Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 2, 2004

Commission File #1-4224

Avnet, Inc.

Incorporated in New York

IRS Employer Identification No. 11-1890605

2211 South 47th Street, Phoenix, Arizona 85034

(480) 643-2000

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

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

The total number of shares outstanding of the registrant's Common Stock (net of treasury shares) as of October 30, 2004 — 120,501,165 shares.

AVNET, INC. AND SUBSIDIARIES

INDEX

FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements with respect to the financial condition, results of operations and business of Avnet, Inc. and subsidiaries ("Avnet" or the "Company"). You can find many of these statements by looking for words like "believes," "expects," "anticipates," "estimates" or similar expressions in this Report or in documents incorporated by reference in this Report.

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:

- A technology industry down-cycle, particularly in the semiconductor sector, would adversely affect Avnet's expected 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 profitability which can, in turn, impact the Company's credit ratings, debt covenant compliance and liquidity, as well as the Company's ability to maintain existing unsecured financing or to obtain new financing.
- 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.

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 Report.

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.

PART I

FINANCIAL INFORMATION

Item 1. ***Financial Statements***

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	October 2, 2004	July 3, 2004
	(Thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 260,466	$ 312,667
Receivables, less allowances of $80,063 and $78,410, respectively	1,725,661	1,743,962
Inventories	1,447,983	1,364,037
Other	57,532	63,320
Total current assets	3,491,642	3,483,986
Property, plant and equipment, net	183,640	187,339
Goodwill (Note 4)	895,975	894,882
Other assets	293,247	297,444
Total assets	$4,864,504	$4,863,651
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Borrowings due within one year (Note 5)	$ 119,992	$ 160,660
Accounts payable	1,093,427	1,099,703
Accrued expenses and other	373,381	384,630
Total current liabilities	1,586,800	1,644,993
Long-term debt, less due within one year (Note 5)	1,202,710	1,196,160
Other long-term liabilities	64,166	69,072
Total liabilities	2,853,676	2,910,225
Commitments and contingencies (Note 6)		
Shareholders' equity (Notes 8 and 9):		
Common stock $1.00 par; authorized 300,000,000 shares; issued 120,496,000 shares and 120,483,000 shares, respectively	120,496	120,483
Additional paid-in capital	567,012	567,060
Retained earnings	1,151,120	1,114,789
Cumulative other comprehensive income (Note 8)	172,363	151,195
Treasury stock at cost, 9,406 shares and 5,695 shares, respectively	(163)	(101)
Total shareholders' equity	2,010,828	1,953,426
Total liabilities and shareholders' equity	$4,864,504	$4,863,651

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	First Quarters Ended	
	October 2, 2004	October 4, 2003
	(Thousands, except per share data)	
Sales	$2,600,001	$2,407,650
Cost of sales	2,250,391	2,098,553
Gross profit	349,610	309,097
Selling, general and administrative expenses	276,539	268,552
Restructuring and other charges (Note 12)	—	32,153
Operating income	73,071	8,392
Other income, net	273	2,303
Interest expense	(20,871)	(27,158)
Income (loss) before income taxes	52,473	(16,463)
Income tax provision (benefit)	16,142	(5,104)
Net income (loss)	$ 36,331	$ (11,359)
Net earnings (loss) per share (Note 9):		
Basic	$ 0.30	$ (0.09)
Diluted	$ 0.30	$ (0.09)
Shares used to compute earnings (loss) per share (Note 9):		
Basic	120,523	119,597
Diluted	121,280	119,597

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	First Quarters Ended	
	October 2, 2004	October 4, 2003
	(Thousands)	
Cash flows from operating activities:		
Net income (loss)	$ 36,331	$ (11,359)
Non-cash and other reconciling items:		
Depreciation and amortization	15,089	18,406
Deferred taxes	9,383	(1,562)
Non-cash restructuring and other charges (Note 12)	—	14,830
Other, net (Note 10)	9,409	10,424
	70,212	30,739
Changes in (net of effects from businesses acquisitions and dispositions):		
Receivables	32,706	(58,431)
Inventories	(71,086)	(1,268)
Accounts payable	(21,425)	119,028
Accrued expenses and other, net	(17,650)	(33,008)
Net cash flows (used for) provided from operating activities	(7,243)	57,060
Cash flows from financing activities:		
Repayment of notes (Note 5)	(2,956)	(40,859)
(Repayment of) proceeds from bank debt, net (Note 5)	(38,095)	3,621
(Repayment of) proceeds from other debt, net (Note 5)	(89)	32
Other, net	(151)	753
Net cash flows used for financing activities	(41,291)	(36,453)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(6,246)	(7,757)
Cash proceeds from sales of property, plant and equipment	459	1,052
Acquisitions of operations, net	(1,045)	(1,448)
Net cash flows used for investing activities	(6,832)	(8,153)
Effect of exchange rate changes on cash and cash equivalents	3,165	3,147
Cash and cash equivalents:		
— (decrease) increase	(52,201)	15,601
— at beginning of period	312,667	395,467
— at end of period	$260,466	$411,068
Additional cash flow information (Note 10)		

See notes to consolidated financial statements

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments necessary, all of which are of a normal recurring nature, except for the restructuring and other charges discussed in Note 12, to present fairly the Company's financial position, results of operations and cash flows. For further information, refer to the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2004.

2. The results of operations for the first quarter ended October 2, 2004 are not necessarily indicative of the results to be expected for the full year. The Company operates on a "52/53 week" fiscal year and, as a result, the quarter ended October 2, 2004 contained thirteen weeks while the quarter ended October 4, 2003 contained fourteen weeks.

3. **Stock-based Compensation**

The Company follows Accounting Principles Board Opinion No. 25 ("APB 25"), *Accounting for Stock Issued to Employees*, in accounting for its stock-based compensation plans. In applying APB 25, no expense was recognized for options granted under the various stock option plans as the options granted during the periods presented had exercise prices equal to the market value of the underlying stock on the date of the grants. Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure — An Amendment of FASB Statement No. 123*, requires certain disclosure of the pro forma impact on net income (loss) and earnings (loss) per share as if a fair value-based method of measuring stock-based compensation, as defined by Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, had been applied.

Reported and pro forma net income (loss) and earnings (loss) per share are as follows:

	First Quarters Ended	
	October 2, 2004	October 4, 2003
	(Thousands, except per share data)	
Net income (loss), as reported	$36,331	$ (11,359)
Less: Fair value impact of employee stock compensation, net of tax	(2,490)	(3,508)
Pro forma net income (loss)	$33,841	$ (14,867)
Earnings (loss) per share		
Basic and diluted — as reported	$ 0.30	$ (0.09)
Basic and diluted — pro forma	$ 0.28	$ (0.12)
Number of shares of common stock reserved for stock option and stock incentive programs as of October 2, 2004:		17,300,594

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

4. **Goodwill:**

The following table presents the carrying amount of goodwill, by reportable segment, for the quarter ending October 2, 2004:

	Avnet Electronics Marketing	Avnet Technology Solutions	Total
		(Thousands)	
Carrying value at July 3, 2004	$637,174	$257,708	$894,882
Additions	—	454	454
Foreign currency translation	5	634	639
Carrying value at October 2, 2004	$637,179	$258,796	$895,975

5. **External financing:**

Short-term debt consists of the following:

	October 2, 2004	July 3, 2004
	(Thousands)	
Bank credit facilities	$ 32,546	$ 70,096
4.5% Convertible Notes due September 1, 2004	—	2,956
7 7/8% Notes due February 15, 2005	86,633	86,633
Other debt due within one year	813	975
Short-term debt	$119,992	$160,660

Bank credit facilities consist of various committed and uncommitted lines of credit with financial institutions utilized primarily to support the working capital requirements of foreign operations. The weighted average interest rates on the bank credit facilities at October 2, 2004 and July 3, 2004 were 2.8% and 2.5%, respectively.

Long-term debt consists of the following:

	October 2, 2004	July 3, 2004
	(Thousands)	
8.00% Notes due November 15, 2006	$ 400,000	$ 400,000
9 3/4% Notes due February 15, 2008	475,000	475,000
2% Convertible Senior Debentures due March 15, 2034	300,000	300,000
Other long-term debt	7,624	7,597
Subtotal	1,182,624	1,182,597
Fair value adjustment for hedged 8.00% and 9 3/4% Notes	20,086	13,563
Long-term debt	$1,202,710	$1,196,160

In March 2004, the Company issued $300,000,000 of 2% Convertible Senior Debentures due March 15, 2034 (the “Debentures”). The Debentures are convertible into Avnet common stock at a rate of 29.5516 shares of common stock per $1,000 principal amount of Debentures. The Debentures are only convertible under certain circumstances, including if: (i) the closing price of the Company’s common stock reaches $45.68 per share (subject to adjustment in certain circumstances) for a specified period of time; (ii) the average trading price of the Debentures falls below a certain percentage of the conversion value per

Debenture for a specified period of time; (iii) the Company calls the Debentures for redemption; or (iv) certain corporate transactions, as defined, occur. Upon conversion, the Company has the right to deliver cash or a combination of cash and common stock, in lieu of solely common stock. The Company may redeem some or all of the Debentures for cash any time on or after March 20, 2009 at the Debentures' full principal amount plus accrued and unpaid interest, if any. Holders of the Debentures may require the Company to purchase, in cash, all or a portion of the Debentures on March 15, 2009, 2014, 2019, 2024 and 2029, or upon a fundamental change, as defined, at the Debentures' full principal amount plus accrued and unpaid interest, if any.

The Company has an unsecured, three-year $350,000,000 credit facility with a syndicate of banks (the "Credit Facility"), which expires in June 2007. The Company may select from various interest rate options, currencies and maturities under the Credit Facility. The Credit Facility contains certain covenants, all of which the Company was in compliance with as of October 2, 2004. There were no borrowings under the Credit Facility at October 2, 2004 or July 3, 2004.

