the communications, military and aerospace, consumer electronics and medical equipment markets. Sales of passives, electromechanical and other products in fiscal 2002 were approximately $629.6 million, or 7.0% of consolidated sales. Avnet s major suppliers of these products include AVX, Bourns, Kemet, Murata and Vishay. Avnet distributes passives, electromechanical and other products primarily to OEMs, contract manufacturers and subsystem manufacturers. All of Avnet s passives, electromechanical and other product sales are through EM.

Across all of the product lines noted above, Avnet provides value-added services which include engineering design, procurement and material management services, and logistics and supply chain advisory services, among others.

IBM is the only supplier from which product sales exceed 10% of Avnet s consolidated sales. During fiscal 2002, IBM products accounted for approximately 16% of Avnet s consolidated sales, primarily through CM. No single customer of Avnet accounted for more than 2% of fiscal 2002 consolidated sales.

The combined sales for Avnet by major product class for the last three years are as follows:

	Fiscal Year					
	2002	**% of Total**	**2001**	**% of Total**	**2000**	**% of Total**
			(Dollars in Millions)			
Semiconductors	$4,430.3	49.7%	$ 7,105.6	55.5%	$5,834.4	58.8%
Computer Products	3,475.3	39.0	3,950.8	30.8	2,336.3	23.6
Connectors	385.0	4.3	735.6	5.7	880.7	8.9
Passives, Electromechanical and Other	629.6	7.0	1,022.0	8.0	863.6	8.7
Total	$8,920.2		$12,814.0		$9,915.0	

As discussed above, Avnet sells into a diversified group of economic sectors and customers. The table below describes the approximate percentage of sales into primary sectors in North America for Avnet during fiscal 2002:

Customer Group	
Contract Manufacturing	37%
Communications (Wired/ Wireless)	17
Computer/ Multimedia/ Automation	11
Military and Aerospace	10
Industrial/ Manufacturing/ Controls	6
Other	19

The Technology Supply Chain and Distribution Industry

Historically, distributors have created economic value in the technology supply chain by enabling suppliers of electronic components and computer products to extend their marketing reach, and by providing customers of these products with the product knowledge, services and available inventory necessary to meet demand for their finished goods. In today s increasingly complex technology supply chain, distributors continue to provide a strategic channel-to-market, serving an increasing number of component developers, subsystem and system manufacturers, contract manufacturers, VARs, and end-users. Further, the role that distributors serve has expanded to include the provision of value-added services. These services include physical services, such as assembly and test services; knowledge- and information-based services, such as product design, procurement and materials management; logistics and supply chain advisory services; and financial services.

There are over 250 major manufacturers of electronic components and computer products worldwide, whose products represent the total addressable market (TAM) for the distribution of electronic components and computer products. Further, there are over 150,000 OEMs, subsystem manufacturers and contract manufacturers, and tens of thousands of computer resellers, VARs and direct commercial end-users. The significant imbalance in the number of suppliers and customers within the TAM strengthens the importance of distributors as a strategic channel-to-market within the technology supply chain.

Based on available industry data, including information from the Semiconductor Industry Association and the World Semiconductor Trade Statistics, management estimates the worldwide TAM in the technology supply chain. The table below represents the historical TAM for calendar year 2001 and forecasted TAM for calendar years 2002 and 2003:

	Calendar Year		
	2001	**2002**	**2003**
	(Dollars in Millions)		
Total Addressable Market	$361,878	$375,869	$420,636
% Change Year-to-Year	(20.3%)	3.9%	11.9%

Several important trends have developed in the electronic component and computer product distribution industry:

Industry Consolidation Significant consolidation has resulted in a concentrated industry, with Avnet and one other prominent distributor sharing approximately 50% of the distribution market in the Americas.

Channel Consolidation Suppliers have significantly reduced the number of distributors authorized to sell their products, relying primarily on those distributors with both the global reach and superior logistics and information capabilities to meet the increasingly complex requirements of their customers.

Expanding Fee for Service Value-added services and fee-based services have become a more important source of distributor revenue, as suppliers and customers have relied on distributors to increase operating efficiency and create additional growth opportunities.

Market Growth The TAM for distribution has experienced long-term growth as technology has become an increasingly large component of the economy, with distribution representing an increasing share of the technology supply chain.

Competitive Strengths

Leading Market Position

Avnet is the world s largest industrial distributor, based on latest fiscal year sales, of electronic components, enterprise network and computer equipment, and embedded subsystems. Avnet s leading market position has enabled it to develop authorized worldwide distribution relationships with industry leading suppliers, as Avnet is able to provide them with access to a broad base of customers through its extensive OEM, contract manufacturer, VAR and end-user relationships. Further, Avnet s broad product line and wide range of value-added services allow it to quickly and efficiently satisfy customers requirements for products configured for their needs. Avnet s leading market position also enables it to generate significant economies of scale and obtain other cost efficiencies, such as purchase volume discounts.

Global Reach with Worldwide Customer Base

Avnet maintains a worldwide network of large, regional distribution centers and smaller warehouses located in proximity to its customers and suppliers, and also maintains inventory on customers premises. Avnet has over 300 sales and marketing locations and sells to customers in over 60 countries, providing its suppliers with access to over 100,000 geographically dispersed customers. Avnet s global presence enhances its ability to serve suppliers and customers by providing them with valuable local market knowledge. Further, Avnet is often located near both suppliers and customers, which enables it to provide these suppliers and customers with short delivery times and superior customer service. Lastly, Avnet s global presence reduces its exposure to regional market downturns.

Extensive Authorized Distribution Relationships and Breadth of Product Line

Avnet s product line is among the most extensive in its industry. Avnet maintains authorized supply agreements with over 250 suppliers, which enables it to provide components, subsystems and systems from leading vendors in each of its product categories, as well as multi-vendor and multi-product configurations. Further, Avnet provides various services to support product delivery and utilization. As a result, Avnet is able to provide customers with the products and solutions they require, where and when they require them and at a competitive price.

Broad Array of Value-Added Services

Avnet provides its customers and suppliers with a broad array of physical value-added services, including product assembly and test services. In addition, Avnet provides knowledge- and information-based services, including product design, procurement and material management services, and logistics and supply chain advisory services. Avnet also selectively provides its customers with certain financial services, such as extension of credit. Avnet s value-added services increase efficiency throughout the technology supply chain by matching supplier solutions with customer requirements, reducing time-to-market and decreasing transaction costs. As a result, Avnet is able to strengthen its relationships with its suppliers and customers, increasing their dependence on Avnet.

Large, Technically Knowledgeable and Experienced Sales Force

Avnet s sales force is one of the largest and most experienced in its industry with approximately 28% of the sales force holding advanced technical certifications. Avnet s sales and engineering teams have extensive product knowledge and are able to assist customers in understanding the capabilities of suppliers products. In some cases, Avnet s engineers work to adapt and integrate a number of suppliers products to meet a specific customer s needs and then market these integrated solutions to additional customers. As a result of these activities, Avnet creates growth opportunities for both suppliers and customers, and increases its involvement in their core business activities.

Experienced Senior Management Team

Avnet believes it has the most experienced senior management team in its industry. This team is led by Roy Vallee, Chairman and Chief Executive Officer, who joined Avnet in 1977 and has over 30 years of industry experience. Avnet s three division Presidents, Andrew Bryant (EM), Richard Hamada (CM) and Edward Kamins (AC) each have over 20 years of industry experience. In addition, Ray Sadowski has served as Avnet s Chief Financial Officer since 1993 and has over 24 years of industry experience, and David Birk, Avnet s General Counsel, has over 23 years of industry experience.

Business Strategy

Avnet s objective is to leverage its position as a leading provider of distribution and other complementary services to create significant value throughout the technology supply chain, and to maximize return on capital employed. In order to achieve these objectives, management intends to continue to implement the following principal elements of Avnet s business strategy:

Foster Value-Based Management Culture and Continue to Improve Capital Efficiency

Avnet has developed a culture that focuses on improving return on capital employed through the company-wide implementation of value-based management principles. Managers of each of Avnet s business units are educated in value-based management, which focuses on improving returns on working capital and maximizing cash flow, and are expected to implement Avnet s principles in adjusting their business, product and customer mix. Management is evaluated and compensated based on adherence to value-based management principles, as well as the performance of their respective business units relative to pre-specified targets, including those measuring productivity and return on working capital. This focus on value-based management principles is a primary reason for Avnet s improvement in certain key metrics over the past eighteen months. For instance, days sales outstanding have improved from 72.2 in the fourth quarter of fiscal 2001 to 55.9 in the second quarter of fiscal 2003, an improvement of 23% and inventory turns have improved from 3.9x in the fourth quarter of fiscal 2001 to 6.5x in the second quarter of fiscal 2003, an improvement of 67%. As Avnet continues to implement these value-based management principles, Avnet expects to continue to increase returns on working capital and maximize cash flow.

Further Develop Specialized Business Units

Management intends to continue to enhance the focus of Avnet s business units to capitalize on opportunities that exist throughout the technology supply chain, as well as future opportunities arising from the emergence of new market segments and technologies. For instance, Avnet created its Applied Computing operating group in fiscal 2000 to better serve customers for computer technologies and embedded systems and subsystems. This focus allows Avnet s business units to offer services tailored to the needs of their respective suppliers and customers and to quickly identify new service opportunities. Management expects that these factors, combined with business unit level incentives, will continue to strengthen Avnet s relationships with suppliers and customers, diversify Avnet s revenue stream and increase overall return on capital.

Continue to Increase Scope, Penetration and Profitability of Value-Added Services

Management intends to continue to expand Avnet s suite of value-added services and to offer these services to a greater number of customers. Management intends to price Avnet s services on a fee-for-service basis, either bundling the price of its services with the core distribution offering or pricing them on a stand-alone basis. By expanding its service offering, management believes that Avnet can create additional value in the technology supply chain and strengthen Avnet s relationships with both suppliers and customers. Further, by providing services discretely from products and charging for them separately, management believes that Avnet will be able to increase its profitability and return on capital. For instance, through EM s Supply Network Services, Avnet designs, implements and operates tailored, cost effective supply chain services for all of a supplier s or customer s needs independent from the sale of electronic components. Providing these types of services on a stand-alone basis typically results in higher profitability than product distribution.

Continue Cost Structure Improvement Initiatives

Management intends to continue to improve Avnet s cost structure and increase operating efficiencies to enhance returns on capital employed. For instance, Avnet further reduced its annualized operating expenses by approximately $226 million during fiscal 2002 primarily through a combination of personnel reductions and reorganization activities, including facility consolidation and curtailment of certain IT-related initiatives. During the second quarter of fiscal 2003, Avnet implemented cost reduction initiatives which are expected to result in excess of $90 million of additional annualized savings. In addition, Avnet continues to efficiently manage its working capital needs by maintaining inventory levels that are consistent with current customer demand.

Remain Focused on Balance Sheet Management

Avnet has placed significant management focus on improving cash flow and reducing financial leverage. Avnet has reduced its outstanding debt, including amounts reduced under the accounts receivable securitization program, by nearly $1.9 billion since December 2000, which includes approximately $746 million during fiscal 2002. Further, Avnet generated $205.6 million in Adjusted EBITDA (as defined in Selected Financial Data) during the twelve months ended December 27, 2002 and expects Adjusted EBITDA to increase in fiscal 2003. One of Avnet s strategic objectives is to maintain its investment grade credit rating and Avnet will continue to manage its balance sheet to achieve this goal.

Operating Group Overview

Avnet s business currently consists of three major operating groups: Electronics Marketing, Computer Marketing and Applied Computing.

Throughout fiscal 2002, each of the three operating groups initiated or implemented plans to further manage their businesses through the creation of new, focused business units that generally serve separate sectors, based upon product, service or geography.

Electronics Marketing

EM is Avnet s largest operating group contributing 54.3% of fiscal year 2002 consolidated sales, or $4.8 billion. EM markets and sells electronic components and related services to all sizes of customers including the world s leading electronic OEMs and contract manufacturers. Management estimates that global electronic component material purchases by OEMs and contract manufacturers range from $180 to $200 billion annually, of which an estimated 25% to 30% are made through distributors like EM. The EM group is comprised of multiple specialized and focused business units operating in all three major economic regions of the world: the Americas, EMEA and Asia.

A description of EM s products and services and its key suppliers and customers is as follows:

EM offers a broad array of active and passive component technologies through multiple specialized and focused business units. EM distributes both commodity and proprietary component products in the following broad categories: semiconductors; interconnect, passive and electromechanical devices; radio frequency and microwave devices; and optoelectronic components.

EM markets and sells products on behalf of over 250 of the world s leading electronic component manufacturers. Suppliers of components to EM include Analog Devices, AVX, Intel, Motorola, National Semiconductor, ON Semiconductor, Phillips Components, Texas Instruments, Tyco and Xilinx.

EM sells components into most sectors of the economy touched by technology, principally into the industrial and manufacturing control sector as well as the communications, computer hardware and peripheral, medical equipment, and military and aerospace sectors. EM sells to multinational, regional and local OEMs and contract manufacturing companies. These include Celestica, Flextronics, Honeywell, Jabil, Motorola MCG, Plexus, Sanmina-SCI, Siemens, Solectron and Tellabs.