The Company has two interest rate swaps with a total notional amount of $400,000,000 in order to hedge the change in fair value of the 8.00% Notes due November 2006 (the "8% Notes") related to fluctuations in interest rates. These contracts are classified as fair value hedges and mature in November 2006. The interest rate swaps modify the Company's interest rate exposure by effectively converting the fixed rate on the 8% Notes to a floating rate (4.9% at October 2, 2004) based on three-month U.S. LIBOR plus a spread through their maturities. The Company has three additional interest rate swaps with a total notional amount of $300,000,000 in order to hedge the change in fair value of the 9 3/4% Notes due February 15, 2008 (the "9 3/4% Notes") related to fluctuations in interest rates. These hedges are also classified as fair value hedges and mature in February 2008. These interest rate swaps modify the Company's interest rate exposure by effectively converting the fixed rate on the 9 3/4% Notes to a floating rate (8.2% at October 2, 2004) based on three-month U.S. LIBOR plus a spread through their maturities. The hedged fixed rate debt and the interest rate swaps are adjusted to current market values through interest expense in the accompanying consolidated statements of operations. 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 Instruments and Hedging Activities.* Due to the effectiveness of the hedges since inception, the market value adjustments for the hedged debt and the interest rate swaps directly offset one another. The fair value of the interest rate swaps at October 2, 2004 and July 3, 2004 was $20,086,000 and $13,563,000, respectively, and is included in other long-term assets in the accompanying consolidated balance sheets. Additionally, included in long-term debt is a comparable fair value adjustment increasing the total liability by these same amounts.

6. **Commitments and Contingencies:**

From time to time, the Company may become liable with respect to pending and threatened litigation, tax, environmental and other matters. The Company has been designated a potentially responsible party or has become aware of other potential claims against it in connection with environmental clean-ups at several sites. Based upon the information known to date, the Company believes that it has appropriately reserved for its share of the costs of the clean-ups and it is not anticipated that any contingent matters will have a material adverse impact on the Company's financial condition, liquidity or results of operations.

7. **Pension Plan:**

The Company's noncontributory defined benefit pension plan (the "Plan") covers substantially all domestic employees. Components of net periodic pension costs during the quarters ended October 2, 2004 and October 4, 2003 were as follows:

	First Quarters Ended	
	October 2, 2004	October 4, 2003
	(Thousands)	
Service cost	$ 3,341	$ 3,574
Interest cost	3,515	3,247
Expected return on plan assets	(4,132)	(4,097)
Recognized net actuarial loss	336	183
Amortization of prior service credit	(80)	(80)
Net periodic pension costs	$ 2,980	$ 2,827

The Company expects to make contributions to the Plan of approximately $13,330,000 during fiscal 2005, of which contributions of $5,459,000 have been made through October 2, 2004. The Company may make additional voluntary contributions to the Plan during fiscal 2005.

8. **Comprehensive income:**

	First Quarters Ended	
	October 2, 2004	October 4, 2003
	(Thousands)	
Net income (loss)	$36,331	$(11,359)
Foreign currency translation adjustments	21,168	19,409
Total comprehensive income	$57,499	$ 8,050

9. **Earnings (loss) per share:**

	First Quarters Ended	
	October 2, 2004	October 3, 2003
	(Thousands, except per share data)	
Numerator:		
Net income (loss)	$ 36,331	$ (11,359)
Denominator:		
Weighted average common shares for basic earnings (loss) per share	120,523	119,597
Net effect of dilutive stock options and restricted stock awards	757	—
Weighted average common shares for diluted earnings (loss) per share	121,280	119,597
Basic and diluted earnings (loss) per share:		
Earnings (loss) per basic and diluted share	$ 0.30	$ (0.09)

The 4.5% convertible notes are excluded from the computation of earnings (loss) per share in each quarter presented as the effects were antidilutive. Shares issuable upon conversion of the 2% Convertible

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Debentures are also excluded from the computation of earnings per share in the quarter ended October 2, 2004 because the contingent conditions for their conversion have not been met (see Note 5).

The effects of certain stock options and restricted stock awards are also excluded from the determination of the weighted average common shares for diluted earnings (loss) per share in each of the quarters presented as the effects were antidilutive. Accordingly, in the quarter ended October 2, 2004 the effects of approximately 7,184,000 shares related to stock options are excluded from the computation above, all of which relate to options for which the exercise prices were greater than the average market price of the Company’s common stock. In the quarter ended October 4, 2003 the effects of approximately 11,438,000 shares related to stock options and restricted stock awards are excluded from the computation above, of which approximately 9,509,000 related to options for which the exercise prices were greater than the average market price of the Company’s common stock.

10. **Additional cash flow information:**

Other non-cash and other reconciling items primarily include the provision for doubtful accounts and net periodic pension costs (see Note 7).

Interest and income taxes paid in the first quarters were as follows:

	First Quarters Ended	
	October 2, 2004	October 4, 2003
	(Thousands)	
Interest	$29,342	$44,824
Income taxes	10,600	6,034

11. **Segment information:**

	Quarters Ended	
	October 2, 2004	October 4, 2003
	(Thousands)	
Sales:		
Avnet Electronics Marketing	$1,564,223	$1,357,968
Avnet Technology Solutions	1,035,778	1,049,682
	$2,600,001	$2,407,650
Operating income (loss):		
Avnet Electronics Marketing	$ 58,887	$ 33,409
Avnet Technology Solutions	27,321	18,275
Corporate	(13,137)	(11,139)
	73,071	40,545
Restructuring and other charges (Note 12)	—	(32,153)
	$ 73,071	$ 8,392
Sales, by geographic area:		
Americas	$1,342,343	$1,292,180
EMEA (Europe, Middle East and Africa)	873,218	770,395
Asia/ Pacific	384,440	345,075
	$2,600,001	$2,407,650

Table of Contents

	October 2, 2004	July 3, 2004
	(Thousands)	
Assets:		
Avnet Electronics Marketing	$3,519,825	$3,488,993
Avnet Technology Solutions	1,302,350	1,243,811
Corporate	42,329	130,847
	$4,864,504	$4,863,651
Assets, by geographic area:		
Americas	$2,391,001	$2,457,688
EMEA	1,914,854	1,853,815
Asia/ Pacific	558,649	552,148
	$4,864,504	$4,863,651

The Company manages its business based upon the operating results of its two operating groups before restructuring and other charges (see Note 12). During the first quarter of fiscal 2004, the approximate unallocated pre-tax restructuring and other charges related to Avnet Electronics Marketing ("EM") and Avnet Technology Solutions ("TS") were $16,171,000 and $9,936,000, respectively. The remaining restructuring and other charges recorded during the first quarter of fiscal 2004 relate to corporate activities.

12. **Restructuring and other charges:**

During the first quarter of fiscal 2004, the Company executed certain restructuring and cost-cutting initiatives in order to improve profitability. These actions can generally be broken into three categories: (1) the combination of the Company's Computer Marketing and Applied Computing operating groups into one computer products and services business called Avnet Technology Solutions; (2) the reorganization of the Company's global IT resources, which had previously been administered generally on a separate basis within each of the Company's operating groups; and (3) various other reductions within EM and certain centralized support functions.

As a result of actions completed through the end of the first quarter of fiscal 2004, the Company recorded restructuring and other charges totaling $32,153,000 pre-tax, $22,186,000 after tax, or $0.18 per diluted share. The pre-tax charge consisted of severance costs ($9,393,000), charges related to consolidation of selected facilities ($10,848,000), write-downs of certain capitalized IT-related initiatives ($6,909,000) and other items, consisting primarily of the write-off of the remaining unamortized deferred loan costs associated with the Company's former multi-year credit facility which was terminated in September 2003 ($5,003,000).

Severance costs resulted from workforce reductions of approximately 400 personnel completed during the first quarter of fiscal 2004, primarily in executive, support and other non customer-facing functions in the Americas and EMEA regions. Management also identified a number of facilities for consolidation primarily in the Americas and EMEA regions. These facilities generally related to certain logistics and warehousing operations as well as certain administrative facilities across both operating groups and at the corporate level. The charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in these facilities that have been vacated. Management also evaluated and elected to discontinue a number of IT-related initiatives that, in light of recent business restructurings, no longer met the Company's return on investment standards for continued use or development. These charges related to the write-off of capitalized hardware and software.

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the Company's restructuring and other charge activity during the first quarter of fiscal 2005, during which there has been no material activity within the reserves other than payment activity as detailed in "amounts utilized" in the table below:

	Severance Costs	Facility Exit Costs	IT-Related Costs	Other	Total
			(Thousands)		
Balance at July 3, 2004	$3,028	$22,345	$ 872	$548	$26,793
Amounts utilized	(506)	(3,200)	(292)	(2)	(4,000)
Adjustments	179	(247)	—	—	(68)
Other, principally foreign currency translation	59	226	5	4	294
Balance at October 2, 2004	$2,760	$19,124	$ 585	$550	$23,019

The Company expects to utilize the majority of the remaining reserves for severance costs by the end of the first quarter of fiscal 2006. The Company expects to utilize substantially all of the remaining reserves for contractual lease commitments by the end of fiscal 2007. The IT-related and other reserves relate primarily to remaining contractual commitments, the majority of which the Company expects to utilize by the end of fiscal 2005.

As part of management's ongoing analysis of its restructuring reserves, the Company recorded certain adjustments during the first quarter of fiscal 2005. These adjustments were recorded through selling, general and administrative expenses in the quarter ended October 2, 2004. The adjustments related to recording additional severance costs based upon revised estimates of required payouts and legal costs associated with the payouts as well as reductions to certain lease reserves due to modifications to sublease and termination assumptions based upon ongoing market conditions.

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

For a description of the Company's critical accounting policies and an understanding of the significant factors that influenced the Company's performance during the quarters ended October 2, 2004 and October 4, 2003, this *Management's Discussion and Analysis of Financial Condition and Results of Operations* ("MD&A") should be read in conjunction with the consolidated financial statements, including the related notes, appearing in Item 1 of this Report as well as the Company's Annual Report on Form 10-K for the year ended July 3, 2004. The Company operates on a "52/53-week" fiscal year and, as a result, the quarter ended October 2, 2004 contained thirteen weeks while the quarter ended October 4, 2003 contained fourteen weeks. This extra week in the first quarter of fiscal 2004 impacts many of the following discussions in this MD&A.

There are numerous references to the impact of foreign currency translation in the discussion of the Company's results of operations that follow. Over the past several years, the US Dollar has continued to significantly weaken in comparison to most foreign currencies, especially the Euro (which strengthened against the US Dollar by roughly 8% from the first quarter of fiscal 2004 to the first quarter of fiscal 2005). When the weaker US Dollar exchange rates of the current year are used to translate the results of operations of Avnet's subsidiaries denominated in foreign currencies, the resulting impact is an increase, in US Dollars, of reported results.

In addition to disclosing financial results that are determined in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company also discloses pro forma or non-GAAP measures that may exclude certain items. Management believes that providing this additional information is useful to the reader to better assess and understand operating performance, especially when comparing results with previous periods or forecasting performance for future periods. Management believes the pro forma measures also help indicate underlying trends in the business. Management also uses pro forma information to establish operational goals and, in some cases, for measuring performance for compensation purposes. However, analysis of results and outlook on a pro forma or non-GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with GAAP.

OVERVIEW

Organization

Avnet, Inc. and its subsidiaries (the "Company" or "Avnet") is one of the world's largest industrial distributors, based on sales, of electronic components, enterprise network and computer equipment and embedded subsystems. Avnet creates a vital link in the technology supply chain that connects over 250 of the world's leading electronic component and computer product manufacturers and software developers as a single source for multiple products for a global customer base of over 100,000 original equipment manufacturers ("OEMs"), contract manufacturers, original design manufacturers, value-added resellers ("VARs") and end-users. Avnet distributes electronic components, computer products and software as received from its suppliers or with assembly or other value added by Avnet. Additionally, Avnet provides engineering design, materials management and logistics services, system integration and configuration, and supply chain advisory services.

The Company consists of two operating groups — Avnet Electronics Marketing ("EM") and Avnet Technology Solutions ("TS") — each with operations in the three major economic regions of the world: the Americas, EMEA (Europe, Middle East and Africa) and Asia. A brief summary of each operating group is provided below:

- EM markets and sells semiconductors and interconnect, passive and electromechanical devices. EM markets and sells its products to customers spread across end-markets including communications, computer hardware and peripheral, industrial and manufacturing, medical equipment, and military and aerospace. EM also offers an array of value-added design chain, supply chain and product enhancement services to its customers.

- TS markets and sells mid- to high-end servers, data storage, software and networking solutions, and the services required to implement these solutions, to the VAR channel and enterprise computing customers. TS also focuses on the worldwide OEM market for computing technology, system integrators and non-PC OEMs that require embedded systems and solutions including engineering, product prototyping, integration and other value-added services.

Results of Operations

Executive Summary

Avnet's consolidated sales in the first quarter of fiscal 2005 were up 8.0% over the first quarter of fiscal 2004, even with the prior year first quarter containing an extra week as discussed above, representing the seventh consecutive quarter of year-over-year consolidated sales growth for Avnet. These results continue to show an electronic components and computer product industry that has emerged from the industry and economic downturn that began in fiscal 2001 and extended into fiscal 2004. The electronic components market is the more cyclical of the two businesses in which Avnet operates. As a result, the emergence from the industry downturn is most evident in EM where sales growth of 15.2% year-over-year drove the Company's consolidated growth in sales in the same period. The Company recorded year-over-year increases in sales in each of the three regions in which it does business (the Americas; Europe, the Middle East and Africa, hereafter referred to as "EMEA"; and Asia). Approximately one-third of the Company's consolidated growth in sales is a result of the impact of changes in foreign currency exchange rates.

Sequentially, Avnet's consolidated sales declined slightly, as expected, from the fourth quarter of fiscal 2004, driven primarily by a normally slow summer season in both groups and some reductions in inventory at certain EM customers that caused a softening in the electronic components market after several quarters of strong growth. While customer inventory reductions impacted the current quarter, and may continue to impact Avnet's results slightly in the upcoming quarter or two, management does not view this phenomenon as one that will have a lasting impact on Avnet's business. Even with the seasonal slowdown, TS maintained revenues essentially flat with the fourth quarter of fiscal 2004. Additionally, the negative impacts of customer inventory reductions in EM are expected to be much more than offset by the typically strong second quarter performance of the computer products business, driven primarily by the calendar year-end budgeting cycle of many of TS's customers.

The operating efficiencies that the Company has derived from its value-based management initiatives and focus on operating costs over the past several years allowed the Company to continue to record year-over-year improvements in operating income dollars and operating profit margin. Operating profit margin in the first quarter of fiscal 2005 was 2.8% and represents the Company's highest operating profit margin for a first fiscal quarter since fiscal 2001. Comparatively, first quarter of fiscal 2004 operating profit margin was 0.3%. However, these prior year results included certain restructuring and other charges discussed further in this MD&A that totaled $32.2 million, or 1.3% of sales. Even without these restructuring and other charges, the increase in profitability year-over-year is significant. Sequentially, operating income and operating profit margin declined slightly driven by the small decline in sales on a consolidated basis and the customer inventory reductions in EM that are discussed above.

Sales

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

	Q1-Fiscal '05	Q4-Fiscal '04	Sequential % Change	Q1-Fiscal '04	Year-Year % Change
			(Dollars in thousands)		
Avnet, Inc.	$2,600,001	$2,643,041	(1.6)%	$2,407,650	8.0%
EM	1,564,223	1,608,099	(2.7)	1,357,968	15.2
TS	1,035,778	1,034,942	0.1	1,049,682	(1.3)
EM					
Americas	$ 639,100	$ 668,419	(4.4)%	$ 586,705	8.9%
EMEA	594,370	587,548	1.2	465,276	27.7
Asia	330,753	352,132	(6.1)	305,987	8.1
TS					
Americas	$ 703,243	$ 725,274	(3.0)%	$ 705,475	(0.3)%
EMEA	278,848	272,452	2.3	305,119	(8.6)
Asia	53,687	37,216	44.3	39,088	37.3
Totals by Region					
Americas	$1,342,343	$1,393,693	(3.7)%	$1,292,180	3.9%
EMEA	873,218	860,000	1.5	770,395	13.3
Asia	384,440	389,348	(1.3)	345,075	11.4

Consolidated sales for the first quarter of fiscal 2005 were $2.60 billion, up $192.4 million, or 8.0%, from the prior year first quarter consolidated sales of $2.41 billion with approximately $68 million of this year-over-year increase resulting from the impact of foreign currency exchange rates. In light of Avnet's fiscal calendar, which resulted in an extra week in the first quarter of fiscal 2004, sales on a per week basis are an important metric that management has utilized to analyze its sales results on a year-over-year basis in the first quarter. Sales per week increased by more than 16% in the first quarter of fiscal 2005 compared to the prior year first quarter. After four quarters of sequential sales growth, the Company's top line declined slightly on a sequential basis, posting a decrease of $43.0 million, or 1.6%, due to the impacts of the slow summer season and some softness in the electronic components market as described further herein.

EM reported sales of $1.56 billion in the first quarter of fiscal 2005, up $206.3 million, or 15.2%, over the prior year first quarter sales of $1.36 billion but down by $43.9 million, or 2.7%, from sales of $1.61 billion in the fourth quarter of fiscal 2004. The increase in EM represents the fourth consecutive quarter of year-over-year sales increases in excess of 10%. On a per-week basis, EM's sales increased by approximately 24% over the prior year first quarter. As discussed above, EM's sequential results were impacted by a normal seasonal slowdown in the summer quarter coupled with the targeted reduction of inventory by certain electronic component customers. However, management believes that the inventory reductions at EM's customers are the result a short-term trend that will likely recede over the next three to six months.

EM grew sales in all three regions with EMEA posting the strongest gains of 27.7% year-over-year (nearly 38% on a sales-per-week basis). Slightly more than one-third of this growth in EM EMEA was a result of foreign currency exchange rates. Despite the factors discussed above, EMEA also grew sales on a sequential basis by 1.2% (sales were essentially flat on a sequential basis excluding the impact of changes in foreign currency exchange rates between quarters). The Americas and Asia regions also posted year-over-year sales increases of 8.9% and 8.1%, respectively (17% and 16%, respectively, on a per-week basis) although both showed slight declines sequentially. The year-over-year improvement is a result of increasing customer demand coupled with steady improvement in all regions in capital spending throughout Avnet's customer base. Furthermore, the year-over-year growth in the Asia/ Pacific region is indicative of a trend for the past several years whereby technology manufacturing, especially electronic components, continues to shift to this region along with continued growth in the markets indigenous to that region. Even with the slight drop sequentially, EM posted its highest sales in a first fiscal quarter since fiscal 2001.

TS reported sales of $1.04 billion, down $13.9 million, or 1.3%, from sales in the first quarter of fiscal 2004 of $1.05 billion. However, on a per week basis, TS's sales increased year-over-year by over 6%. Notwithstanding the normally slow summer season discussed above, TS maintained sales in the first quarter relatively flat sequentially when compared to the fourth quarter of fiscal 2004. TS Americas' sales of $703.2 million stayed essentially flat with the prior year first quarter but were up over 7% on a per week basis. TS Americas' sales fell $22.0 million, or 3.0%, on a sequential basis due primarily to strong growth in industry standard servers and microprocessors that was offset by a decline in sales of proprietary hardware products. TS EMEA's sales of $278.8 million were down $26.3 million from the prior year first quarter, representing an 8.6% decline (15.7% decline year-over-year excluding the impact of foreign currency exchange rates) but a drop of less than 2% on a per-week basis. Sequentially, TS EMEA grew sales by 2.3%. TS Asia sales of $53.7 million were up 37.3% year-over-year (48% on a per-week basis) and 44.3% sequentially. Similar to the Americas, the sequential growth in EMEA and Asia is fueled by the strength of worldwide microprocessor demand, which management expects will become even more significant as the Company moves into its typically strong second fiscal quarter for the computer products group.