EM also provides a comprehensive array of engineering design services and supply chain management services through its Avnet Design Services (ADS) and Avnet Integrated Material Services (IMS) operations. To speed customers design cycles, ADS offers technical resources and capabilities including reference designs, development kits, technical marketing, and FPGA (Field Programmable Gate Array) and ASIC (Application-Specific Integrated Circuits) system design. ADS field application engineers are knowledgeable about a variety of potential applications and work with the engineers of Avnet s customers to reach efficient solutions to meet their needs. IMS provides supply chain management services such as material forecasting, material management, supply chain synchronization and inventory replenishment systems, and warehousing services. EM also offers an array of physical value-added services to its customers such as connector and cable assembly and semiconductor programming.

Computer Marketing

CM is an international distributor/reseller of enterprise networking and computer equipment to VARs and end-users focusing primarily on enterprise computing products and value-added services, including mid- to high-end servers, storage and networking solutions. CM also provides a variety of networking solutions to its customer base. With $2.4 billion in sales, CM accounted for 26.9% of Avnet s consolidated sales in fiscal

2002. CM s products and services are designed to assist enterprise computing customers in optimizing information technology performance. Its multiple business units provide a total solution including high-end mid-range servers, data storage, software and networking offerings, and the services required to implement these solutions.

A description of CM s products and services and its key suppliers and customers is as follows:

CM s primary focus is mid-range computing systems, system configuration and integration, communications, software and storage. CM s multiple business units are structured to provide a total solution including mid-range to high-end servers, data storage, software and networking offerings, and the services required to implement these solutions.

CM s ability to maintain strong relationships with suppliers has made it a leading partner for mid-range enterprise computing system vendors for companies such as IBM and Hewlett-Packard/Compaq. Other suppliers CM serves include Cisco Systems, Enterasys, Lotus Development, Network Associates, Oracle, Storage Technology and Veritas.

CM s customers are VARs of computer-based systems including VARs that provide integration services. CM also sells into the world s largest corporations and small-to-medium companies purchasing computing products and software. These include ADVIZEX Technologies, Computacenter (UK) Ltd., DirecTV, HBO & Company, Intel, Key Information Systems, Sirius Computer Systems, Think Tank Systems, LLC and Venture Systemsource.

CM provides value-added services with the products it sells. These services range from product configuration services, back-office integrated networking solutions, network infrastructure build out, technical and logistics support, and customized financing solutions.

Applied Computing

AC serves the needs of personal computer OEMs and system integrators worldwide by providing the latest computer component technologies, and also serves the needs of non-PC OEMs that require embedded systems and technical services, such as product prototyping, configurations and other value-added services. With $1.7 billion in sales, AC accounted for 18.8% of Avnet s consolidated sales in fiscal 2002. AC provides value-added electronic subsystems more quickly and efficiently than customers can produce these products themselves, by integrating advanced computer technologies, thus reducing critical time to market in the product development cycle.

A description of AC s products and services and its key suppliers and customers is as follows:

AC markets and sells subsystem products such as microprocessors, single-board computers, server building blocks, storage products, peripherals, flat panel displays, networking software, embedded software, operating systems, computer boards and disk drives.

AC markets and sells subsystems on behalf of leading suppliers such as Advanced Micro Devices, Intel, IBM, Motorola, NEC, Sharp and Western Digital.

AC solutions are found within the medical equipment, communications, industrial and digital media markets, and in such end products as blood analyzers, telecommunications systems, film editing equipment, point-of-sale systems and automated teller machines. Customers of AC include ABS Computer Technologies, Avatar Technology, Avaya, Avid, General Electric, MA Laboratories, Private Label PC, Tellabs and Western Scientific.

AC also provides engineering design services, supply chain management, financing, physical distribution and integration of subsystems and end products for its customers. Additionally, AC provides prototype laboratories where engineers work in collaboration with customers to integrate board-level systems around industry-standard, embedded computing products. Another important value-added service that AC provides is its Fastrac web-based tool for design engineers and procurement professionals with capabilities including order and inventory management, search, and 24x7 access to data, technical expertise, product roadmaps and announcements of product obsolescence.

Sales and Marketing

With approximately 50% of its employee base working in a selling-related capacity, Avnet provides its supplier base with superior sales and marketing capabilities. Approximately 28% of the selling organization is certified with technical selling credentials. Avnet s technical sales and sales support personnel hold degrees in electronics engineering, advanced certifications in electronics design or other technical certifications, which relate specifically to the needs of Avnet s customer and supplier base.

These certifications, in most cases, relate specifically to the technical usage of suppliers products in meeting the application specific needs of a customer. Certifications in engineering design, programming, product configuration, product integration and repair are critical to the technical sales process. Avnet s sales representatives, field application engineers, product designers and other technical resources work with customers to:

provide customers with technical information (i.e., data sheets) or product samples;

assist customers in determining the appropriate product usage for their applications based on the technical specifications required to make the application commercially viable; and

develop a reference design, design schematic or physical prototype (commonly referred to as a first article) for technical evaluation by the customer.

This process often results in volume purchases of product(s) for the production of the manufactured end equipment.

Avnet s technical sales team is located throughout the world. In the Americas, nearly 30% of Avnet s total sales team holds technical certifications, in the EMEA region, over 20%, and in the Asia region, this number reaches nearly 55%. Technical sales personnel in EM undergo an average of up to 40 hours of certification training in various programs each year. Specialized supplier training is also conducted, which can add as much as another 120 hours of training. AC s technical sales team employs integration engineers that undergo continuous training and certification processes to remain up-to-date on the latest technological advances. Nearly 20% of CM s sales force is technically certified. CM sales personnel receive certifications directly from supplier training programs (including 3Com, Cisco Systems, IBM, Hewlett-Packard/Compaq, EMC and Microsoft, among others).

Competition

Avnet competes in the electronic component and computer product distribution industry primarily with Arrow Electronics, Future Electronics, Memec PLC and Pioneer-Standard Electronics. A key competitive factor in the electronic component and computer product distribution industry as a whole is the carrying of a sufficient amount and proper mix of inventory necessary to meet rapid delivery requirements of customers. In addition, Avnet enhances its competitive position by offering a variety of value-added services which entail the performance of services and/or processes tailored to individual customer specifications and business needs, such as point of use replenishment, testing, assembly, supply chain management and materials management.

Facilities

Worldwide, Avnet currently owns approximately 1,265,000 square feet of space and leases approximately 4,345,000 square feet of space. Avnet maintains over 300 locations around the globe, which include facilities for sales, warehousing and value-added operations, and administrative functions. Approximately 56% of Avnet s owned and leased facilities are located in the United States.

The following is a list of locations of Avnet s principal facilities. In many cases there may be additional facilities in the same locality as those listed below:

Location	Approx. Sq. Ft.	Owned/ Leased	Division	Primary Use
Phoenix, AZ	176,000	Leased	Corp./EM	Corporate headquarters/EM headquarters
Chandler, AZ	403,000	Owned	EM	Warehousing and value-added operations
Oxford, NC (closing Feb. 2003)	201,000	Owned	EM	Warehousing and value-added operations
Grapevine, TX	181,000	Leased	EM	Warehousing and value-added operations
Poing, Germany	265,000	Leased	EM	Warehousing and value-added operations
Tongeren, Belgium	167,000	Owned	EM/CM	Warehousing and value-added operations
Diegem, Belgium	48,000	Leased	EM/CM	Office facilities/European headquarters
Singapore	36,000	Owned	EM	Warehousing and value-added operations
Tempe, AZ	132,000	Leased	CM	CM headquarters
Chandler, AZ	196,000	Leased	CM	Warehousing and value-added operations
Phoenix, AZ	35,000	Leased	AC	AC headquarters
Phoenix, AZ	87,000	Leased	AC	Integration and warehousing
Nettetal, Germany	137,000	Leased	AC	Integration and warehousing

Avnet has established its principal operations listed above in locations that maximize operating efficiency for the applicable region, while also taking into account, whenever practical, labor costs, governmental and tax incentives and other benefits. Smaller sales and operating facilities are located worldwide to effectively market Avnet s products and service Avnet s suppliers and customers on a local level.

Management continually seeks to size Avnet s operations appropriately to maximize cost efficiencies for Avnet as a whole. Currently, Avnet s facilities are adequate to meet its operational needs. However, as discussed in more detail in Management s Discussion and Analysis Results of Operations Quarters Ended December 27, 2002 and December 28, 2001, management has elected to consolidate certain of its owned and leased facilities, including the Oxford, NC facility noted above.

Employees

Currently, Avnet has approximately 10,550 employees worldwide. This amount is down from a high of over 15,500 worldwide employees during Avnet s fiscal year ended June 29, 2001. The reduction in workforce is the result of cost reduction initiatives, including closure and consolidation of facilities, further discussed in Avnet s consolidated financial statements located in this prospectus supplement. Nearly 60% of Avnet s current employees are in the United States. Avnet has not experienced any significant work stoppages or other labor issues and management considers Avnet s relations with employees to be good.

Legal Proceedings

Avnet and/or its subsidiaries are parties to various legal proceedings arising in the normal course of business. While litigation is subject to inherent uncertainties, management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on Avnet s financial position, cash flow or overall results of operations.

As a result primarily of certain former manufacturing operations, Avnet may have liability under various federal, state and local environment laws and regulations, including those governing pollution, exposure to and the handling, storage and disposal of hazardous substances. For example, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA) and similar state laws, Avnet may be liable for the costs of cleaning up environmental contamination on or from its current or former properties, and at off-site locations where Avnet disposed of hazardous wastes in the past. Such laws may impose joint and several liability. Typically, however, the costs for cleanup at such sites are allocated among potentially responsible parties based upon each party s relative contribution to the contamination, and other factors.

For example, in October 1993 Avnet and the former owners of an Avnet-owned site in Oxford, North Carolina entered into a Consent Decree and Court Order with the Environmental Protection Agency (the EPA) for the environmental clean-up of the site, the cost of which, according to the EPA s remedial investigation and feasibility study, was estimated to be approximately $6.3 million, exclusive of approximately $1.5 million in EPA past costs paid by the potentially responsible parties (PRP s). Pursuant to a Consent Decree and Court Order entered into between Avnet and the former owners of the site in May 1993, the former owners have agreed to bear at least 70% of the clean-up costs of the site, and Avnet will be responsible for not more than 30% of those costs.

On September 26, 2002, Avnet s Sterling Electronics, Inc. subsidiary (Sterling) was added as a defendant in an existing lawsuit by property owners and residents in or near the San Gabriel Valley Superfund Site. Sterling once owned 92.46% of the capital stock of Phaostron, Inc., which has been named as a PRP for contamination at the site. Avnet believes that Sterling has meritorious defenses to liability, and, although the ultimate outcome is uncertain, based on current information, Avnet does not believe that its liability for this matter, if any, will be material to its financial position, cash flow or results of operations.

Avnet is a PRP at a manufacturing site in Huguenot, New York currently under investigation by the New York State Department of Environmental Conservation (NYSDEC), which site Avnet owned from the mid-1960s until the early-1970s. The estimated cost of the first phase of the environmental clean-up (to remediate contaminated soils), is approximately $2.4 million based on an NYSDEC cost estimate. Avnet currently is engaged in litigation to apportion these costs among it and the current and former owners and operators of the site. Based on current information, Avnet does not anticipate its liability in the matter will be material to its financial position, cash flow or results of operations.

Based on information known to date, management believes that Avnet has appropriately accrued in its consolidated financial statements for its share of the costs associated with these environmental clean-up sites.

MANAGEMENT

The current directors of Avnet are:

Name	Year First Elected	Principal Occupation
Eleanor Baum	1994	Dean, School of Engineering, The Cooper Union, New York
J. Veronica Biggins	1997	Senior Partner, Heidrick & Struggles International, Inc.
Lawrence W. Clarkson	1998	Retired Senior Vice President, The Boeing Company
Ehud Houminer	1993	Professor and Executive-in-Residence, Columbia Business School, Columbia University
James A. Lawrence	1999	Executive Vice President and Chief Financial Officer, General Mills, Inc.
Salvatore J. Nuzzo	1982	Chairman and Chief Executive Officer, Datron, Inc.
Ray M. Robinson	2000	President, AT&T Southern Region Business Services Division
Frederic Salerno	1993	Retired Vice Chairman and Chief Financial Officer, Verizon Communications
Gary L. Tooker	2000	Retired Chairman of the Board, Motorola, Inc.
Roy Vallee	1991	Chairman and Chief Executive Officer, Avnet, Inc.

The current executive officers of Avnet are:

Name	Age	Office
Roy Vallee	50	Chairman of the Board and Chief Executive Officer
David R. Birk	55	Senior Vice President, General Counsel and Secretary
Andrew S. Bryant	47	Senior Vice President
Richard Hamada	45	Senior Vice President
Edward Kamins	53	Senior Vice President
Raymond Sadowski	48	Senior Vice President, Chief Financial Officer and Assistant Secretary
John F. Cole	60	Controller

Mr. Vallee joined Avnet in February 1977 and has been Chairman of the Board and Chief Executive Officer since June 1998. Prior thereto, he was Vice Chairman of the Board from November 1992 and also President and Chief Operating Officer from March 1992.

Mr. Birk became Avnet s Secretary in July 1997 and has been Senior Vice President of Avnet since November 1992. Mr. Birk was elected Vice President and General Counsel in September 1989.

Mr. Bryant has been Senior Vice President of Avnet since November 1999 and has served as President of EM since January 2002. Mr. Bryant previously served as a Vice President of Avnet from November 1996 to November 1999 and President of CM from June 1999 to January 2002, and prior thereto served as

President of Avnet s Hall-Mark Computer Division from July 1998 to June 1999. Mr. Bryant was President of the Avnet Computer Division from September 1996 to June 1998.