On an overall regional basis, the EMEA region has exhibited the largest growth as a percentage of consolidated sales. This region represented 32.0% of consolidated sales in the first quarter of fiscal 2004 versus 33.6% in the current quarter. This increase is a result of the strong performance in the first quarter of fiscal 2005, with both of Avnet's operating groups exhibiting sales growth in EMEA sequentially despite the normally slow summer season. The growth in reported sales for EMEA in the first quarter of fiscal 2005 was also enhanced by the impact of foreign currency exchange rates as discussed above. Although the year-over-year growth in the Asia region is not as significant as it has been in the past, management expects Asia will continue to be a significant growth opportunity. With its established position throughout the Asia region, most notably in markets in the Peoples' Republic of China, management believes Avnet is well positioned to continue to capitalize on the region's growth.

Gross Profit and Gross Profit Margins

Consolidated gross profit for the first quarter of fiscal 2005 was $349.6 million, up $40.5 million, or 13.1%, over the first quarter of fiscal 2004. Similarly, gross profit margins of 13.4% in the first quarter of fiscal 2005 were up 61 basis points over gross margin of 12.8% in the prior year first quarter. The consolidated improvement in gross profit margins is driven primarily by two factors. First, TS is typically a higher asset velocity but lower gross profit margin business than EM. With the electronic component industry continuing on an up-cycle year-over-year, EM constituted a larger percentage of Avnet's consolidated sales in the current quarter (60.2% in the first quarter of fiscal 2005 as compared with 56.4% in the prior year first quarter). Second, TS's continued focus on value-added solutions and more profitable sales continued to enhance the computer products group's gross margin performance resulting in more substantial basis point increases in gross profit margin within TS than with EM. However, even with the impact of EM customer inventory reductions on sales volume and gross profit margins in the first fiscal quarter, EM also posted modest gross profit margin improvement on a year-over-year basis.

Although both operating groups continue to focus on enhancing profitability, TS's strong second quarter driven by the calendar year-end budgeting cycles of many of its customers is likely to result in TS constituting a higher percentage of Avnet's consolidated sales in the second fiscal quarter. However, management expects the mix of business between operating groups will return to roughly the same ratio as the current quarter mix after the end of the calendar year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $276.5 million in the first quarter of fiscal 2005, up $8.0 million, or 3.0%, over the prior year first quarter. This increase is driven in large part by the substantial increase in sales year-over-year as discussed above. Additionally, the effects of foreign currency translation offset what would otherwise have been a slight year-over-year decrease in selling, general and administrative expenses on a constant dollar basis. Specifically, differences in foreign currency exchange rates inflated selling, general and administrative expenses in the first quarter of fiscal 2005 by approximately $8.6 million.

Metrics that management monitors with respect to its operating expenses are selling, general and administrative expenses as a percentage of sales and as a percentage of gross profit. In the first quarter of fiscal 2005, selling, general and administrative expenses were 10.6% of sales and 79.1% of gross profit as compared with 11.2% and 86.9%, respectively, in the first quarter of fiscal 2004. This significant year-over-year improvement is primarily a result of the Company’s ongoing cost reduction initiatives of recent years. Specifically, cost reduction efforts that resulted in restructuring and other charges in the first and second quarters of fiscal 2004 had not yet begun to significantly impact the operating results in the prior year first quarter but were completely in effect by the first quarter of fiscal 2005.

Restructuring and Other Charges

During the first quarter of fiscal 2004, the Company executed certain restructuring and cost-cutting initiatives in order to improve profitability. These actions can generally be broken into three categories: (1) the combination of the Company’s Computer Marketing and Applied Computing operating groups into one computer products and services business called Avnet Technology Solutions; (2) the reorganization of the Company’s global IT resources, which had previously been administered generally on a separate basis within each of the Company’s operating groups; and (3) various other reductions within EM and certain centralized support functions.

As a result of actions completed through the end of the first quarter of fiscal 2004, the Company recorded restructuring and other charges totaling $32.2 million pre-tax, $22.2 million after tax, or $0.18 per diluted share. The pre-tax charge consisted of severance costs ($9.4 million), charges related to consolidation of selected facilities ($10.9 million), write-downs of certain capitalized IT-related initiatives ($6.9 million) and other items, consisting primarily of the write-off of the remaining unamortized deferred loan costs associated with the Company’s former multi-year credit facility which was terminated in September 2003 ($5.0 million).

Severance costs resulted from workforce reductions of approximately 400 personnel completed during the first quarter of fiscal 2004, primarily in executive, support and other non customer-facing functions in the Americas and EMEA regions. Management also identified a number of facilities for consolidation primarily in the Americas and EMEA regions. These facilities generally related to certain logistics and warehousing operations as well as certain administrative facilities across both operating groups and at the corporate level. The charges related to reserves for remaining non-cancelable lease obligations and write-downs to fair market value of owned assets located in these facilities that have been vacated. Management also evaluated and elected to discontinue a number of IT-related initiatives that, in light of recent business restructurings, no longer met the Company’s return on investment standards for continued use or development. These charges related to the write-off of capitalized hardware and software.

As of October 2, 2004, the Company’s remaining reserves for restructuring and other related activities totaled $23.0 million. Of this balance, $2.8 million relates to remaining severance reserves, the majority of which management expects to utilize by the end of the first quarter of fiscal 2006. Reserves for $19.1 million relate to contractual lease commitments, substantially all of which the Company expects to utilize by the end of fiscal 2007. Lastly, the Company’s IT-related and other reserves, which total $1.1 million, relate primarily to remaining contractual commitments, the majority of which the Company expects to utilize by the end of fiscal 2005.

Operating Income

As a result of the factors discussed in this MD&A, operating income in the first quarter of fiscal 2005 was $73.1 million (2.8% of sales) as compared with $8.4 million (0.3% of sales) in the prior year first quarter. The prior year results were negatively impacted by certain restructuring and other charges recorded in the first quarter of fiscal 2004 (see *Restructuring and Other Charges*), which totaled $32.2 million, or 1.3% of sales. EM improved its operating profit margin by 130 basis points, to 3.8% of sales in the first quarter of fiscal 2005 as compared with 2.5% in the prior year first quarter. TS also posted a substantial increase in operating profit margin on a year-over-year basis with a margin of 2.6% in the first quarter of fiscal 2005, up 90 basis points from 1.7% in the first quarter of fiscal 2004.

Interest Expense and Other Income, Net

Interest expense was $20.9 million in the first quarter of fiscal 2005, down $6.3 million, or 23%, from interest expense of $27.2 million in the first quarter of fiscal 2004. While a portion of this decrease is a result of a decrease in total debt outstanding ($1.32 billion at October 2, 2004 as compared with $1.43 billion at October 4, 2003) the primary driver of the lower interest expense is the Company's effective interest rates on the current composition of its debt balances. Since the first quarter of fiscal 2004, the Company has repaid $29.9 million of 8.20% Notes due October 17, 2003, $100.0 million of 6 7/8% Notes due March 15, 2004 and $273.4 million of 7 7/8% Notes due February 15, 2005. The only significant debt added since the prior year first quarter are the Company's Convertible Debentures due March 15, 2034, which bear interest at only 2.0% per annum.

Other income, net, was $0.3 million in the first quarter of fiscal 2005 as compared with $2.3 million in the first quarter of fiscal 2004. The higher other income in the prior year first quarter was driven primarily by higher interest and investment income on the Company's higher cash balances, including certain funds held in escrow from prior year debt offerings to fund the debt repayments discussed above, during that quarter.

Income Tax Provision (Benefit)

The Company's effective tax rate on its income before income taxes was 30.8% in the first quarter of fiscal 2005 as compared with an effective rate of 31.0% applied to the Company's loss before income taxes in fiscal 2004. The mix of Avnet's profits amongst its various international subsidiaries with varying statutory tax rates, including the projected mix of profits for the remainder of the fiscal year, impacts the Company's effective tax rate.

Net Income (Loss)

As a result of the operational performance and other factors described in the preceding sections of this MD&A, the Company's consolidated net income for the first quarter of fiscal 2005 was $36.3 million, or $0.30 per share on a diluted basis as compared to a net loss of $11.4 million, or $0.09 per share on a diluted basis, in the first quarter of fiscal 2004. The first quarter of fiscal 2004 results include certain charges discussed in *Restructuring and Other Charges* which yielded a negative after-tax impact in that quarter of $22.2 million or $0.18 per share on a diluted basis.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

The following table summarizes the Company's cash flow activity for the first quarters ended October 2, 2004 and October 4, 2003 including the Company's computation of free cash flow. Management believes that the non-GAAP metric of free cash flow is a useful measure to help management and investors to better assess and understand the Company's operating performance and sources and uses of cash. Management also believes the analysis of free cash flow assists in identifying underlying trends in the business.

	Quarters Ended	
	October 2, 2004	October 4, 2003
	(Thousands)	
Net income excluding non-cash and other reconciling items	$ 70,212	$ 30,739
Cash flow (used for) generated from working capital (excluding cash and cash equivalents)	(77,455)	26,321
Net cash flow (used for) provided from operations	(7,243)	57,060
Cash flow generated from (used for):		
Purchase of property, plant and equipment	(6,246)	(7,757)
Cash proceeds from sales of property, plant and equipment	459	1,052
Acquisitions of operations, net	(1,045)	(1,448)
Effect of exchange rates on cash and cash equivalents	3,165	3,147
Other, net financing activities	(151)	753
Net free cash flow	(11,061)	52,807
Repayment of debt, net	(41,140)	(37,206)
Net (decrease) increase in cash and cash equivalents	$(52,201)	$ 15,601

During the first quarter of fiscal 2005, the Company used $7.2 million of cash and cash equivalents for its operating activities as compared with a generation of cash and cash equivalents of $57.1 million from operating activities in the first quarter of fiscal 2004. These results are comprised of: (1) the cash flow generated from net income excluding non-cash and other reconciling items, which includes the add-back of depreciation and amortization, deferred income taxes and other non-cash items (primarily the provision for doubtful accounts) as well as non-cash restructuring and other charges in the prior year first quarter (see *Results of Operations — Restructuring and Other Charges* for further discussion) and (2) the cash flows (used for) generated from working capital, excluding cash and cash equivalents. Although the first quarter of fiscal 2005 was significantly more profitable than the first quarter of fiscal 2004, the Company utilized cash and cash equivalents of $77.4 million for working capital as opposed to the generation of $26.3 million in cash and cash equivalents from working capital in fiscal 2004. Such trends in working capital are typical of an up-cycle in the electronic components industry as growth in receivables, inventory and payables is driven by higher sales and purchasing volumes. The cash outflow related to working capital in fiscal 2005 is driven primarily by the increase in inventories to support increased sales volumes. The majority of this increase resides in TS where the Company has made certain quarter-end purchases in support of the upcoming seasonally strong December quarter. While asset velocity metrics such as inventory turns have slowed from their recent record levels due to the slight softness in the electronic components business as discussed elsewhere in this MD&A, management continues to focus on its working capital and overall asset utilization and expects these metrics to again begin to improve in the second quarter of fiscal 2005.

The Company's cash flows associated with its investing activities such as purchases of property, plant and equipment and acquisitions remained relatively low in the first quarters of both fiscal 2005 and 2004. The Company completed a small acquisition of a computer product distributor in Slovakia during the first quarter of fiscal 2005 whereas the outflow of cash for acquisitions in the prior year first quarter was associated primarily with various contingent purchase price payments from prior period acquisitions. In both periods, the impact of foreign currency exchange rates on the Company's cash and cash equivalents generated cash inflows of over $3.1 million. As a result of all of these factors, the Company utilized free cash of $11.1 million in the first quarter of fiscal 2005 as compared with a generation of free cash flow of $52.8 million in the first quarter of fiscal 2004. These results, combined with cash outflows for repayment of debt totaling $41.1 million and $37.2 million in the first quarters of fiscal 2005 and 2004, respectively, yielded a net reduction in cash of $52.2 million in the quarter ended October 2, 2004 as compared with a net increase in cash of $15.6 million in the prior year first quarter.

Capital Structure and Contractual Obligations

The following table summarizes the Company's capital structure as of the end of the first quarter of fiscal 2005 with a comparison to fiscal 2004 year-end:

	October 2, 2004	% of Total Capitalization	July 3, 2004	% of Total Capitalization
	(Dollars in thousands)			
Short-term debt	$ 119,992	3.6%	$ 160,660	4.9%
Long-term debt	1,202,710	36.1	1,196,160	36.1
Total debt	1,322,702	39.7	1,356,820	41.0
Shareholders' equity	2,010,828	60.3	1,953,426	59.0
Total capitalization	$3,333,530	100.0	$3,310,246	100.0

Long-term debt in the above table includes the fair value adjustment of $20.1 million and $13.6 million at October 2, 2004 and July 3, 2004, respectively, for the Company's fair value hedges on its 8.00% and 9 3/4% Notes discussed in *Financing Transactions* below. For a description of the Company's long-term debt and lease commitments for the next five years and thereafter, see *Long-Term Contractual Obligations* appearing in Item 7 of the Company's Annual Report on Form 10-K for the year ended July 3, 2004. With the exception of pay downs of debt obligations discussed herein and regularly scheduled lease payments, there are no material changes to this information.

The Company also has an accounts receivable securitization program (the "Program"), discussed more fully in *Off-Balance Sheet Arrangements* below. There were no drawings under the Program at October 2, 2004 or July 3, 2004.

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

Financing Transactions

In March 2004, the Company issued $300.0 million of 2% Convertible Senior Debentures due March 15, 2034 (the "Debentures"). The Debentures are convertible into Avnet common stock at a rate of 29.5516 shares of common stock per $1,000 principal amount of Debentures. The Debentures are only convertible under certain circumstances, including if: (i) the closing price of the Company's common stock reaches $45.68 per share (subject to adjustment in certain circumstances) for a specified period of time; (ii) the average trading price of the Debentures falls below a certain percentage of the conversion value per Debenture for a specified period of time; (iii) the Company calls the Debentures for redemption; or (iv) certain corporate transactions, as defined, occur. Upon conversion, the Company has the right to deliver cash or a combination of cash and common stock, in lieu of solely common stock. The Company may redeem some or all of the Debentures for cash any time on or after March 20, 2009 at the Debentures' full principal amount plus accrued and unpaid interest, if any. Holders of the Debentures may require the Company to purchase, in cash, all or a portion of the Debentures on March 15, 2009, 2014, 2019, 2024 and 2029, or upon a fundamental change, as defined, at the Debentures' full principal amount plus accrued and unpaid interest, if any.

The Company has an unsecured, three-year $350.0 million credit facility with a syndicate of banks (the “Credit Facility”), which expires in June 2007. The Company may select from various interest rate options, currencies and maturities under the Credit Facility. There were no borrowings under the Credit Facility at October 2, 2004 or July 3, 2004.

The Company has two interest rate swaps with a total notional amount of $400.0 million in order to hedge the change in fair value of the 8.00% Notes due November 2006 (the “8% Notes”) related to fluctuations in interest rates. These contracts are classified as fair value hedges and mature in November 2006. The interest rate swaps modify the Company’s interest rate exposure by effectively converting the fixed rate on the 8% Notes to a floating rate (4.9% at October 2, 2004) based on three-month U.S. LIBOR plus a spread through their maturities. The Company has three additional interest rate swaps with a total notional amount of $300.0 million in order to hedge the change in fair value of the 9 3/4% Notes due February 15, 2008 (the “9 3/4% Notes”) related to fluctuations in interest rates. These hedges are also classified as fair value hedges and mature in February 2008. These interest rate swaps modify the Company’s interest rate exposure by effectively converting the fixed rate on the 9 3/4% Notes to a floating rate (8.2% at October 2, 2004) based on three-month U.S. LIBOR plus a spread through their maturities. The hedged fixed rate debt and the interest rate swaps are adjusted to current market values through interest expense in the accompanying consolidated statements of operations. 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 Instruments and Hedging Activities.* Due to the effectiveness of the hedges since inception, the market value adjustments for the hedged debt and the interest rate swaps directly offset one another.

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. Avnet generally guarantees its subsidiaries’ debt under these facilities.

Off-Balance Sheet Arrangements

The Company has a $350.0 million accounts receivable securitization program (the “Program”) with two financial institutions whereby it may sell, on a revolving basis, an undivided interest in a pool of its trade accounts receivable. Under the Program, the Company may sell receivables in securitization transactions and retain a subordinated interest and servicing rights to those receivables. Receivables sold under the Program are sold without legal recourse to third party conduits through a wholly owned bankruptcy-remote special purpose entity that is consolidated for financial reporting purposes. The Program qualifies for sale treatment under Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities.* The availability for financing under the Program is dependent on the level of the Company’s trade receivables from month to month. There were no receivables sold under the Program at October 2, 2004 or July 3, 2004. The purpose of the Program is to provide the Company with an additional source of liquidity at interest rates more favorable than it could receive through other forms of financing. The term of the current Program agreement extends to August 2005.

Covenants and Conditions

The Program agreement discussed above requires the Company to maintain minimum senior unsecured credit ratings in order to continue utilizing the Program in its current form. These minimum ratings triggers are Ba3 by Moody’s Investor Services (“Moody’s”) or BB- by Standard & Poors (“S&P”). The Program also 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 the Program and the financial institutions may consider this an amortization event, as defined in the Program agreement, which would permit the financial institutions to liquidate the accounts receivable sold under the Program to cover any outstanding borrowings. Circumstances that could affect the Company’s ability to meet the required covenants and conditions of the Program include the Company’s ongoing profitability and 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 of the Program at October 2, 2004.

The Credit Facility discussed in *Financing Transactions* contains certain covenants with various limitations on debt incurrence, dividends, investments and capital expenditures and also includes financial covenants requiring the Company to maintain minimum interest coverage and leverage ratios, as defined. Management does not believe that the covenants in the Credit Facility limit the Company's ability to pursue its intended business strategy or future financing needs. The Company was in compliance with all covenants of the Credit Facility as of October 2, 2004.

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

Liquidity

The Company had total borrowing capacity of $700.0 million at October 2, 2004 under the Credit Facility and the Program, against which $18.9 million in letters of credit were issued under the Credit Facility resulting in $681.1 million of net availability at the end of the first quarter. The Company also had an additional $260.5 million of cash and cash equivalents at October 2, 2004. There are no significant financial commitments of the Company outside of normal debt and lease maturities discussed in *Capital Structure and Contractual Obligations*. Management believes that Avnet's borrowing capacity, its current cash availability and the Company's expected ability to generate operating cash flows are sufficient to meet its projected financing needs. If the current up-cycle in the electronic components and computer products industry continues, the Company is less likely to generate positive cash flows from working capital reductions. However, additional cash requirements for working capital are generally expected to be offset by the operating cash flows generated by the Company's enhanced profitability model resulting from the Company's significant cost reductions achieved in recent years. Furthermore, the next significant public debt maturity is not until the $400.0 million 8% Notes mature in November 2006, which provides the Company with two years to review repayment or refinancing alternatives.

The following table highlights the Company's liquidity and related ratios as of the end of the first quarter of fiscal 2005 with a comparison to the fiscal 2004 year-end:

Comparative Analysis — Liquidity

	October 2, 2004	July 3, 2004	Percentage Change
	(Dollars in millions)		
Current Assets	$3,491.6	$3,484.0	0.2%
Quick Assets	1,986.1	2,056.6	(3.4)
Current Liabilities	1,586.8	1,645.0	(3.5)
Working Capital	1,904.8	1,839.0	3.6
Total Debt	1,322.7	1,356.8	(2.5)
Total Capital (total debt plus total shareholders' equity)	3,333.5	3,310.2	0.7
Quick Ratio	1.3:1	1.3:1	
Working Capital Ratio	2.2:1	2.1:1	
Debt to Total Capital	39.7%	41.0%	

The Company's quick assets (consisting of cash and cash equivalents and receivables) decreased during the quarter ended October 2, 2004 primarily due to a decrease in receivables balances based upon the Company's slightly lower sales levels in the first quarter and the Company's efforts to timely collect its outstanding receivables balances. The receivables decrease is combined with a net decrease in cash and cash equivalents of $52.2 million as discussed in *Cash Flow* above. The decrease in quick assets is offset by the increase in inventory balances at October 2, 2004 as compared with July 3, 2004 (see *Cash Flow* for discussion) resulting in current assets remaining relatively flat between periods. While payables and accrued liabilities remained relatively flat period-to-period, the Company's pay-down of short-term debt during the first quarter of fiscal 2005 (see *Results of Operations — Interest Expense and Other Income, Net* and *Cash Flow* for further discussion) yielded a reduction in current liabilities and, thus, an increase in the Company's net working capital at October 2, 2004 as compared with July 3, 2004.