Mr. Hamada has been Senior Vice President of Avnet since November 2002 and has served as President of CM since January 2002. He previously served as a Vice President of Avnet since December 1999 and President of Avnet Hall-Mark, North America from May 1999 to January 2002. Prior thereto, Mr. Hamada served as Executive Vice President of Avnet Computer (now Avnet Enterprise Solutions) from July 1998 to May 1999 and was Senior Vice President of Sales and Marketing from July 1997 to July 1998.

Mr. Kamins has been Senior Vice President of Avnet since November 2000 and has served as President of AC since October 1999. Mr. Kamins served as a Vice President of Avnet from November 1999 to November 2000. He previously served as Senior Vice President for Avnet CM from July 1996.

Mr. Sadowski has been Senior Vice President of Avnet since November 1992 and Chief Financial Officer since February 1993.

Mr. Cole has been Avnet s Controller since February 1993.

Officers of Avnet are generally elected each year at the meeting of the Board of Directors following the annual meeting of shareholders and hold office until the next such annual meeting or until their earlier death, resignation or removal.

DESCRIPTION OF NOTES

The % Notes due 2008 (the Notes) will be issued as a series of debt securities under an indenture dated as of October 1, 2000, between Avnet and Bank One Trust Company, N.A., as trustee (the Indenture). The following description of the Notes, together with the description of the general terms of certain of Avnet s debt securities in the attached prospectus, is a summary of all the material provisions of the Notes and the Indenture but does not include all the provisions of the Indenture. Avnet urges you to read the Indenture because it fully defines the rights of holders of the Notes. You may obtain a copy of the Indenture without charge. See Where You Can Find More Information in the accompanying prospectus. You can find the definitions of certain capitalized terms in this section under the subheading Certain Definitions. Capitalized terms used but not otherwise defined in this section have the meanings assigned to them in the accompanying prospectus. For a description of the general terms applicable to Avnet s debt securities, including the Notes, see Description of Debt Securities in the accompanying prospectus.

For purposes of this section, references to *Avnet* include only Avnet, Inc. and its successors in accordance with the terms of the Indenture and not Avnet s subsidiaries. The term *Subsidiaries* as used in with respect to this series of Notes does not include Unrestricted Subsidiaries. As of the Issue Date, none of Avnet s Subsidiaries will be Unrestricted Subsidiaries. However, under certain circumstances, Avnet will be able to designate current or future Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to the restrictive covenants applicable to this series of Notes.

The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the *TIA*). The Notes are subject to all such terms, and investors are referred to the Indenture and the Trust Indenture Act for a statement thereof.

General

The Notes will be initially limited to $ aggregate principal amount and will mature on , 2008. Avnet will have the ability to reopen the series and issue additional Notes of the same series from time to time without the consent of the then existing Holders of the Notes (the *Additional Notes*), subject to compliance with the terms of the Indenture, including, if then applicable, the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock. Interest will accrue on the Additional Notes issued pursuant to the Indenture from and including the date of issuance of such Additional Notes. Any such Additional Notes would be issued on the same terms as the Notes and would constitute part of the same series of securities as the Notes and would vote together as one series on all matters with respect to the Notes. All references to Notes herein includes the Additional Notes, except as stated otherwise. The Notes will be issued in registered form only in denominations of $1,000 and integral multiples of $1,000. The Notes will have the benefit of certain covenants in the event that the credit ratings with respect to the Notes fall below investment grade or in the event of a Default or Event of Default.

The Notes will be unsecured obligations and will rank equally with Avnet s other present and future unsecured senior indebtedness including bank credit facilities. As of December 27, 2002, Avnet had $1,313.9 million of outstanding unsecured senior indebtedness, with no indebtedness outstanding under its bank credit facilities. The Notes will not be guaranteed by any of Avnet s subsidiaries and, as a result, are effectively subordinated to all of the debt of Avnet s subsidiaries. As of December 27, 2002, Avnet s subsidiaries had $49.1 million of outstanding debt. Substantially all of the debt of Avnet s subsidiaries has been incurred by foreign subsidiaries, primarily to fund their working capital.

Interest on the Notes

The Notes will bear interest from at the annual rate set forth on the cover page of this prospectus supplement. Interest will be payable semi-annually on and of each year (each, an *Interest Payment Date*), beginning , 2003, to the persons in whose names the Notes are registered in the security register at the close of business on the applicable regular record date, which is the date 15 calendar days prior to such Interest Payment Date. Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months.

Optional Redemption

At any time Avnet may, at its option, redeem the Notes for cash, in whole or in part, from time to time, upon not less than 30 nor more than 60 days notice at a redemption price equal to the greater of (i) 101% of the principal amount of the Notes so redeemed, plus accrued and unpaid interest, and (ii) the Make-Whole Premium, plus, to the extent not included in the Make-Whole Premium, accrued and unpaid interest to, but not including, the date of redemption. Make-Whole Premium is defined to mean, with respect to a Note, the sum of the present values of the remaining scheduled payments of interest, principal and premium thereon (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points.

Mandatory Redemption

The Notes will not have the benefit of any sinking fund and Avnet will not be required to make any mandatory redemption payments with respect to the Notes. However, Avnet will be required to offer to repurchase the Notes under certain circumstances as described below under Repurchase at the Option of the Holders.

Selection and Notice

In the case of a partial redemption, the Trustee shall select the Notes or portions thereof for redemption by pro rating, by lot or in such other manner it deems appropriate and fair. The Notes may be redeemed in part in multiples of $1,000 only.

Notice of any redemption will be sent, by first class mail, at least 30 days and not more than 60 days prior to the date fixed for redemption to the Holder of each Note to be redeemed to such Holder s last address as then shown upon the registry books of Avnet s registrar. Any notice which relates to a Note to be redeemed in part only must state the portion of the principal amount equal to the unredeemed portion thereof and must state that on and after the date of redemption, upon surrender of such Note, a new Note or Notes in a principal amount equal to the unredeemed portion thereof will be issued. On and after the date of redemption, interest will cease to accrue on the Notes or portions thereof called for redemption, unless Avnet defaults in the payment thereof.

Applicability of Certain Covenants

During any period of time that (a) the Notes have the Specified Ratings from both Rating Agencies and (b) no Default or Event of Default has occurred and is continuing, Avnet and its Subsidiaries will not be subject to the provisions of the covenants under the Indenture described below (the Applicable Covenants). Specified Ratings means a rating equal to or higher than Baa3 (or the equivalent) by Moody s and BBB- (or the equivalent) by S&P.

On the Issue Date, the Notes will have the Specified Ratings from both Moody s and S&P, so Avnet and its Subsidiaries will not be subject to the provisions of the Applicable Covenants unless the Notes fail to maintain the Specified Ratings from both Moody s and S&P or a Default or Event of Default occurs.

The Applicable Covenants are the following covenants under the Indenture:

Repurchase of Notes at the Option of the Holder Upon a Change of Control;

Limitations on Sale of Assets and Subsidiary Stock; Offer to Repurchase from Excess Proceeds;

Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock;

Limitation on Restricted Payments;

Limitation on Dividends and Other Payment Restrictions Affecting Subsidiaries;

Limitation on Transactions with Affiliates; and

Subsidiary Guarantors.

If one or both of Moody s and S&P withdraws its ratings or downgrades the ratings assigned to the Notes below the Specified Ratings or a Default or Event of Default occurs and is continuing (any of the foregoing, a Triggering Event), then Avnet and its Subsidiaries shall thereafter be subject to the Applicable Covenants. If any Triggering Event occurs and subsequently during any period of time (a) the Notes have the Specified Ratings from both Moody s and S&P and (b) no Default or Event of Default has occurred and is continuing, Avnet and its Subsidiaries will not be subject to the Applicable Covenants during such period of time. Compliance with the Applicable Covenants with respect to the Restricted Payments made after the occurrence of a Triggering Event will be calculated in accordance with the terms of the covenant described below under the caption Limitation on Restricted Payments as though such covenant had been in effect during the entire period of time from the Issue Date. Actions taken by Avnet and its Subsidiaries prior to the date a Triggering Event occurs shall not be subject to the Applicable Covenants with retroactive effect.

Repurchase at the Option of Holders

Repurchase of Notes at the Option of the Holder Upon a Change of Control

If a Change of Control of Avnet occurs, each Holder of Notes will have the right, at such Holder s option, pursuant to an offer (subject only to conditions required by applicable law, if any) by Avnet (the Change of Control Offer), to require Avnet to repurchase all or any part of such Holder s Notes in integral multiples of $1,000 on a date (the Change of Control Purchase Date) that is no later than 35 Business Days after the occurrence of such Change of Control, at a cash price equal to 101% of the principal amount thereof (the Change of Control Purchase Price), together with accrued and unpaid interest to the Change of Control Purchase Date.

The Change of Control Offer shall be made within 10 Business Days following a Change of Control and shall remain open for 20 Business Days following its commencement (the Change of Control Offer Period). Upon expiration of the Change of Control Offer Period, Avnet shall promptly purchase all Notes properly tendered in response to the Change of Control Offer.

As used herein, a Change of Control means:

any person or group (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such Person or its subsidiaries, or any Person acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan), becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person shall be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 40% or more of the Equity Interests of Avnet; or

during any period of 12 consecutive months, a majority of the members of the Board of Directors of Avnet cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

On or before the Change of Control Purchase Date, Avnet will:

accept for payment Notes or portions thereof properly tendered pursuant to the Change of Control Offer, deposit with the paying agent for Avnet (the Paying Agent) cash sufficient to pay the Change of Control Purchase Price (together with accrued and unpaid interest) of all Notes so tendered, and

deliver to the Trustee the Notes so accepted together with an Officers Certificate listing the Notes or portions thereof being purchased by Avnet.

The Paying Agent promptly will pay the Holders of Notes so accepted an amount equal to the Change of Control Purchase Price (together with accrued and unpaid interest) and the Trustee promptly will authenticate and deliver to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered. Any Notes not so accepted will be delivered promptly by Avnet to the Holder thereof. Avnet publicly will announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The Change of Control purchase feature of the Notes may make more difficult or discourage a takeover of Avnet, and, thus, the removal of incumbent management.

Any Change of Control Offer will be made in compliance with all applicable laws, rules and regulations, including, if applicable, Regulation 14E under the Exchange Act and the rules thereunder and all other applicable Federal and state securities laws. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this covenant, Avnet s compliance with such laws and regulations shall not in and of itself cause a breach of Avnet s obligations under such covenant.

If the Change of Control Purchase Date hereunder is on or after an interest payment Record Date and on or before the associated Interest Payment Date, any accrued and unpaid interest due on such Interest Payment Date will be paid to the Person in whose name a Note is registered at the close of business on such Record Date.

Notwithstanding the foregoing, Avnet will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by Avnet and purchases all Notes validly tendered and not withdrawn under the Change of Control Offer.

Limitations on Sale of Assets and Subsidiary Stock; Offer to Repurchase from Excess Proceeds

Avnet will not and will not permit any of Avnet s Subsidiaries to, in one or a series of related transactions, convey, sell, transfer, assign or otherwise dispose of, directly or indirectly, any property, business or assets, including by merger or consolidation (in the case of one of Avnet s Subsidiaries), and including any sale or other transfer or issuance of any Equity Interests of any of Avnet s Subsidiaries or Unrestricted Subsidiaries, whether by Avnet or one of Avnet s Subsidiaries or through the issuance, sale or transfer of Equity Interests by one of Avnet s Subsidiaries and including any sale and leaseback transaction (any of the foregoing, an Asset Sale), unless:

(1) at least 75% of the total consideration for such Asset Sale or series of related Asset Sales consists of cash or Cash Equivalents, or Related Business Assets, and

(2) Avnet determines in good faith that Avnet receives or such Subsidiary receives, as applicable, fair market value for such Asset Sale.

For purposes of (1) above, total consideration received means the total consideration received for such Asset Sales minus the amount of, (a) Purchase Money Indebtedness secured solely by the assets sold and assumed by a transferee; *provided*, that Avnet is and Avnet s Subsidiaries are fully released from obligations in connection therewith and (b) property that within 90 days of such Asset Sale is converted into cash or Cash Equivalents; *provided*, that such cash and Cash Equivalents shall be treated as Net Cash Proceeds attributable to the original Asset Sale for which such property was received.

Within 360 days following such Asset Sale, an amount equal to the Net Cash Proceeds therefrom (the Asset Sale Amount) are:

(a) invested (or committed, pursuant to a binding commitment subject only to reasonable, customary closing conditions, to be invested, and in fact is so invested, within an additional 90 days) in Related Business Assets and property (except in connection with the acquisition of a Wholly Owned Subsidiary in a Related Business, other than notes, bonds, obligation and securities) or make Restricted Investments permitted by the covenant Limitation on Restricted Payments or Permitted Investments other than clauses (a), (b), (d) and (e) thereof, which in Avnet s good faith reasonable judgment will immediately constitute or be a part of a Related Business of Avnet or such Subsidiary (if it continues to be a Subsidiary) immediately following such transaction, or

(b) used to retire Indebtedness outstanding under the Credit Agreement or any Foreign Subsidiary Credit Agreement or any Purchase Money Indebtedness secured by the asset which was the subject of the Asset Sale and, to permanently reduce (in the case of Indebtedness that is not Purchase Money Indebtedness) the amount of such Indebtedness outstanding on the Issue Date or permitted pursuant to paragraph (b), or (d), as applicable, of the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock (including that in the case of a revolver or similar arrangement that makes credit available, such commitment is so permanently reduced by such amount), or

(c) applied to the optional redemption of the Notes in accordance with the terms of the Indenture and Avnet s other Indebtedness ranking on a parity with the Notes and with similar provisions requiring Avnet to repurchase such Indebtedness with the proceeds from such Asset Sale, *pro rata* in proportion to the respective principal amounts (or accreted values in the case of Indebtedness issued with an original issue discount) of the Notes and such other Indebtedness then outstanding,

except that, in the case of each of the provisions of clauses (a) and (b), only proceeds from an Asset Sale of assets or capital stock of a Foreign Subsidiary may be invested in or used to retire Indebtedness of a Foreign Subsidiary. Pending the final application of any Net Cash Proceeds, Avnet may temporarily reduce revolving credit borrowings or otherwise invest the Net Cash Proceeds in any manner that is not prohibited by the Indenture.