As a result of these trends, quick assets were greater than the Company's current liabilities by $399.3 million at October 2, 2004 as compared with $411.6 million at July 3, 2004. Working capital grew to $1.90 billion at October 2, 2004 as compared with $1.84 billion at July 3, 2004. At October 2, 2004, to support each dollar of current liabilities, the Company had $1.25 of quick assets and $0.95 of other current assets for a total of $2.20 as compared with $2.12 at July 3, 2004.

Recently Issued Accounting Pronouncements

In December 2003, the Financial Accounting Standards Board ("FASB") revised Statement of Financial Accounting Standards No. 132 ("SFAS 132"), *Employers' Disclosures about Pensions and Other Postretirement Benefits*. The revised SFAS 132 requires additional interim disclosures related to periodic pension costs and expected contributions to the pension plan. The disclosure requirements of the revised SFAS 132 are included in this filing.

In September 2004, the Emerging Issues Task Force ("EITF") of the FASB reached a final consensus on EITF Issue No. 04-08 ("EITF 04-08"), *The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share.* EITF 04-08 requires instruments with conversion features that are contingent upon an issuer's stock price to be included in the earnings per share calculation using the "if-converted" method regardless of whether the contingency is met. However, EITF 04-08 allows for treasury stock method treatment for any convertible instruments that have provisions requiring cash-settlement up to the par value. EITF 04-08 is effective for interim and annual periods ending after December 15, 2004. The Company currently intends to make an irrevocable election to satisfy the principal portion of its 2.0% Convertible Debentures, if converted, in cash. Therefore, the Company will be permitted to apply the treasury stock method for the Debentures both prospectively and retroactively.

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

The Company seeks to reduce earnings and cash flow volatility associated with changes in interest rates and foreign currency exchange rates by entering into financial arrangements intended to provide a hedge against all or a portion of the risks associated with such volatility. The Company continues to have exposure to such risks to the extent they are not hedged.

See Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, in the Company's Annual Report on Form 10-K for the year ended July 3, 2004 for further discussion of market risks associated with interest rates and foreign currency exchange. Avnet's exposure to foreign exchange risks have not changed materially since July 3, 2004 as the Company continues to hedge the majority of its foreign exchange exposures. Thus, any increase or decrease in fair value of the Company's foreign exchange contracts is generally offset by an opposite effect on the related hedged position.

See *Liquidity and Capital Resources* appearing in Item 2 of this Report for further discussion of the Company's financing facilities and capital structure. As of October 2, 2004, 44% of the Company's debt bears interest at a fixed rate and 56% of the Company's debt bears interest at variable rates (including as variable rate debt the $400.0 million 8% Notes and $300.0 million of the 9 3/4% Notes based on the variable rate hedges in place to hedge the Company's exposure to changes in fair value associated with these Notes due to changes in interest rates — see *Financing Transactions* for further discussion). Therefore, a hypothetical 1.0% (100 basis point) increase in interest rates would result in a $1.8 million impact on income before income taxes in the Company's consolidated statement of operations for the quarter ended October 2, 2004.

Item 4. ***Controls and Procedures***

The Company's management, including its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in

Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) as of the end of the reporting period covered by this quarterly report on Form 10-Q. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly report on Form 10-Q, the Company’s disclosure controls and procedures are effective such that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission’s rules and forms relating to the Company.

During the first quarter of fiscal 2005, there have been no changes to the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. *Legal Proceedings*

As a result primarily of certain former manufacturing operations, Avnet may have liability under various federal, state and local environmental laws and regulations, including those governing pollution and 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 the Company disposed of 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 ("PRPs") based upon each party's relative contribution to the contamination, and other factors.

In May 1993, the Company and the former owners of a Company-owned site in Oxford, North Carolina entered into a Settlement Agreement in which the former owners agreed to bear 100% of all costs associated with investigation and cleanup of soils and sludges remaining on the site and 70% of all costs associated with investigation and cleanup of groundwater. The Company agreed to be responsible for 30% of the groundwater investigation and cleanup costs. In October 1993, the Company and the former owners 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 the approximately $1.5 million in EPA past costs paid by the PRPs. Based on current information, the Company does not anticipate its liability in the matter will be material to its financial position, cash flow or results of operations.

In September 2002, the Company's subsidiary, Sterling Electronics, Inc. ("Sterling"), was added as a defendant in an existing lawsuit filed in the Superior Court of California, County of Los Angeles, by property owners and residents in or near the San Gabriel Valley Superfund Site. This master case is a consolidation of six different matters filed during the period from July 1997 through November 2001. Sterling once owned 92.46% of the capital stock of Phaostron, Inc., which has been named as a PRP for contamination at the site. In March 2003, the court dismissed all six cases on technical grounds, but allowed the plaintiffs the opportunity to properly serve newly-added industrial defendants, including Sterling, in any case not yet outside the mandatory service period. In five of the six cases, the applicable service period has expired. Sterling, therefore, cannot be re-added to those cases as a defendant. In the remaining case, the plaintiffs have until November 30, 2004 to re-add Sterling as a defendant in the master case and properly perfect service of process on Sterling. Those plaintiffs have not indicated a monetary amount sought in this matter. The Company believes that Sterling has meritorious defenses to liability, and, although the ultimate outcome is uncertain, based on current information, the Company does not believe that its liability for this matter, if any, will be material to its financial position, cash flow or results of operations.

The Company 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 the Company 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 a NYSDEC cost estimate. The Company is currently engaged in litigation to apportion these costs among it and the current and former owners and operators of the site. Based on current information, the Company does not anticipate its liability in the matter will be material to its financial position, cash flow or results of operations.

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

The Company and/or its subsidiaries are also parties to various other legal proceedings arising from time to time 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 the Company's financial position, cash flow or results of operations.

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

The following table includes the Company's monthly purchases of common stock during the first quarter ended October 2, 2004:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plans or Programs
July	20,000	$20.06	—	—
August	30,000	18.19	—	—
September	30,000	18.11	—	—

The purchases of Avnet common stock noted above were made on the open market to obtain shares for purchase under the Company's Employee Stock Purchase Plan. None of these purchases were made pursuant to a publicly announced repurchase plan and the Company does not currently have a stock repurchase plan in place.

Item 6. ***Exhibits***

Exhibit Number	Exhibit
10.1*	Employment Agreement dated July 4, 2004 between the Company and Harley Feldberg.
10.2*	Change of Control Agreement dated March 1, 2001 between the Company and Edward B. Kamins. (Note: This document replaces the Change of Control Agreement which was incorrectly incorporated by reference to the Company's Current Report on Form 8-K dated September 26, 2002, Exhibit 10C).
31.1*	Certification by Roy Vallee, Chief Executive Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by Raymond Sadowski, Chief Financial Officer, under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification by Roy Vallee, Chief Executive Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification by Raymond Sadowski, Chief Financial Officer, under Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

AVNET, INC.
(Registrant)

By: /s/ RAYMOND SADOWSKI

Raymond Sadowski
Senior Vice President and
Chief Financial Officer

Date: November 10, 2004

Table of Contents

INDEX TO EXHIBITS

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* Filed herewith.

** Furnished herewith.

Exhibit 10.1

AGREEMENT effective as of July 4, 2004 between AVNET, INC., a New York corporation with a principal place of business at 2211 South 47th Street, Phoenix, Arizona 85034 (“Avnet”) and Harley Feldberg, having an office at 2211 South 47th Street, Phoenix, Arizona 85034 (“Feldberg”).

W I T N E S S E T H

1. Employment, Salary, Benefits:

1.1 Employment. Avnet agrees to employ Feldberg and Feldberg agrees to accept employment upon the terms and conditions hereinafter set forth.

1.2 Term. Feldberg’s employment shall commence on July 4, 2004 and subject to earlier termination as provided in Section 2 below, shall continue for a period of two (2) years (until July 4, 2006, the “Initial Term”). Unless Feldberg provides Avnet written notice at least thirty (30) days prior to the expiration of the Initial Term advising Avnet that Feldberg does not intend to renew the Agreement as hereinafter described, then after July 4, 2006 such employment shall continue until terminated by either party provided, however, that the party desiring to terminate the employment gives written notice thereof to the other not less than one (1) year prior to the date of actual termination of employment. By way of example, should Feldberg desire not to renew after the Initial Term, such notice would have to be given no later than June 3, 2006. Thereafter (if not so terminated by Feldberg at the end of the Initial Term), if either Avnet or Feldberg should desire to terminate the employment on June 15, 2007 such notice would have to be given not later than June 15, 2006.

1.3 Duties. Feldberg is hereby engaged in an executive capacity and shall perform such duties for Avnet, or Avnet’s subsidiaries, divisions and operating units as may be assigned to him from time to time by the Chief Executive Officer of Avnet. Feldberg is currently engaged as President of Avnet Electronics Marketing. If Feldberg is elected an officer or a director of Avnet or any subsidiary or division thereof, he shall serve as such without additional compensation.

1.4 Compensation. For all services to be rendered by Feldberg and for all covenants undertaken by him pursuant to the Agreement, Avnet shall pay and Feldberg shall accept such compensation (including base salary and incentive compensation) as shall be agreed upon from time to time between Avnet and Feldberg. In the event Feldberg’s employment hereunder is terminated by the one (1) year notice provided for in Section 1.2 above and Avnet and Feldberg fail to agree upon compensation during all or any portion of the one (1) year notice period prior to termination, then Feldberg’s compensation (base salary and incentive compensation) during such portion of the notice period shall be equal to the cash compensation earned by Feldberg during the four completed fiscal quarters preceding the date on which notice is given; and upon such termination (after a one-year notice) Feldberg shall not be entitled to severance payments under any Avnet severance plan. In the alternative event that at least 30 days prior to the end of the Initial Term, Feldberg notifies Avnet that he intends not to renew as described in 1.2 above, Feldberg shall effective July 4, 2006 (the end of the Initial Term) revert to employee at will status (with employment terminable at any time by either Avnet or Feldberg) and the provision in 1.2 above requiring a one-year notice shall not apply; and upon a subsequent termination of employment, Feldberg shall be entitled if otherwise eligible to payments under any then-applicable Avnet severance plan. Notwithstanding anything to the contrary, in the event Feldberg's employment is terminated pursuant to 2.1, 2.2 or 2.3 below, then the one-year notice provided in 1.2 above shall not be applicable and Feldberg shall not be entitled to any severance pay benefit.

1.5 Other Compensation on Termination. Upon termination of this Agreement, Feldberg shall be entitled to receive only such compensation as had accrued and was unpaid to the effective date of termination. If the termination occurs other than at the end of a fiscal year of Avnet, the compensation payable to Feldberg (including base salary and incentive compensation) shall bear the same ratio to a full fiscal year's remuneration as the number of days for which Feldberg shall be entitled to remuneration bears to 365 days.

1.6 Additional Benefits. In addition to the compensation described in Subsection 1.4, Feldberg shall be entitled to vacation, insurance, retirement and other benefits (except for severance pay benefit which the one-year termination notice described above is intended to replace) as are afforded to personnel of Avnet's United States based Electronics Marketing group operating units generally and which are in effect from time to time. It is understood that Avnet does not by reason of this Agreement obligate itself to provide any such benefits to such personnel. Feldberg also participates in the Avnet's Executive Officers' Supplemental Life Insurance and Retirement Benefits Program (the "Program") pursuant to the terms and conditions applicable to the Program.

2. Early Termination.

2.1 Death or Disability. Feldberg's employment hereunder shall terminate on the date of Feldberg's death or upon Feldberg suffering mental or physical injury, illness or incapacity that renders him unable to perform his customary duties hereunder on a full-time basis for a period of 365 substantially consecutive days, on the 365th such day. The opinion of a medical doctor licensed to practice in the State of Arizona (or such other state wherein Feldberg then resides) and having Board certification in his or her field of specialization or the receipt of or entitlement of Feldberg to disability benefits under any policy of insurance provided or made available by Avnet or under federal Social Security laws, shall be conclusive evidence of such disability.

2.2 Cause. Feldberg's employment hereunder may also be terminated by Avnet at any time prior to the expiration of the term hereof without notice for cause, including, but not limited to, Feldberg's gross misconduct, breach of any material term of this Agreement, willful breach, habitual neglect or wanton disregard of his duties, or conviction of any criminal act.

3. Competitive Employment:

3.1 Full time. Feldberg shall devote his full time, best efforts, attention and energies to the business and affairs of Avnet and shall not, during the term of his employment, be engaged in any other activity which, in the sole judgment of Avnet, will interfere with the performance of his duties hereunder.

3.2 Non-Competition. While employed by Avnet or any subsidiary, division or operating unit of Avnet, Feldberg shall not, without the written consent of the Chief Executive Officer of Avnet, directly or indirectly (whether through his spouse, child or parent, other legal entity or otherwise): own, manage, operate, join, control, participate in, invest in, or otherwise be connected with, in any manner, whether as an officer, director, employee, partner, investor, shareholder, consultant, lender or otherwise, any business entity which is engaged in, or is in any way related to or competitive with the business of Avnet, provided, however, notwithstanding the foregoing Feldberg shall not be prohibited from owning, directly or indirectly, up to 5% of the outstanding equity interests of any company or entity the stock or other equity interests of which is publicly traded on a national securities exchange or on the NASDAQ over-the-counter market.

3.3 Non-Solicitation. Feldberg further agrees that he will not, at any time while employed by Avnet or any subsidiary, division or operating unit of Avnet and for a period of one year after the termination of employment with Avnet, without the written consent of an officer authorized to act in the matter by the Board of Directors of Avnet, directly or indirectly, on Feldberg’s behalf or on behalf of any person or entity, induce or attempt to induce any employee of Avnet or any subsidiary or affiliate of Avnet (collectively the “Avnet Group”) or any individual who was an employee of the Avnet Group during the one (1) year prior to the date of such inducement, to leave the employ of the Avnet Group or to become employed by any person other than members of the Avnet Group or offer or provide employment to any such employee.

4. Definitions:

The words and phrases set forth below shall have the meanings as indicated:

4.1 Confidential Information. That confidential business information of Avnet, whether or not discovered, developed, or known by Feldberg as a consequence of his employment with Avnet. Without limiting the generality of the foregoing, Confidential Information shall include information concerning customer identity, needs, buying practices and patterns, sales and management techniques, employee effectiveness and compensation information, supply and inventory techniques, manufacturing processes and techniques, product design and configuration, market strategies, profit and loss information, sources of supply, product cost, gross margins, credit and other sales terms and conditions. Confidential Information shall also include, but not be limited to, information contained in Avnet’s manuals, memoranda, price lists, computer programs (such as inventory control, billing, collection, etc.) and records, whether or not designated, marked or otherwise identified by Avnet as Confidential Information.

4.2 Developments. Those inventions, discoveries, improvements, advances, methods, practices and techniques, concepts and ideas, whether or not patentable, relating to Avnet's present and prospective activities and products.

5. Developments, Confidential Information and Related Materials:

5.1 Assignment of Developments. Any and all Developments developed by Feldberg (acting alone or in conjunction with others) during the period of Feldberg's employment hereunder shall be conclusively presumed to have been created for or on behalf of Avnet (or Avnet's subsidiary or affiliate for which Feldberg is working) as part of Feldberg's obligations to Avnet hereunder. Such Developments shall be the property of and belong to Avnet (or Avnet's subsidiary or affiliate for which Feldberg is working) without the payment of consideration therefor in addition to Feldberg's compensation hereunder, and Feldberg hereby transfers, assigns and conveys all of Feldberg's right, title and interest in any such Developments to Avnet (or Avnet's subsidiary or affiliate for which Feldberg is working) and agrees to execute and deliver any documents that Avnet deems necessary to effect such transfer on the demand of Avnet.

5.2 Restrictions on Use and Disclosure. Feldberg agrees not to use or disclose at any time after the date hereof, except with the prior written consent of an officer authorized to act in the matter by the Board of Directors of Avnet, any Confidential Information which is or was obtained or acquired by Feldberg while in the employ of Avnet or any subsidiary or affiliate of Avnet, provided, however, that this provision shall not preclude Feldberg from (i) the use or disclosure of such information which presently is known generally to the public or which subsequently comes into the public domain, other than by way of disclosure in violation of this Agreement or in any other unauthorized fashion, or (ii) disclosure of such information required by law or court order, provided that prior to such disclosure required by law or court order Feldberg will have given Avnet three (3) business days' written notice (or, if disclosure is required to be made in less than three (3) business days, then such notice shall be given as promptly as practicable after determination that disclosure may be required) of the nature of the law or order requiring disclosure and the disclosure to be made in accordance therewith.

5.3 Return of Documents. Upon termination of Feldberg's employment with Avnet, Feldberg shall forthwith deliver to the Chief Executive Officer of Avnet all documents, customer lists and related documents, price and procedure manuals and guides, catalogs, records, notebooks and similar repositories of or containing Confidential Information and/or Developments, including all copies then in his possession or control whether prepared by him or others.

6. Miscellaneous:

6.1 Consent to Arbitration. Except for the equitable relief provisions set forth in Section 6.2 below, Avnet and Feldberg agree to arbitrate any controversy or claim arising out of this Agreement or otherwise relating to Feldberg's employment or the termination of employment or this Agreement, in accordance with the provisions of the Mutual Agreement to Arbitrate Claims, a copy of which is annexed hereto as Exhibit A.

6.2 Equitable Relief. Feldberg acknowledges that any material breach of any of the provisions of Sections 3 and/or 5 would entail irreparable injury to Avnet’s goodwill and jeopardize Avnet’s competitive position in the marketplace or Confidential Information, or both, and that in addition to Avnet’s other remedies, Feldberg consents and Avnet shall be entitled, as a matter of right, to an injunction issued by any court of competent jurisdiction restraining any breach of Feldberg and/or those with whom Feldberg is acting in concert and to other equitable relief to prevent any such actual, intended or likely breach.

6.3 Survival. The provisions of Sections 3.2, 3.3, 4, 5, and 6 shall survive the termination of Feldberg’s employment hereunder.

6.4 Interpretation. If any court of competent jurisdiction or duly constituted arbitration panel shall refuse to enforce any or all of the provisions hereof because they are more extensive (whether as to geographic scope, duration, activity, subject or otherwise) than is reasonable, it is expressly understood and agreed that such provisions shall not be void, but that for the purpose of such proceedings and in such jurisdiction, the restrictions contained herein shall be deemed reduced or limited to the extent necessary to permit enforcement of such provisions.

6.5 Succession. This Agreement shall extend to and be binding upon Feldberg, his legal representatives, heirs and distributees and upon Avnet, its successors and assigns.

6.6 Entire Agreement. This Agreement and the Exhibits hereto contain the entire agreement of the parties with respect to their subject matter and no waiver, modification or change of any provisions hereof shall be valid unless in writing and signed by the parties against whom such claimed waiver, modification or change is sought to be enforced.

6.7 Waiver of Breach. The waiver of any breach of any term or condition of this Agreement shall not be deemed to constitute a waiver of any other term or condition of this Agreement.

6.8 Notices. All notices pursuant to this Agreement shall be in writing and shall be given by registered or certified mail, or the equivalent, return receipt requested, addressed to the parties hereto at the addresses set forth above, or to such address as may hereafter be specified by notice in writing in the same manner by any party or parties.

6.9 Headings. Except for the headings in Section 4, the headings of the sections and subsections are inserted for convenience only and shall not be deemed to constitute a part hereof or to affect the meaning thereof.

IN WITNESS WHEREOF, parties have executed this Agreement effective as of the day and year first above written.

AVNET, INC.