The accumulated Net Cash Proceeds from Asset Sales not applied as set forth in (a), (b) or (c) of the preceding paragraph shall constitute Excess Proceeds. Within 30 days after the date that the amount of Excess Proceeds exceeds $15.0 million, which date will not be prior to 390 days subsequent to the Asset Sale that generated such Excess Proceeds, Avnet shall apply an amount equal to the Excess Proceeds (the Asset Sale Offer Amount) to the repurchase of the Notes and such other Indebtedness ranking on a parity with the Notes and with similar provisions requiring Avnet to make an offer to purchase such Indebtedness with the proceeds from such Asset Sale pursuant to a cash offer (subject only to conditions required by applicable law, if any) (*pro rata* in proportion to the respective principal amounts (or accreted values in the case of Indebtedness issued with an original issue discount) of the Notes and such other Indebtedness then outstanding) (the Asset Sale Offer) at a purchase price of 100% of the principal amount (or accreted value in the case of Indebtedness issued with an original issue discount) (the Asset Sale Offer Price) together with accrued and unpaid interest to the date of payment. Each Asset Sale Offer shall remain open for 20 Business Days following its commencement (the Asset Sale Offer Period).

Upon expiration of the Asset Sale Offer Period, Avnet shall apply the Asset Sale Offer Amount plus an amount equal to accrued and unpaid interest to the purchase of all Indebtedness properly tendered in accordance with the provisions hereof (on a *pro rata* basis if the Asset Sale Offer Amount is insufficient to purchase all Indebtedness so tendered) at the Asset Sale Offer Price (together with accrued interest). To the extent that the aggregate amount of Notes and such other Indebtedness ranking on parity with the Notes tendered pursuant to an Asset Sale Offer is less than the Asset Sale Offer Amount, Avnet may invest any remaining Net Cash Proceeds as otherwise permitted by the Indenture and following the consummation of each Asset Sale Offer the Excess Proceeds amount shall be reset to zero.

Notwithstanding, and without complying with, the provisions of this covenant:

Avnet may and Avnet s Subsidiaries may, in the ordinary course of business, (a) convey, sell, transfer, assign or otherwise dispose of inventory and other assets acquired and held for resale in the ordinary course of business and (b) liquidate Cash Equivalents;

Avnet may and Avnet s Subsidiaries may convey, sell, transfer, assign or otherwise dispose of assets pursuant to and in accordance with the covenant Limitation on Merger, Sale or Consolidation ;

Avnet may and Avnet s Subsidiaries may sell or dispose of damaged, worn out or other obsolete property in the ordinary course of business so long as such property is no longer necessary for the proper conduct of Avnet s business or the business of such Subsidiary, as applicable;

Avnet may and Avnet s Subsidiaries may convey, sell, transfer, assign or otherwise dispose of assets to Avnet or any of Avnet s Subsidiaries;

Avnet may and Avnet s Subsidiaries may, in the ordinary course of business, convey, sell transfer, assign, or otherwise dispose of assets (or related assets or in related transactions) with a fair market value of less than $10.0 million;

Avnet may and each of Avnet s Subsidiaries may surrender or waive contract rights or settle, release or surrender contract, tort or other litigation claims in the ordinary course of business or grant Liens (and permit foreclosure thereon) not prohibited by the Indenture;

Avnet may and Avnet s Subsidiaries may sell accounts receivable and related assets of the type specified in the definition of Qualified Receivables Transaction to a Receivable Subsidiary for the fair market value thereof, but in any case including cash in an amount at least equal to 75% of the book value thereof as determined in accordance with GAAP, and a Receivable Subsidiary may transfer accounts receivable and related assets of the type specified in the definition of Qualified Receivables Transaction (or a fractional undivided interest therein) in a Qualified Receivables Transaction;

Avnet may and Avnet s Subsidiaries may make Permitted Investments (excluding clauses (a), (b) and (e) in the definition thereof) and Restricted Investments under Limitation on Restricted Payments and

Avnet may and Avnet s Subsidiaries may exchange assets held by Avnet or such Subsidiaries for assets held by any Person or entity; *provided*, that (a) the assets received by Avnet or such Subsidiaries in any such exchange in Avnet s good faith reasonable judgment will immediately constitute, be a part of, or be used in, a Related Business of Avnet or such Subsidiaries, (b) Avnet has determined that the terms of any exchange are fair and reasonable, (c) any such exchange shall be deemed to be an Asset Sale to the extent that Avnet or any of Avnet s Subsidiaries receives cash or Cash Equivalents in such exchange, and (d) that, in the case of a transaction exceeding $10 million of consideration to any party thereto, Avnet shall have obtained a favorable written opinion by an independent financial advisor of national reputation in the United States as to the fairness from a financial point of view to Avnet or such Subsidiaries of the proposed transaction.

All Net Cash Proceeds from an Event of Loss (other than the proceeds of any business interruption insurance) shall be reinvested or used as otherwise provided above in clauses 1(a) or 1(b) of the first paragraph of this covenant.

Any Asset Sale Offer shall be made in compliance with all applicable laws, rules, and regulations, including, if applicable, Regulation 14E of the Exchange Act and the rules and regulations thereunder and all other applicable Federal and state securities laws. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this paragraph, Avnet s compliance or the compliance of any of Avnet s subsidiaries with such laws and regulations shall not in and of itself cause a breach of Avnet s obligations under such covenant.

If the payment date in connection with an Asset Sale Offer hereunder is on or after an interest payment Record Date and on or before the associated Interest Payment Date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such Record Date.

Certain Covenants

The Indenture will contain certain covenants that will, in certain circumstances, among other things, restrict Avnet s ability to borrow money, pay dividends on or repurchase capital stock, make investments and sell assets or enter into mergers or consolidations. See Applicability of Certain Covenants. The following summary of certain covenants of the Indenture are summaries only, do not purport to be complete and are qualified in their entirety by reference to all of the provisions of the Indenture. Avnet urges you to read the Indenture because it, and not this description, details your rights as a holder of the Notes. For a description of the general terms applicable to Avnet s debt securities, including the Notes, see Description of Debt Securities in the accompanying prospectus.

Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock

Except as set forth in this covenant, Avnet will not and will not permit any of Avnet s Subsidiaries to, directly or indirectly, issue, assume, guaranty, incur, become directly or indirectly liable with respect to (including as a result of an Acquisition), or otherwise become responsible for, contingently or otherwise (individually and collectively, to incur or, as appropriate, an incurrence), any Indebtedness (including Disqualified Capital Stock and Acquired Indebtedness), other than Permitted Indebtedness.

Notwithstanding the foregoing if:

(1) no Default or Event of Default shall have occurred and be continuing at the time of, or would occur after giving effect on a *pro forma* basis to, such incurrence of Indebtedness and

(2) on the date of such incurrence (the Incurrence Date), Avnet s Consolidated Coverage Ratio for the Reference Period immediately preceding the Incurrence Date, after giving effect on a *pro forma* basis to such incurrence of such Indebtedness and, to the extent set forth in the, definition of Consolidated Coverage Ratio, the use of proceeds thereof, would be at least 2.0 to 1.0 (the Debt Incurrence Ratio), then Avnet and Avnet s Subsidiaries may incur such Indebtedness (including Disqualified Capital Stock).

In addition, the foregoing limitations of the first paragraph of this covenant will not prohibit:

(a) Avnet s incurrence or the incurrence by any Subsidiary of Purchase Money Indebtedness; *provided,* that

  (1) the aggregate amount of such Indebtedness incurred and outstanding at any time pursuant to this paragraph (a) (plus any Refinancing Indebtedness issued to retire, defease, refinance, replace or refund such Indebtedness) shall not exceed $50 million (or the equivalent thereof, at the time of incurrence, in the applicable foreign currency), and

  (2) in each case, such Indebtedness shall not constitute more than 100% of Avnet s cost or the cost to such Subsidiary, (determined in accordance with GAAP in good faith by Avnet s Board of Directors), as applicable, of the property so purchased, constructed, improved or leased;

(b) Avnet s incurrence or the incurrence by any Subsidiary of Indebtedness in an aggregate amount incurred and outstanding at any time pursuant to this paragraph (b) (plus any Refinancing Indebtedness incurred to retire, defease, refinance, replace or refund such Indebtedness) of up to $15 million (or the equivalent thereof, at the time of incurrence, in the applicable foreign currencies);

(c) the incurrence by Avnet or any of Avnet s Subsidiaries of Indebtedness pursuant to the Credit Agreement in an aggregate amount incurred and outstanding at any time pursuant to this paragraph (c) of up to (x) the greater of (i) $429 million and (ii) the sum of (A) 50% of the net book value of the inventory of Avnet and its Domestic Subsidiaries and (B) 75% of the net book value of the accounts receivables of Avnet and its Domestic Subsidiaries and Canadian Subsidiaries, in each case determined on a consolidated basis in accordance with GAAP, minus (y) the amount of any such Indebtedness retired with the Net Cash Proceeds from any Asset Sale applied to permanently reduce the outstanding amounts or the commitments with respect to such Indebtedness pursuant to the first paragraph of the provision Limitations on Sale of Assets and Subsidiary Stock; Offer to Repurchase from Excess Proceeds ; and

(d) the incurrence by Foreign Subsidiaries of Indebtedness pursuant to Foreign Subsidiary Credit Agreements, and, without duplication, any guarantee by Avnet of Indebtedness of Foreign Subsidiaries pursuant to Foreign Subsidiary Credit Agreements, in an aggregate principal amount incurred and outstanding at any time pursuant to this paragraph (d) (plus any Refinancing Indebtedness incurred to retire, defease, refinance, replace or refund such Indebtedness) of up to $ 100 million (or the equivalent thereof, at the time of incurrence, in the applicable foreign currency), minus the amount of any such Indebtedness (1) retired with the Net Cash Proceeds from any Asset Sale applied to permanently reduce the outstanding amounts or the commitments with respect to such Indebtedness pursuant to clause (b) of the second paragraph of the covenant Limitations on Sale of Assets and Subsidiary Stock; Offer to Repurchase from Excess Proceeds or (2) assumed by a transferee of an Asset Sale so long as neither Avnet nor such Foreign Subsidiary continues to be an obligor under such Indebtedness.

Indebtedness (including Disqualified Capital Stock) of any Person which is outstanding at the time such Person becomes one of Avnet s Subsidiaries (including upon designation of any subsidiary or other Person as a Subsidiary) or is merged with or into or consolidated with Avnet or one of Avnet s Subsidiaries shall be deemed to have been incurred at the time such Person becomes or is designated one of Avnet s Subsidiaries or is merged with or into or consolidated with Avnet or one of Avnet s Subsidiaries as applicable.

Notwithstanding any other provision of this covenant, but only to avoid duplication, a guarantee of Avnet s Indebtedness or of the Indebtedness of another Subsidiary incurred in accordance with the terms of the Indenture applicable to the Notes (other than Indebtedness incurred pursuant to clause (a) and (d) hereof of the definition of Permitted Indebtedness) issued at the time such Indebtedness was incurred or if later at the time the guarantor thereof became one of Avnet s Subsidiaries will not constitute a separate incurrence, or amount outstanding, of Indebtedness. Upon each incurrence Avnet may designate pursuant to which provision of this covenant such Indebtedness is being incurred and Avnet may subdivide an amount of Indebtedness and designate more than one provision pursuant to which such amount of Indebtedness is being incurred and such Indebtedness shall not be deemed to have been incurred or outstanding under any other provision of this covenant.

Notwithstanding anything contained herein to the contrary, Avnet will not incur any Indebtedness that is contractually subordinate to any of Avnet s other Indebtedness unless such Indebtedness is at least as contractually subordinate to the Notes.

Limitation on Restricted Payments

Avnet will not and will not permit any of Avnet s Subsidiaries to, directly or indirectly, make any Restricted Payment if, after giving effect to such Restricted Payment on a *pro forma* basis:

(1) a Default or an Event of Default shall have occurred and be continuing,

(2) Avnet is not permitted to incur at least $1.00 of additional Indebtedness pursuant to the Debt Incurrence Ratio in the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock, or

(3) the aggregate amount of all Restricted Payments made by Avnet and Avnet s Subsidiaries, including after giving effect to such proposed Restricted Payment, on and after the Issue Date, would exceed, without duplication, the sum of:

(a) 50% of Avnet s aggregate Consolidated Net Income for the period (taken as one accounting period), commencing on the first day of the fiscal quarter during which the Issue Date occurred, to and including the last day of the fiscal quarter ended immediately prior to the date of each such calculation for which Avnet s consolidated financial statements are required to be delivered to the Trustee or, if sooner, filed with the Securities and Exchange Commission (the Commission) (or, in the event Consolidated Net Income for such period is a deficit, then minus 100% of such deficit), plus

(b) the aggregate Net Cash Proceeds received by Avnet from the sale of Avnet s Qualified Capital Stock (other than (i) to one of Avnet s Subsidiaries and (ii) to the extent applied in connection with a Qualified Exchange or a Permitted Investment pursuant to clause (e) thereof or, to avoid duplication, otherwise given credit for in any provision of the following paragraph), after the Issue Date, plus

(c) except in each case, in order to avoid duplication, to the extent any such payment or proceeds have been included in the calculation of Consolidated Net Income, an amount equal to the net reduction in Investments (other than returns of or from Permitted Investments) in any Person resulting from cash distributions on or cash repayments of any Investments, including payments of interest on Indebtedness, dividends, repayments of loans or advances, or other distributions or other transfers of assets, in each case to Avnet or any Subsidiary of Avnet or from the Net Cash Proceeds from the sale of any such Investment or from redesignations of Unrestricted Subsidiaries as Subsidiaries (valued in each case as provided in the definition of Investments), not to exceed, in each case, the amount of Investments previously made by Avnet or any Subsidiary of Avnet in such Person, including, if applicable, such Unrestricted Subsidiary, less the cost of disposition.

The foregoing clauses (2) and (3) however, will not prohibit:

(v) Restricted Payments in an aggregate amount not to exceed $5.0 million pursuant to this clause (v); and

(w) repurchases of Capital Stock from Avnet s employees or directors (or their heirs or estates) or employees or directors (or their heirs or estates) of Avnet s Subsidiaries upon the death, disability or termination of employment in an aggregate amount to all employees or directors (or their heirs or estates) not to exceed $10 million in any fiscal year or $30 million in the aggregate on and after the Issue Date plus the Net Cash Proceeds to Avnet from the sale of Avnet s Qualified Capital Stock to directors, executive officers, members of the management or employees of Avnet or any of Avnet s Subsidiaries in such fiscal year on and after the Issue Date pursuant to this clause (w).

The foregoing clauses (1), (2) and (3) however, will not prohibit:

(x) any dividend, distribution or other payments by any of Avnet s Subsidiaries on its Equity Interests that is paid *pro rata* to all holders of such Equity Interests;

(y) a Qualified Exchange; or

(z) the payment of any dividend on Qualified Capital Stock within 60 days after the date of its declaration if such dividend could have been made on the date of such declaration in compliance with the foregoing provisions.

The full amount of any Restricted Payment made pursuant to the foregoing clauses (v), (w), (x) and (z) (but not pursuant to clause (y)) above, however, will be counted as Restricted Payments made for purposes of the calculation of the aggregate amount of Restricted Payments available to be made referred to in clause (3) above.

For purposes of this covenant, the amount of any Restricted Payment made or returned, if other than in cash, shall be the fair market value thereof as determined in the good faith reasonable judgment of Avnet s Board of Directors, unless stated otherwise, at the time made or returned, as applicable. Additionally, within 10 days of each Restricted Payment, Avnet shall deliver an Officers Certificate to the Trustee describing in reasonable detail the nature of such Restricted Payment in excess of $500,000 that is not a Restricted Investment, stating the amount of such Restricted Payment, stating in reasonable detail the provisions of the Indenture pursuant to which such Restricted Payment was made and certifying that such Restricted Payment was made in compliance with the terms of the Indenture.

Limitation on Dividends and Other Payment Restrictions Affecting Subsidiaries

Avnet will not and will not permit any of Avnet s Subsidiaries to, directly or indirectly, create, assume or suffer to exist any consensual restriction on the ability of any of Avnet s Subsidiaries to pay dividends or make other distributions to or on behalf of, or to pay any obligation to or on behalf of, or otherwise to transfer assets or property to or on behalf of, or make or pay loans or advances to or on behalf of, Avnet, except:

(1) restrictions imposed by the Notes or the Indenture or by Avnet s other Indebtedness ranking *pari passu* with the Notes; *provided*, that such restrictions are no more restrictive taken as a whole than those imposed by the Notes and the provisions of the Indenture applicable to the Notes,

(2) restrictions imposed by applicable law,

(3) existing restrictions under Existing Indebtedness or Excluded Indebtedness,

(4) restrictions under any Acquired Indebtedness not incurred in violation of the provisions of the Indenture applicable to the Notes or any agreement (including any Equity Interest) relating to any property, asset, or business acquired by Avnet or any of Avnet s Subsidiaries, which restrictions in each case existed at the time of acquisition, were not put in place in connection with or in anticipation of such acquisition and are not applicable to any Person, other than the Person acquired, or to any property, asset or business, other than the property, assets and business so acquired,

(5) any restriction imposed by any Indebtedness incurred under the Credit Agreement pursuant to the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock ; *provided*, that such restriction or requirement is no more restrictive taken as a whole than that imposed by the Credit Agreement as of the Issue Date,

(6) restrictions with respect solely to any of Avnet s Subsidiaries imposed pursuant to a binding agreement which has been entered into for the sale or disposition of all or substantially all of the Equity Interests or assets of such Subsidiary; *provided*, that such restrictions apply solely to the Equity Interests or assets of such Subsidiary which are being sold,

(7) restrictions on transfer contained in Purchase Money Indebtedness incurred pursuant to the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock ; *provided*, that such restrictions relate only to the transfer of the property acquired with the proceeds of such Purchase Money Indebtedness,

(8) in connection with and pursuant to permitted Refinancings, replacements of restrictions imposed pursuant to clauses (1), (3), (4) or (7) or this clause (8) of this paragraph that are not more restrictive taken as a whole than those being replaced and do not apply to any other Person or assets than those that would have been covered by the restrictions in the Indebtedness so refinanced,

(9) restrictions contained in Indebtedness or other contractual requirements of a Receivables Subsidiary in connection with a Qualified Receivables Transaction; *provided*, that such restrictions apply only to such Receivables Subsidiary,

(10) restrictions contained in Indebtedness incurred by a Foreign Subsidiary in accordance with the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock ; *provided*, that such restrictions relate only to one or more Foreign Subsidiaries, and

(11) with respect to any Subsidiary of Avnet, contained in the terms of any Indebtedness or any Disqualified Capital Stock or any agreement pursuant to which such Indebtedness of Disqualified Capital Stock was issued if:

(a) the encumbrance or restriction applies only in the event of a payment default or a default with respect to a financial covenant contained in such Indebtedness or agreement;

(b) the encumbrance or restriction is not materially more disadvantageous to the Holders of the Notes than is customary in comparable financings, as determined by Avnet; and

(c) Avnet determines that any such encumbrance or restriction will not materially affect Avnet s ability to make scheduled principal or interest payments on the Notes as determined in good faith by Avnet s Board of Directors, whose determination shall be conclusive.

Notwithstanding the foregoing, customary provisions restricting subletting or assignment of any lease entered into in the ordinary course of business, consistent with industry practice may be subject to customary restrictions on transfer, assignment or disposition thereof, and any asset subject to a Lien which is not prohibited to exist with respect to such asset pursuant to the terms of the Indenture applicable to the Notes may be subject to customary restrictions on the transfer or disposition thereof pursuant to such Lien.

Limitation on Liens Securing Indebtedness

Avnet will not and will not permit any of Avnet s Subsidiaries to, create, incur, assume or suffer to exist any Lien of any kind securing any of Avnet s Indebtedness, or any Indebtedness of any of Avnet s Subsidiaries, other than Permitted Liens, upon any of Avnet or Avnet s Subsidiaries respective assets now owned or acquired on or after the Issue Date, or upon any income or profits therefrom, unless Avnet provides, and cause Avnet s Subsidiaries to provide, concurrently therewith, that the Notes are equally and ratably so secured; *provided* that if such Indebtedness is Subordinated Indebtedness, the Lien securing such Subordinated Indebtedness shall be contractually subordinate and junior to the Lien securing the Notes with the same relative priority as such Subordinated Indebtedness shall have with respect to the Notes, and *provided, further*, that this clause shall not be applicable to any Liens securing any such Indebtedness which became Avnet s Indebtedness pursuant to a transaction subject to the provisions of the Indenture described below under Limitation on Merger, Sale or Consolidation or which constitutes Acquired Indebtedness and which in either case were in existence at the time of such transaction (unless such Indebtedness was incurred or such Lien created in connection with or in contemplation of, such transaction), so long as such Liens do not extend to or cover any of Avnet s property or assets or any property or assets of any of Avnet s Subsidiaries other than property or assets acquired in such transaction.

Limitation on Transactions with Affiliates

Neither Avnet nor any of Avnet s Subsidiaries will be permitted on or after the Issue Date to enter into or suffer to exist any contract, agreement, arrangement or transaction with any Affiliate (an Affiliate Transaction), or any series of related Affiliate Transactions, (other than Exempted Affiliate Transactions) unless:

(1) it is determined that the terms of such Affiliate Transaction are fair and reasonable to Avnet, and no less favorable to Avnet than could have been obtained in an arm s length transaction with a non-Affiliate, and

(2) if involving consideration to either party in excess of $3.0 million, such Affiliate Transaction(s) has been approved by a majority of the members of Avnet s Board of Directors that are disinterested in such transaction, if there are any directors who are so disinterested, and

(3) if involving consideration to either party in excess of $10.0 million, unless, in addition, Avnet, prior to the consummation thereof, obtain a written favorable opinion as to the fairness of such transaction to Avnet from a financial point of view from an independent investment banking firm of national reputation in the United States or, if pertaining to a matter for which such investment banking firms do not customarily render such opinions, an appraisal or valuation firm of national reputation in the United States.

Within 10 days of any Affiliate Transaction(s) involving consideration to either party of $500,000 or more, Avnet shall deliver to the Trustee an Officers Certificate addressed to the Trustee certifying that such Affiliate Transaction (or Transactions) complied with clause (1), (2), and (3), as applicable.

Limitation on Merger, Sale or Consolidation

Avnet will not consolidate with or merge with or into another Person or, directly or indirectly, sell, lease, convey or transfer all or substantially all of Avnet s assets (such amounts to be computed on a consolidated basis), whether in a single transaction or a series of related transactions, to another Person or group of affiliated Persons, unless:

either (a) Avnet is the continuing entity or (b) the resulting, surviving or transferee entity is a corporation organized under the laws of the United States, any state thereof or the District of Columbia and expressly assumes by supplemental indenture all of Avnet s obligations in connection with the Notes and terms of the Indenture applicable to the Notes;

no Default or Event of Default shall exist or shall occur immediately after giving effect on a *pro forma* basis to such transaction; and

unless the Applicable Covenants are not applicable at the time of such transaction as described above under the caption Applicability of Certain Covenants, or unless such transaction is solely the merger of Avnet and one of Avnet s previously existing Wholly Owned Subsidiaries for the purpose of reincorporation into another jurisdiction and which transaction is not for the purpose of evading this provision and not in connection with any other transaction, immediately after giving effect to such transaction on a *pro forma* basis, the consolidated resulting, surviving or transferee entity would immediately thereafter be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Debt Incurrence Ratio set forth in the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock or, if not, the Debt Incurrence Ratio on a *pro forma* basis is at least equal to the Debt Incurrence Ratio immediately prior thereto.

Upon any consolidation or merger or any transfer of all or substantially all of Avnet s assets in accordance with the foregoing, the successor corporation formed by such consolidation or into which Avnet is merged or to which such transfer is made shall succeed to and (except in the case of a lease or any transfer of less than all of Avnet s assets) be substituted for, and may exercise every right and power of, Avnet under the provisions of the Indenture applicable to the Notes with the same effect as if such successor corporation had been named therein as Avnet, and (except in the case of a lease or any transfer or less than all of Avnet s assets) Avnet shall be released from the obligations under the Notes and the Indenture except with respect to any obligations that arise from, or are related to, such transaction.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise) of all or substantially all of the properties and assets of one or more Subsidiaries, Avnet s interest in which constitutes all or substantially all of Avnet s properties and assets, shall be deemed to be the transfer of all or substantially all of Avnet s properties and assets.

Limitation on Lines of Business

Neither Avnet nor any of Avnet s Subsidiaries (other than Receivables Subsidiaries) will directly or indirectly engage to any substantial extent in any line or lines of business activity other than that which, in the reasonable good faith judgment of Avnet s Board of Directors, is a Related Business.

Subsidiary Guarantors

Avnet will cause all present and future Subsidiaries of Avnet that guarantee or otherwise become liable for any Indebtedness of Avnet to jointly and severally, irrevocably and unconditionally, guarantee all principal, premium, if any, and interest on the Notes on a non-subordinated basis on or prior to the time such Subsidiaries guarantee such Indebtedness. Notwithstanding anything herein or in the Indenture to the contrary, if any Subsidiary of Avnet guarantees any of Avnet s Indebtedness, or Avnet or any Subsidiary of Avnet, individually or collectively, pledges more than 66% of the Voting Equity Interests of a Subsidiary to a lender to secure Avnet s Indebtedness (other than Indebtedness under the Credit Agreement), then such Subsidiary must become a Guarantor.

Release of Guarantors

On the Issue Date, the Notes will not be guaranteed by any of Avnet s subsidiaries. Under certain circumstances, the Indenture will require Avnet s Subsidiaries to guarantee the Notes, as described above under Subsidiary Guarantors.

No Guarantor will consolidate or merge with or into (whether or not such Guarantor is the surviving Person) another Person unless, (1) subject to the provisions of the following paragraph and the other provisions of the Indenture applicable to the Notes, the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) assumes all the obligations of such Guarantor pursuant to a supplemental indenture in form reasonably satisfactory to the Trustee, pursuant to which such Person shall guarantee, on an unsubordinated basis, all of such Guarantor s obligations under such Guarantor s Guarantee on the terms set forth in the Indenture; and (2) immediately before and immediately after giving effect to such transaction on a *pro forma* basis, no Default or Event of Default shall have occurred or be continuing. The provisions of the covenant shall not apply to the merger of any Guarantors with and into each other or with or into Avnet.

Upon the sale or disposition (including by merger or stock purchase) of a Guarantor (as an entirety) to an entity which is not and is not required to become a Guarantor, or the designation of a Subsidiary to become an Unrestricted Subsidiary, which transaction is otherwise in compliance with the provisions of the Indenture relating to the Notes (including, without limitation, the provisions of the covenant Limitations on Sale of Assets, and Subsidiary Stock; Offer to Repurchase from Excess Proceeds), such Guarantor will be deemed released from its obligations under its Guarantee of the Notes; *provided, however*, that any such termination shall occur only to the extent that all obligations of such Guarantor under all of its guarantees of , and under all of its pledges of assets or other security interests which secure, any of Avnet s Indebtedness or any Indebtedness of any other of Avnet s Subsidiaries shall also terminate upon such release, sale or transfer and none of its Equity Interests are pledged for the benefit of any holder of any of Avnet s Indebtedness or any Indebtedness of any of Avnet s Subsidiaries.

Limitation on Status as Investment Company

The Indenture will prohibit Avnet and Avnet s Subsidiaries from being required to register as an investment company (as that term is defined in the Investment Company Act of 1940, as amended), or from otherwise becoming subject to regulation under the Investment Company Act.

Events of Default and Remedies

The Indenture will define an Event of Default with respect to the Notes as:

(1) Avnet s failure to pay any installment of interest on the Notes for 30 days after becoming due;

(2) Avnet s failure to pay all or any part of the principal, or premium, if any, on the Notes when and as the same becomes due and payable at maturity, redemption, by acceleration or otherwise, including, without limitation, payment of the Change of Control Purchase Price or the Asset Sale Offer Price, on Notes validly tendered and not properly withdrawn pursuant to a Change of Control Offer or Asset Sale Offer, as applicable,

(3) Avnet s failure or the failure by any of Avnet s Subsidiaries to observe or perform any other covenant or agreement contained in the Notes or the Indenture and, except for the provisions under Repurchase of Notes at the Option of the Holder Upon a Change of Control, Limitations on Sale of Assets and Subsidiary Stock; Offer to Repurchase from Excess Proceeds and Limitation on Merger, Sale or Consolidation the continuance of such failure for a period of 30 days after written notice is given to Avnet by the Trustee or to Avnet and the Trustee by the Holders of at least 25% in aggregate principal amount of the Notes outstanding,

(4) certain events of bankruptcy, insolvency or reorganization,

(5) a default in Avnet s Indebtedness or the Indebtedness any of Avnet s Subsidiaries with an aggregate amount outstanding in excess of $15.0 million (a) resulting from the failure to pay principal at maturity or (b) as a result of which the maturity of such Indebtedness has been accelerated prior to its stated maturity, and

(6) final unsatisfied judgments not covered by insurance aggregating in excess of $15.0 million, at any one time rendered against Avnet or any of Avnet s Subsidiaries and not stayed, bonded or discharged within 60 days.

The Indenture will provide that, with respect to the Notes, if a Default occurs and is continuing, the Trustee must, within 90 days after the occurrence of such Default, give to the Holders notice of such Default.

Amendments and Supplements

With certain exceptions, the Indenture may be modified or amended with respect to the Notes with the consent of the Holders of not less than a majority in principal amount of the outstanding Notes. However, no such modification or amendment may be made, without the consent of each Holder affected, which would:

reduce the principal amount of or the interest on any Note, or change the stated maturity of the principal of, or any installment of interest on, the Notes or the other terms of payment thereof, or

reduce the percentage of Notes, the consent of the Holders of which is required to modify or amend the provisions of the Indenture relating to the Notes, or the percentage of Notes, the consent of the Holders of which is required to waive certain past defaults,

impair the right of any Holder to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption at Avnet s option, on or after the Redemption Date), or after an Asset Sale or Change of Control has occurred reduce the Change of Control Purchase Price or the Asset Sale Offer Price with respect to the corresponding Asset Sale or Change of Control or alter the provisions (including the defined terms used therein) regarding Avnet s right to redeem the Notes as a right, or at Avnet s option in a manner adverse to the Holders,

cause the Notes to become contractually subordinate in right of payment to any other Indebtedness.

Certain Definitions

Acquired Indebtedness means Indebtedness (including Disqualified Capital Stock) of any Person existing at the time such Person becomes a Subsidiary of Avnet, including by designation, or is merged or consolidated into or with Avnet or one of its Subsidiaries.

Acquisition means the purchase or other acquisition of any Person or all or substantially all the assets of any Person, or any business unit or division of such Person, by any other Person, whether by purchase, merger, consolidation, or other transfer, and whether or not for consideration.

Affiliate means any Person directly or indirectly controlling or controlled by or under direct or indirect common control with Avnet. For purposes of this definition, the term control means the power to direct the management and policies of a Person, directly or through one or more intermediaries, whether through the ownership of voting securities, by contract, or otherwise; *provided*, that with respect to ownership interest in Avnet and its Subsidiaries, a Beneficial Owner of 10% or more of the total voting power normally entitled to vote in the election of directors, managers or trustees, as applicable, shall for such purposes be deemed to possess control. Notwithstanding the foregoing, Wholly Owned Subsidiaries of Avnet shall not be deemed to be Affiliates.

Average Life means, as of the date of determination, with respect to any security or instrument, the quotient obtained by dividing (1) the sum of the products (a) of the number of years from the date of determination to the date or dates of each successive scheduled principal (or redemption) payment of such security or instrument and (b) the amount of each such respective principal (or redemption) payment by (2) the sum of all such principal (or redemption) payments.

Avnet means, Avnet, Inc., a New York corporation, and its successors in accordance with the terms of the Indenture applicable to the Notes.

Beneficial Owner or *beneficial owner* for purposes of the definition of Change of Control and Affiliate has the meaning attributed to it in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date), whether or not applicable.

Board of Directors means, with respect to any Person, the board of directors (or if such Person is not a corporation, the equivalent board of managers or members or body performing similar functions for such Person) of such Person or any committee of the Board of Directors of such Person authorized, with respect to any particular matter, to exercise the power of the board of directors of such Person.

Business Day means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York, New York are authorized or obligated by law or executive order to close.

Capitalized Lease Obligation means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP and, for purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

Capital Stock means, with respect to any corporation, any and all shares, interests, rights to purchase (other than convertible or exchangeable Indebtedness that is not itself otherwise capital stock), warrants, options, participations or other equivalents of or interests (however designated) in stock issued by that corporation.

Cash Equivalent means:

(1) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (*provided*, that the full faith and credit of the United States of America is pledged in support thereof),

(2) time deposits, eurodollar time deposits and certificates of deposit and commercial paper issued by the parent corporation of any domestic commercial bank of recognized standing having capital and surplus in excess of $500 million,

(3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above, or

(4) readily marketable direct obligations issued by any state of the United States of America or any political subdivision thereof having one of the two highest rating categories obtainable from either Moody s or S&P, or

(5) investment funds investing at least 95% of their assets in securities of the types described in clauses (2)-(4) above, or

(6) commercial paper issued by others rated at least A-2 or the equivalent thereof by Standard & Poor s Corporation or at least P-2 or the equivalent thereof by Moody s Investors Service, Inc.,

and in each case, maturing within one year after the date of acquisition.

Comparable Treasury Issue means the U.S. Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the notes that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes.

Comparable Treasury Price means with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations for such redemption date, or (ii) if Avnet obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such quotations.

Consolidation means, with respect to Avnet, the consolidation of the accounts of the Subsidiaries with those of Avnet, all in accordance with GAAP; *provided*, that consolidation will not include consolidation of the accounts of any Unrestricted Subsidiary with the accounts of Avnet. The term consolidated has a correlative meaning to the foregoing.

Consolidated Coverage Ratio of any Person on any date of determination (the Transaction Date) means the ratio, on a *pro forma* basis, of (a) the aggregate amount of Consolidated EBITDA of such Person attributable to continuing operations and businesses for the Reference Period to (b) the aggregate Consolidated Fixed Charges of such Person during the Reference Period; *provided*, that for purposes of such calculation:

Acquisitions which occurred during the Reference Period or subsequent to the Reference Period and on or prior to the Transaction Date shall be assumed to have occurred on the first day of the Reference Period,

transactions giving rise to the need to calculate the Consolidated Coverage Ratio shall be assumed to have occurred on the first day of the Reference Period,

the incurrence of any Indebtedness (including issuance of any Disqualified Capital Stock) during the Reference Period or subsequent to the Reference Period and on or prior to the Transaction Date (and the application of the proceeds therefrom to the extent used to refinance or retire other Indebtedness) (other than Indebtedness incurred under any revolving credit facility) shall be assumed to have occurred on the first day of the Reference Period,

the Consolidated Fixed Charges of such Person attributable to interest on any Indebtedness or dividends on any Disqualified Capital Stock bearing a floating interest (or dividend) rate shall be computed on a *pro forma* basis as if the average rate in effect from the beginning of the Reference Period to the Transaction Date had been the applicable rate for the entire period, unless such Person or any of its Subsidiaries is a party to an Interest Swap or Hedging Obligation (which shall remain in effect for the 12-month period immediately following the Transaction Date) that has the effect of fixing the interest rate on the date of computation, in which case such rate (whether higher or lower) shall be used, and

for any Reference Period that includes the Issue Date, the aggregate amount of Consolidated EBITDA of such Person shall be adjusted to exclude extraordinary cash losses on the early extinguishment of Indebtedness resulting from the application of the proceeds of the offering of the Notes.

Consolidated EBITDA means, with respect to any Person, for any period, the Consolidated Net Income of such Person for such period adjusted to add thereto (to the extent deducted from net revenues in determining Consolidated Net Income), without duplication, the sum of

Consolidated income tax expense,

Consolidated depreciation and amortization expense,

non-cash losses or charges related to impairment of goodwill and other intangible assets,

Consolidated Fixed Charges,

all other non-cash charges attributable to the grant, exercise or repurchase of options for or shares of Qualified Capital Stock to or from employees of Avnet and its Consolidated Subsidiaries,

extraordinary non-cash losses and non-recurring non-cash losses;

less the amount of all cash payments made by such Person or any of its Subsidiaries during such period to the extent such payments relate to non-cash charges that were added back in determining Consolidated EBITDA for such period or any prior period; *provided*, that consolidated income tax expense and depreciation and amortization of a Subsidiary that is a less than Wholly Owned Subsidiary shall only be added to the extent of the equity interest of Avnet in such Subsidiary

Consolidated Fixed Charges of any Person means, for any period, the aggregate amount (without duplication and determined in each case in accordance with GAAP) of:

(a) interest expensed or capitalized, paid, accrued, or scheduled to be paid or accrued (including, in accordance with the following sentence, interest attributable to Capitalized Lease Obligations) of such Person and its Consolidated Subsidiaries during such period, including (1) original issue discount and non-cash interest payments or accruals on any Indebtedness, (2) the interest portion of all deferred payment obligations, and (3) all commissions, discounts and other fees and charges owed with respect to bankers acceptances and letters of credit financings and currency and Interest Swap and Hedging Obligations, in each case to the extent attributable to such period, and

(b) the amount of dividends accrued or payable (or guaranteed) by such Person or any of its Consolidated Subsidiaries in respect of Preferred Stock (other than by Subsidiaries of such Person to such Person or such Person s Wholly Owned Subsidiaries).

For purposes of this definition, (x) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined in good faith by Avnet to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP and (y) interest expense attributable to any Indebtedness represented by the guaranty by such Person or a Subsidiary of such Person of an obligation of another Person shall be deemed to be the interest expense attributable to the Indebtedness guaranteed.

Consolidated Net Income means, with respect to any Person for any period, the net income (or loss) of such Person and its Consolidated Subsidiaries (determined on a consolidated basis in accordance with GAAP) for such period, adjusted to exclude (only to the extent included in computing such net income (or loss) and without duplication):

(a) all gains (but not losses) which are either extraordinary (as determined in accordance with GAAP) or are either unusual or nonrecurring (including any gain from the sale or other disposition of assets outside the ordinary course of business or from the issuance or sale of any capital stock),

(b) the net income, if positive, of any Person, other than a Consolidated Subsidiary, in which such Person or any of its Consolidated Subsidiaries has an interest, except to the extent of the amount of any dividends or distributions actually paid in cash to such Person or a Consolidated Subsidiary of such Person during such period, but in any case not in excess of such Person s *pro rata* share of such Person s net income for such period, and

(c) the net income, if positive, of any of such Person s Consolidated Subsidiaries to the extent that the declaration or payment of dividends or similar distributions is not at the time permitted by operation of the terms of its charter or bylaws or any other agreement (other than a Foreign Subsidiary Credit Agreement), instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Consolidated Subsidiary.

Consolidated Subsidiary means, for any Person, each Subsidiary of such Person (whether now existing or hereafter created or acquired) the financial statements of which are consolidated for financial statement reporting purposes with the financial statements of such Person in accordance with GAAP.

Credit Agreement means the credit agreement dated October 25, 2001, by and among Avnet, certain financial institutions and Bank of America, N.A., as agent, as amended through the Issue Date providing for a revolving credit facility, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, as such credit agreement and/or related documents may be amended, restated, supplemented, renewed, replaced or otherwise modified from time to time whether or not with the same agent, trustee, representative lenders or holders, and, subject to the proviso to the next succeeding sentence, irrespective of any changes in the terms and conditions thereof. Without limiting the generality of the foregoing, the term Credit Agreement shall include agreements in respect of Interest Swap and Hedging Obligations with lenders (or Affiliates thereof) party to the Credit Agreement and shall also include any amendment, amendment and restatement, renewal, extension, restructuring, supplement or modification to any Credit Agreement and all credit agreements providing for refundings, refinancings and replacements of any Credit Agreement, including any credit agreement:

(1) extending the maturity of any Indebtedness incurred thereunder or contemplated thereby,

(2) adding or deleting borrowers or guarantors thereunder, so long as borrowers and issuers include one or more of Avnet and its Subsidiaries and their respective successors and assigns,

(3) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder; *provided*, that on the date such Indebtedness is incurred it would not be prohibited by the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock , or

(4) otherwise altering the terms and conditions thereof in a manner not prohibited by the terms of the Indenture.

Default means any event that is or with the passage of time or the giving of notice or both would be an Event of Default.

Disqualified Capital Stock means, with respect to any Person:

(a) Equity Interests of such Person that, by its terms or by the terms of any security into which it is convertible, exercisable or exchangeable, is, or upon the happening of an event or the passage of time or both would be, required to be redeemed or repurchased including at the option of the holder thereof by such Person or any of its Subsidiaries, in whole or in part, on or prior to 91 days following the Stated Maturity of the Notes, and

(b) any Equity Interests of any Subsidiary of such Person other than any common equity with no preferences, privileges, and no redemption or repayment provisions.

Notwithstanding the foregoing, any Equity Interests that would constitute Disqualified Capital Stock solely because the holders thereof have the right to require Avnet to repurchase such Equity Interests upon the occurrence of a change of control or an asset sale shall not constitute Disqualified Capital Stock if the terms of such Equity Interests provide that Avnet may not repurchase or redeem any such Equity Interests pursuant to such provisions prior to Avnet s purchase of the Notes as are required to be purchased pursuant to the provisions of the Indenture applicable to the Notes as described under Repurchase at the Option of Holders.

Domestic Subsidiary means any Subsidiary of Avnet other than a Foreign Subsidiary.

Equity Interests means Capital Stock or partnership, participation or membership interests and all warrants, options or other rights to acquire Capital Stock or partnership, participation or membership interests (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock or partnership, participation or membership interests).

Event of Loss means, with respect to any property or asset, any

loss, destruction or damage of such property or asset, or

any condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, of such property or asset, or confiscation or requisition of the use of such property or asset.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Excluded Indebtedness means the Indebtedness of Avnet and its Subsidiaries (other than Indebtedness under the Credit Agreement) in existence 90 days or more prior to the date any Triggering Event occurs.

Exempted Affiliate Transaction means:

(a) customary employee, director and consultant compensation arrangements approved by a majority of independent (as to such transactions) members of the Board of Directors of Avnet,

(b) all Restricted Payments and Permitted Investments that are not prohibited by the terms of the covenant discussed under Limitation on Restricted Payments above,

(c) transactions solely between or among Avnet and any of its Subsidiaries or solely among Subsidiaries of Avnet,

(d) loans or advances to employees in the ordinary course of business and consistent with Avnet s past practices,

(e) the issuance of any Qualified Capital Stock of Avnet, and

(f) any Affiliate Transaction in existence prior to the date any Triggering Event occurs.

Existing Indebtedness means the Indebtedness of Avnet and its Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on the Issue Date, reduced to the extent such amounts are repaid, refinanced or retired.

Existing Receivables Securitization Program means the program providing for transfers of receivables by Avnet and its Subsidiaries pursuant to the Receivables Sale Agreement, dated as of June 28, 2001 between Avnet, Inc., as originator, and Avnet Receivables Corporation, as buyer, and the Amended and Restated Receivables Purchase Agreement dated as of February 6, 2002 among Avnet Receivables Corporation, as seller, Avnet, Inc., as servicer, the companies defined therein, the financial institutions defined therein, and Bank One NA, as agent, as amended from time to time.

Foreign Subsidiary means any Subsidiary of Avnet which

is not organized under the laws of the United States, any state thereof or the District of Columbia, and

conducts substantially all of its business operations outside the United States of America.

Foreign Subsidiary Credit Agreement shall mean any of the credit agreements, commercial paper facilities, overdraft facilities or similar financing arrangements entered into by Foreign Subsidiaries of Avnet from time to time, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, as such may be amended, restated, supplemented, renewed, replaced or otherwise modified from time to time whether or not with the same agent, trustee, representative lenders or holders, and, subject to the proviso to the next succeeding sentence, irrespective of any changes in the terms and conditions thereof. Without limiting the generality of the foregoing, the term Foreign Subsidiary Credit Agreement shall include agreements in respect of Interest Swap and Hedging Obligations with lenders party to the Foreign Subsidiary Credit Agreement and shall also include any amendment, amendment and restatement, renewal, extension, restructuring, supplement or modification to any Foreign Subsidiary Credit Agreement and all refundings, refinancings and replacements of any Foreign Subsidiary Credit Agreement, including any agreement:

(a) extending the maturity of any Indebtedness incurred thereunder or contemplated thereby,

(b) adding or deleting borrowers or guarantors thereunder, so long as borrowers and issuers include one or more of the Foreign Subsidiaries and their respective successors and assigns,

(c) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder; *provided*, that on the date such Indebtedness is incurred it would not be prohibited by the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock or

(d) otherwise altering the terms and conditions thereof in a manner not prohibited by the terms of the Indenture.

GAAP means United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession in the United States as in effect on the Issue Date.

Guarantor means each of Avnet s present and future Subsidiaries that at the time are guarantors of the Notes in accordance with the provisions of the Indenture relating to the Notes.

Indebtedness of any Person means, without duplication,

(a) all liabilities and obligations, contingent or otherwise, of such Person, to the extent such liabilities and obligations would appear as a liability upon the consolidated balance sheet of such Person in accordance with GAAP, (1) in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof), (2) evidenced by bonds, notes, debentures or similar instruments, (3) representing the balance deferred and unpaid of the purchase price of any property or services, except those incurred in the ordinary course of its business that would constitute ordinarily a trade payable to trade creditors;

(b) all liabilities and obligations, contingent or otherwise, of such Person (1) evidenced by bankers acceptances or similar instruments issued or accepted by banks, (2) relating to any Capitalized Lease Obligation, or (3) evidenced by a letter of credit or a reimbursement obligation of such Person with respect to any letter of credit;

(c) all net obligations of such Person under Interest Swap and Hedging Obligations;

(d) all liabilities and obligations of others of the kind described in the preceding clause (a), (b) or (c) that such Person has guaranteed or provided credit support for or that is otherwise its legal liability or which are secured by any assets or property of such Person;

(e) any and all deferrals, renewals, extensions, refinancing and refundings (whether direct or indirect) of, or amendments, modifications or supplements to, any liability of the kind described in any of the preceding clauses (a), (b), (c) or (d), or this clause (e), whether or not between or among the same parties; and

(f) all Disqualified Capital Stock of such Person (measured at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends),

provided, that any indebtedness which has been defeased in accordance with GAAP or defeased pursuant to the deposit of cash or U.S. Government Obligations (in an amount sufficient to satisfy all such indebtedness obligations at maturity or redemption, as applicable, and all payments of interest and premium, if any) in a trust or account created or pledged for the sole benefit of the holders of such indebtedness, and subject to no other Liens, and the other applicable terms of the instrument governing such indebtedness, shall not constitute Indebtedness.

For purposes hereof, the maximum fixed repurchase price of any Disqualified Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Capital Stock, such Fair Market Value to be determined in good faith by the board of directors of the issuer (or managing general partner of the issuer) of such Disqualified Capital Stock.

The amount of any Indebtedness outstanding as of any date shall be:

the accreted value thereof, in the case of any Indebtedness issued with original issue discount, but the accretion of original issue discount in accordance with the original terms of Indebtedness issued with an original issue discount will not be deemed to be an incurrence, and

the principal amount thereof in the case of any other Indebtedness.

Independent Investment Banker means Credit Suisse First Boston LLC or, if such firm is unwilling or unable to select the Comparable Treasury Issue, an investment banking firm of national reputation selected by Avnet.

Interest Swap and Hedging Obligation means any obligation of any Person pursuant to any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate exchange agreement, currency exchange agreement or any other agreement or arrangement designed to protect against fluctuations in interest rates or currency values, including, without limitation, any arrangement whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a fixed or floating rate of interest on a stated notional amount in exchange for periodic payments made by such Person calculated by applying a fixed or floating rate of interest on the same notional amount.

Investment by any Person in any other Person means (without duplication):

(a) the acquisition (whether by purchase, merger, consolidation or otherwise) by such Person (whether for cash, property, services, securities or otherwise) of Equity Interests, capital stock, bonds, notes, debentures, partnership or other ownership interests or other securities, including any options or warrants, of such other Person or any agreement to make any such acquisition;

(b) the making by such Person of any deposit with, or advance, loan or other extension of credit to, such other Person (including the purchase of property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such property to such other Person) or any commitment to make any such advance, loan or extension (but excluding accounts receivable, endorsements for collection or deposits arising in the ordinary course of business);

(c) other than guarantees of Indebtedness of Avnet to the extent permitted by the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock, the entering into by such Person of any guarantee of, or other credit support or contingent obligation with respect to, Indebtedness or other liability of such other Person;

(d) the making of any capital contribution by such Person to such other Person; and

(e) the designation by the Board of Directors of Avnet of any Person to be an Unrestricted Subsidiary.

Avnet shall be deemed to make an Investment in an amount equal to the fair market value of the net assets of any subsidiary (or, if neither Avnet nor any of its Subsidiaries has theretofore made an Investment in such subsidiary, in an amount equal to the Investments being made), at the time that such subsidiary is designated an Unrestricted Subsidiary, and any property transferred to an Unrestricted Subsidiary from Avnet or a Subsidiary of Avnet shall be deemed an Investment valued at its fair market value at the time of such transfer. Avnet or any of its Subsidiaries shall be deemed to have made an Investment in an amount equal to the fair market value of Avnet or such Subsidiary s remaining interest in a Person that is or was a Subsidiary if, upon the issuance, sale or other disposition of any portion of Avnet s or the Subsidiary s ownership in the Capital Stock of such Person, such Person ceases to be a Subsidiary. The fair market value of each Investment shall be measured at the time made or returned, as applicable.

Issue Date means the date of first issuance of the Notes under the Indenture.

Lien means any mortgage, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation or other encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired.

Net Cash Proceeds means the aggregate amount of cash or Cash Equivalents received by Avnet in the case of a sale of Qualified Capital Stock and by Avnet and its Subsidiaries in respect of an Asset Sale plus, in the case of an issuance of Qualified Capital Stock upon any exercise, exchange or conversion of securities (including options, warrants, rights and convertible or exchangeable debt) of Avnet that were issued for cash on or after the Issue Date, the amount of cash originally received by Avnet upon the issuance of such securities (including options, warrants, rights and convertible or exchangeable debt) less, in each case, the sum of all payments, fees, commissions and (in the case of Asset Sales, reasonable and customary), expenses (including, without limitation, the fees and expenses of legal counsel and investment banking fees and expenses) incurred in connection with such Asset Sale or sale of Qualified Capital Stock, and, in the case of an Asset Sale only, less the amount (estimated reasonably and in good faith by Avnet) of income, franchise, sales and other applicable taxes required to be paid by Avnet or any of its Subsidiaries in connection with such Asset Sale in the taxable year that such sale is consummated or in the immediately succeeding taxable year.

Obligation means any principal, premium or interest payment, or monetary penalty, or damages, due by Avnet under the terms of the Notes or the provisions of the Indenture relating to the Notes.

Officers Certificate means the officers certificate to be delivered upon the occurrence of certain events as set forth in the Indenture.

Permitted Indebtedness means:

(a) Indebtedness incurred by Avnet evidenced by the Notes issued pursuant to the provisions of the Indenture relating to the Notes up to the amounts being issued on the original Issue Date less any amounts repaid or retired;

(b) Refinancing Indebtedness with respect to any Existing Indebtedness, any Excluded Indebtedness or any Indebtedness (including Disqualified Capital Stock), described in clause (a) or incurred pursuant to the Debt Incurrence Ratio test of the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock, or which was refinanced pursuant to this clause (b);

(c) Indebtedness incurred by Avnet and its Subsidiaries solely in respect of bankers acceptances, letters of credit and performance bonds (to the extent that such incurrence does not result in the incurrence of any obligation to repay any obligation relating to borrowed money or other Indebtedness), all in the ordinary course of business and in a manner consistent with Avnet s past practices, in amounts and for the purposes customary in Avnet s industry;

(c) Indebtedness incurred by Avnet owed to (borrowed from) any Wholly Owned Subsidiary of Avnet, and any Subsidiary of Avnet may incur Indebtedness owed to (borrowed from) any other Wholly Owned Subsidiary of Avnet or Avnet; *provided*, that in the case of Indebtedness of Avnet, such obligations shall be unsecured and any event that causes such Wholly Owned Subsidiary no longer to be a Wholly Owned Subsidiary of Avnet, (including by designation to be an Unrestricted Subsidiary) shall be deemed to be a new incurrence by such issuer of such Indebtedness and any guarantor thereof subject to the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Stock;

(d) Indebtedness or other contractual requirements of a Receivables Subsidiary in connection with a Qualified Receivables Transaction, *provided*, that such restrictions apply only to such Receivables Subsidiary;

(e) Indebtedness incurred by a Receivables Subsidiary in a Qualified Receivables Transaction that is without recourse to Avnet or to any Subsidiary of Avnet or their assets (other than such

Receivables Subsidiary and its assets), and is not guaranteed by any such Person and is not otherwise such Person s legal liability;

(f) Interest Swap and Hedging Obligations that are incurred by Avnet and its Subsidiaries for the purpose of fixing or hedging interest rate or currency risk with respect to any fixed or floating rate Indebtedness that is permitted by the Indenture to be outstanding or any receivable or liability the payment of which is determined by reference to a foreign currency; *provided*, that the notional amount of any such Interest Swap and Hedging Obligation does not exceed the principal amount of Indebtedness to which such Interest Swap and Hedging Obligation relates.

Permitted Investment means:

(a) any Investment in Cash Equivalents;

(b) intercompany investments to the extent permitted under clause (b) of the definition of Permitted Indebtedness ;

(c) any Investment by Avnet in a Person in a Related Business if as a result of such Investment such Person becomes a Wholly Owned Subsidiary or such Person is merged with or into Avnet or a Wholly Owned Subsidiary;

(d) other Investments in any Person or Persons, *provided*, that after giving *pro forma* effect to each such Investment, the aggregate amount of all such Investments made on and after the Issue Date pursuant to this clause (d) that are outstanding (after giving effect to any such Investments that are returned to Avnet, without restriction, in cash on or prior to the date of any such calculation, but only up to the amount of the Investment made under this clause (d) in such Person, at any time does not in the aggregate exceed $10 million (measured by the value attributed to the Investment at the time made or returned, as applicable);

(e) any Investment in any Person in exchange for Avnet s Qualified Capital Stock or the Net Cash Proceeds of any substantially concurrent sale of Avnet s Qualified Capital Stock; and

(f) the acquisition by a Receivables Subsidiary in connection with a Qualified Receivables Transaction of Equity Interests of a trust or other Person established by such Receivables Subsidiary to effect such Qualified Receivables Transaction;

(g) any Investment by Avnet in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person in connection with a Qualified Receivables Transaction;

(h) loans or advances to employees (or guarantees of third-party loans to employees) in the ordinary course of business up to $10 million at any time outstanding pursuant to this clause (h);

(i) stock, obligations or securities received in satisfaction of judgments, foreclosure of Liens or settlement of debts (whether pursuant to a plan of reorganization or similar arrangement);

(j) any Investment existing on the Issue Date or made pursuant to a legally binding written commitment in existence on the Issue Date;

(k) Investments in Interest Swap and Hedging Obligations, and other hedging arrangements in the ordinary course of business; and

(l) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption Repurchase at the Option of Holders-Asset Sales and Sales of Subsidiary Stock.

Permitted Lien means:

(a) Liens existing on the Issue Date;

(b) Liens securing the Notes;

(c) Liens securing Indebtedness of a Person existing at the time such Person becomes a Subsidiary of Avnet or is merged with or into Avnet or a Subsidiary of Avnet or Liens securing Indebtedness incurred in connection with an Acquisition, *provided*, that such Liens were in existence prior to the date of such acquisition, merger or consolidation, were not incurred in anticipation thereof, and do not extend to any other assets;

(d) Liens arising from Purchase Money Indebtedness permitted to be incurred pursuant to clause (a) of the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock *provided* such Liens relate solely to the property which is subject to such Purchase Money Indebtedness;

(e) Liens securing Refinancing Indebtedness incurred to refinance any Indebtedness that was previously so secured in a manner no more adverse to the Holders of the Notes than the terms of the Liens securing such refinanced Indebtedness, and *provided* that the Indebtedness secured is not increased and the Lien is not extended to any additional assets or property that would not have been security for the Indebtedness refinanced;

(f) Liens securing Indebtedness incurred under the Credit Agreement;

(g) Liens on assets of a Receivables Subsidiary incurred in connection with a Qualified Receivables Transaction and Liens on Equity Interests in such Receivables Subsidiary;

(h) Liens securing Indebtedness of any Foreign Subsidiary incurred in accordance with the provisions of the covenant Limitation on Incurrence of Additional Indebtedness and Disqualified Capital Stock),

(i) Liens arising by reason of a judgment, decree or court order, to the extent not otherwise resulting in an Event of Default, and any Liens that are required to perfect or enforce any rights in any administrative, arbitration or other court proceedings in the ordinary course of business, and

(j) Liens securing Interest Swap and Hedging Obligations entered into in the ordinary course of business.

Person or *person* means any corporation, individual, limited liability company, joint stock company, joint venture, partnership, limited liability company, unincorporated association, governmental regulatory entity, country, state or political subdivision thereof, trust, municipality or other entity.

Preferred Stock means any Equity Interest of any class or classes of a Person (however designated) which is preferred as to payments of dividends, or as to distributions upon any liquidation or dissolution, over Equity Interests of any other class of such Person.

Public Equity Offering means an underwritten public offering pursuant to a registration statement filed with the Commission in accordance with the Securities Act of 1933, as amended, of Qualified Capital Stock of Avnet.

Purchase Money Indebtedness of any Person means any Indebtedness of such Person (Including Capitalized Lease Obligations, installment purchases and Acquired Indebtedness) to any seller or other Person incurred solely to finance the acquisition (including in the case of a Capitalized Lease Obligation, the lease), construction, installation or improvement of any after acquired real or personal tangible property which, in the reasonable good faith judgment of the Board of Directors of Avnet, is directly related to a Related Business of Avnet and which is incurred within 90 days following with such acquisition, construction, installation or improvement and is secured only by the assets so financed.

Qualified Capital Stock means any Capital Stock of Avnet that is not Disqualified Capital Stock.

Qualified Exchange means:

(a) any legal defeasance, redemption, retirement, repurchase or other acquisition of Capital Stock, or Indebtedness of Avnet or any Subsidiary with the Net Cash Proceeds received by Avnet from the substantially concurrent sale of its Qualified Capital Stock (other than to a Subsidiary) or, to the extent used to retire Indebtedness (other than Disqualified Capital Stock) of Avnet, Subordinated Refinancing Indebtedness of Avnet,

(b) any issuance of Qualified Capital Stock of Avnet in exchange for any Capital Stock or Indebtedness of Avnet or any Subsidiary of Avnet, or

(c) any issuance of Subordinated Refinancing Indebtedness of Avnet in exchange for Indebtedness (other than Disqualified Capital Stock) of Avnet.

Qualified Receivables Transaction means any transaction or series of transactions pursuant to the Existing Receivables Securitization Program or any transaction or series of transactions that may be entered into by Avnet or any Receivables Subsidiary pursuant to which Avnet or any Receivables Subsidiary may sell, convey or otherwise transfer to, or grant a security interest in for the benefit of, (a) a Receivables Subsidiary (in the case of a transfer or encumbrancing by Avnet) and (b) any other Person (solely in the case of a transfer or encumbrancing by a Receivables Subsidiary), solely accounts receivable (whether now existing or arising in the future) of Avnet which arose in the ordinary course of business of Avnet, and any assets related thereto, including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable.

Rating Agencies means Moody s and S&P.

Receivables Subsidiary means (i) Avnet Receivables Corporation, a Delaware Corporation, and (ii) any Wholly Owned Subsidiary of Avnet which engages in no activities other than in connection with the financing of accounts receivable and which is designated by the Board of Directors of Avnet (as provided below) as a Receivables Subsidiary:

(a) no portion of any Indebtedness or any other obligations (contingent or otherwise) of which, directly or indirectly, contingently or otherwise, (1) is guaranteed by Avnet or any other Subsidiary of Avnet (excluding guarantees of obligations (other than the principal or premium of, and interest on, Indebtedness) pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Qualified Receivables Transactions), (2) is recourse to or obligates Avnet or any other Subsidiary of Avnet in any way other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Qualified Receivables Transaction, or (3) subjects any property or asset of Avnet or any other Subsidiary of Avnet to the satisfaction thereof, other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Qualified Receivables Transaction,

(b) with which neither Avnet nor any other Subsidiary of Avnet has any material contract, agreement, arrangement or understanding other than those customarily entered into in connection with Qualified Receivables Transactions, and

(c) with which neither Avnet nor any other Subsidiaries of Avnet has any obligation, directly or indirectly, contingently or otherwise, to maintain or preserve such Subsidiary s financial condition or cause such Subsidiary to achieve certain levels of operating results.

Any such designation by the Board of Directors of Avnet shall be evidenced to the Trustee by the filing with the Trustee a certified copy of the resolution of the Board of Directors of Avnet giving effect to such designation and an Officers Certificate certifying that such designation complied with the foregoing conditions.

Recourse Indebtedness means Indebtedness as to which neither Avnet nor any of its Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (2) is directly or indirectly liable (as a guarantor or otherwise), or (3) constitutes the lender.

Reference Period with regard to any Person means the four full fiscal quarters ended immediately preceding any date upon which any determination is to be made pursuant to the terms of the Notes or the terms of the Indenture relating to the Notes.

Reference Treasury Dealer means (i) Credit Suisse First Boston LLC and its successors; *provided, however*, that if the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a Primary Treasury Dealer), Avnet is required to substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by Avnet.

Reference Treasury Dealer Quotations means, with respect of each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by the each Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

Refinancing Indebtedness means Indebtedness (including Disqualified Capital Stock) (a) issued in exchange for, or the proceeds from the issuance and sale of which are used substantially concurrently to repay, redeem, defease, refund, refinance, discharge or otherwise retire for value, in whole or in part, or (b) constituting an amendment, modification or supplement to, or a deferral or renewal of ((a) and (b) above are, collectively, a Refinancing), any Indebtedness (including Disqualified Capital Stock) in a principal amount or, in the case of Disqualified Capital Stock, liquidation preference, not to exceed (after deduction of reasonable and customary fees and expenses incurred in connection with the Refinancing plus the amount of any premium paid in connection with such Refinancing) the lesser of (1) the principal amount or, in the case of Disqualified Capital Stock, liquidation preference, of the Indebtedness (including Disqualified Capital Stock) so Refinanced and (2) if such Indebtedness being Refinanced was issued with an original issue discount, the accreted value thereof (as determined in accordance with GAAP) at the time of such Refinancing; *provided*, that (A) such Refinancing Indebtedness shall only be used to refinance outstanding Indebtedness (including Disqualified Capital Stock) of such Person issuing such Refinancing Indebtedness, (B) such Refinancing Indebtedness shall (x) not have an Average Life shorter than the Indebtedness (including Disqualified Capital Stock) to be so refinanced at the time of such Refinancing and (y) in all respects, be no less contractually subordinated or junior, if applicable, to the rights of Holders of the Notes than was the Indebtedness (including Disqualified Capital Stock) to be refinanced, (C) such Refinancing Indebtedness shall have a final stated maturity or redemption date, as applicable, no earlier than the final stated maturity or redemption date, as applicable, of the Indebtedness (including Disqualified Capital Stock) to be so refinanced or, if sooner, 91 days after the Stated Maturity of the Notes, and (D) such Refinancing Indebtedness shall be secured (if secured) in a manner no more adverse to the Holders of the Notes than the terms of the Liens (if any) securing such refinanced Indebtedness, including, without limitation, the amount of Indebtedness secured shall not be increased.

Related Business means the business conducted (or proposed to be conducted) by Avnet and its Subsidiaries as of the Issue Date and any and all businesses that in the good faith judgment of the Board of Directors of Avnet are reasonably related businesses.

Related Business Asset means assets (including in connection with the acquisition of a Wholly Owned Subsidiary in a Related Business, notes, bonds, obligation and securities) that are used or useful in the conduct of a Related Business by Avnet or any of its Subsidiaries.

Restricted Investment means, in one or a series of related transactions, any Investment, other than other Permitted Investments; *provided*, that the extension of credit to customers of consistent with industry practice in the ordinary course of business of Avnet shall not be a Restricted Investment.

Restricted Payment means, with respect to any Person:

(a) the declaration or payment of any dividend or other distribution in respect of Equity Interests of such Person,

(b) any payment (except to the extent with Qualified Capital Stock) on account of the purchase, redemption or other acquisition or retirement for value of Equity Interests of such Person,

(c) other than with the proceeds from the substantially concurrent sale of, or in exchange for, Refinancing Indebtedness any purchase, redemption, or other acquisition or retirement for value of, any payment in respect of any amendment of the terms of or any defeasance of, any Subordinated Indebtedness, directly or indirectly, by such Person or a Subsidiary of such Person prior to the scheduled maturity, any scheduled repayment of principal, or scheduled sinking fund payment, as the case may be, of such Indebtedness, and

(d) any Restricted Investment by such Person;

provided, however, that the term Restricted Payment does not include (1) any dividend, distribution or other payment on or with respect to Equity Interests of an issuer to the extent payable solely in shares of Qualified Capital Stock of such issuer, or (2) any dividend, distribution or other payment to Avnet, or to any of its Subsidiaries, and any Investment in any Subsidiary of Avnet by Avnet for any of its Subsidiaries.

S&P means Standard & Poor s Ratings Service, a division of the McGraw-Hill Companies, Inc. or any successor to the rating agency business thereof.

Stated Maturity, when used with respect to any Note, means, 2008.

Subordinated Indebtedness means Indebtedness of Avnet that is subordinated in right of payment by its terms or the terms of any document or instrument or instrument relating thereto *(contractually)* to the Notes in any respect.

Subordinated Refinancing Indebtedness means Refinancing Indebtedness of Avnet that is Subordinated Indebtedness.

Subsidiary, with respect to any Person, means (1) a corporation a majo