By /s/ Roy Vallee

Title Chief Executive Officer

/s/ Harley Feldberg

HARLEY FELDBERG

EXHIBIT A

MUTUAL AGREEMENT TO ARBITRATE CLAIMS

I recognize that differences may arise between Avnet, Inc. (“the Company”) and me during or following my employment with the Company, and that those differences may or may not be related to my employment. I understand and agree that by entering into this Agreement to Arbitrate Claims (“Agreement”). I anticipate gaining the benefits of a speedy, impartial dispute-resolution procedure.

Except as provided in this Agreement, the Federal Arbitration Act shall govern the interpretation, enforcement and all proceedings pursuant to this Agreement. To the extent that the Federal Arbitration Act is inapplicable, applicable state law pertaining to agreements to arbitrate shall apply.

I understand that any reference in this Agreement to the Company will be a reference also to all divisions, subsidiaries and affiliates of the Company. Additionally, except as otherwise provided herein, any reference to the Company shall also include all benefit plans; the benefit plans’ sponsors, fiduciaries, administrators, affiliates; and all successors and assigns of any of them.

CLAIMS COVERED BY THE AGREEMENT

The Company and I mutually consent to the resolution by arbitration of all claims or controversies (“claims”), whether or not arising out of my employment (or its termination), which the Company may have against me or that I may have against the Company or against its officers, directors, employees or agents in their capacity as such or otherwise. The claims covered by this Agreement include, but are not limited to, claims for wages or other compensation due; claims for breach of any contract or covenant (express or implied); tort claims; claims for discrimination and harassment (including, but not limited to, race, sex, sexual orientation, religion, national origin, age, marital status, medical condition, handicap or disability); claims for benefits (except where an employee benefit or pension plan specifies that its claims procedure shall culminate in an arbitration procedure different from this one); and claims for violation of any federal, state, or other governmental law, statute, regulation, or ordinance, except claims excluded in the section entitled “Claims Not Covered by the Agreement.”

Except as otherwise provided in this Agreement, both the Company and I agree that neither of us shall initiate nor prosecute any lawsuit or administrative action (other than an administrative charge of discrimination) in any way related to any claim covered by this Agreement.

CLAIMS NOT COVERED BY THE AGREEMENT

Claims I may have for workers' compensation or unemployment compensation benefits are not covered by this Agreement.

Also not covered are claims by the Company for injunctive and/or other equitable relief including, but not limited to, claims for injunctive and/or other equitable relief for unfair competition and/or the use and/or unauthorized disclosure of trade secrets or confidential information, as to which I understand and agree that the Company may seek and obtain relief from a court of competent jurisdiction.

REQUIRED NOTICE OF ALL CLAIMS AND STATUTE OF LIMITATIONS

The Company and I agree that the aggrieved party must give written notice of any claim to the other party within one (1) year of the date the aggrieved party first has knowledge of the event giving rise to the claim; otherwise the claim shall be void and deemed waived even if there is a federal or state statute of limitations which would have given more time to pursue the claim.

Written notice to the Company, or its officers, directors, employees or agents, shall be sent to its President at the Company's then-current address. I will be given written notice at the last address recorded in my personnel file.

The written notice shall identify and describe the nature of all claims asserted and the facts upon which such claims are based. The notice shall be sent to the other party by certified or registered mail, return receipt requested.

DISCOVERY

Each party shall have the right to take the deposition of one individual and any expert witness designated by another party. Each party also shall have the right to propound requests for production of documents to any party. Additional discovery may be had only where the panel of arbitrators selected pursuant to this Agreement so orders, upon a showing of substantial need.

At least thirty (30) days before the arbitration, the parties must exchange lists of witnesses, including any expert, and copies of all exhibits intended to be used at the arbitration.

SUBPOENAS

Each party shall have the right to subpoena witnesses and documents for the arbitration.

ARBITRATION PROCEDURES

The Company and I agree that, except as provided in this Agreement, any arbitration shall be in accordance with the then-current Model Employment Arbitration Procedures of the American Arbitration Association ("AAA") before a panel of three arbitrators who are licensed to practice law in the state where the arbitration is to take place ("the Panel"). The arbitration shall take place in or near the city in which I am or was last employed by the Company.

The Panel shall apply the substantive law (and the law of remedies, if applicable) of the state in which the claim arose, or federal law, or both, as applicable to the claim(s) asserted: The Federal Rules of Evidence shall apply. The Panel, and not any federal, state, or local court of agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement, including but not limited to any claim that all or any part of this Agreement is void or voidable. The Panel shall render an award and opinion in the form typically rendered in labor arbitrations. The arbitration shall be final and binding upon the parties.

The Panel shall have jurisdiction to hear and rule on pre-hearing disputes and is authorized to hold pre-hearing conferences by telephone or in person, as the Panel deems necessary. The Panel shall have the authority to entertain a motion to dismiss and/or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure.

Either party, at its expense, may arrange for and pay the cost of a court reporter to provide a stenographic record of proceedings.

ARBITRATION FEES AND COSTS

The Company and I shall equally share the fees and costs of the Panel. Each party shall pay for its own costs and attorneys' fees, if any. However, if any party prevails on a statutory claim that affords the prevailing party attorneys' fees, or if there is a written agreement providing for fees, the Panel may award reasonable fees to the prevailing party.

INTERSTATE COMMERCE

I understand and agree that the Company is engaged in transactions involving interstate commerce and that my employment involves such commerce.

REQUIREMENTS FOR MODIFICATION OR REVOCATION

This Agreement to arbitrate shall survive the termination of my employment. It can only be revoked or modified by a writing signed by me and an officer of the Company that specifically states an intent to revoke or modify this Agreement.

SOLE AND ENTIRE AGREEMENT

This is the complete agreement of the parties on the subject of arbitration of disputes, except for any arbitration agreement in connection with any pension or benefit plan. This Agreement supersedes any prior or contemporaneous oral or written understanding on the subject. No party is relying on any representations, oral or written, on the subject of the effect, enforceability or meaning of this Agreement, except as specifically set forth in this Agreement.

CONSTRUCTION

If any provision of this Agreement is adjudged to be void or otherwise unenforceable, in whole or in part, such adjudication shall not affect the validity of the remainder of the Agreement.

CONSIDERATION

The promises by the Company and by me to arbitrate differences, rather than litigate them before courts or other bodies, provide consideration for each other.

NOT AN EMPLOYMENT AGREEMENT

This Agreement is not, and shall not be construed to create, any contract of employment, express or implied. Nor does this Agreement in any way alter the "at-will" status of my employment.

VOLUNTARY AGREEMENT

I ACKNOWLEDGE THAT I HAVE CAREFULLY READ THIS AGREEMENT, THAT I UNDERSTAND ITS TERMS, THAT ALL UNDERSTANDINGS AND AGREEMENTS BETWEEN THE COMPANY AND ME RELATING TO THE SUBJENS COVERED IN THE AGREEMENT ARE CONTAINED IN IT, AND THAT I HAVE ENTERED INTO THE AGREEMENT VOLUNTARILY AND NOT IN RELIANCE ON ANY PROMISES OR REPRESENTATIONS BY THE COMPANY OTHER THAN THOSE CONTAINED IN THIS AGREEMENT ITSELF.

I UNDERSTAND THAT BY SIGNING THIS AGREEMENT I AM GIVING UP MY RIGHT TO A JURY TRIAL.

I FURTHER ACKNOWLEDGE THAT I HAVE BEEN GIVEN THE OPPORTUNITY TO DISCUSS THIS AGREEMENT WITH MY PRIVATE LEGAL COUNSEL AND HAVE AVAILED MYSELF OF THAT OPPORTUNITY TO THE EXTENT I WISH TO DO SO.

EMPLOYEE	AVNET, INC.
/s/ Harley Feldberg Signature of Employee	/s/ Roy Vallee Signature of Authorized Company Representative
Harley Feldberg Print Name of Employee	Chief Executive Officer Title of Representative
Date	Date

Exhibit 10.2

CHANGE OF CONTROL AGREEMENT

This Change of Control Agreement (the “Agreement”) is made effective as of the 1st day of March, 2001, between Avnet, Inc., a New York corporation with its principal place of business at 2211 South 47th Street, Phoenix, Arizona 85034 Arizona (“Avnet” or “the Company”) and Edward B. Kamins (the “Officer”). Avnet and the Officer are collectively referred to in this Agreement as “the Parties”.

WHEREAS, the Officer holds the position of Senior Vice President with the Company; and

WHEREAS, the Parties wish to provide for certain payments to the Officer in the event of a Change of Control of the Company and the subsequent termination of the Officer’s employment without cause or the Constructive Termination of the Officer’s employment, as those capitalized terms are defined below;

NO, THEREFORE, the Parties agree as follows:

1. Definitions.

(a) “Change of Control” means the happening of any of the following events:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (A) the then outstanding shares of common stock of the Company or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; provided, however, that the following transactions shall not constitute a Change of Control under this subsection (i): (w) any transaction that is authorized by the Board of Directors of the Company as constituted prior to the effective date of the transaction, (x) any acquisition directly from the Company (excluding an acquisition by virtue of the exercise of a conversation privilege), (y) any acquisition by the Company, or (z) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company; or

(ii) individuals who, as of the effective date hereof, constitute the Board of Directors of the Company (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the effective date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the 11 12 Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or ion behalf of a Person other than the Board; or

(iii) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets of the Company.

(b)“Constructive Termination” means the happening of any of the following events:

(i) a material diminution of Officer’s responsibilities, including, without limitation, title and reporting relationship;

(ii) relocation of the Officer’s office greater than 50 miles from its location as of the effective date of this Agreement without the consent of the Officer,

(iii) a material reduction in Officer’s compensation and benefits.

(c) The “Exchange Act” shall mean the 1934 Securities Exchange Act, as amended.

2. Constructive Termination or Termination after Change of Control. If, within 24 months following a Change of Control, the Company or its successor termites Officer’s employment without cause or by Constructive Termination, Officer will be paid, in lieu of any other rights under any employment agreement between the Officer and the Company, in a lump sum payment, an amount equal to 2.99 times the sum of (i) the Officer’s annual salary for the year in which such termination occurs and (ii) the Officer’s incentive compensation equal to the average of such incentive compensation for the highest two of the last five full fiscal years. All unvested stock options shall accelerate and vest in accordance with the early vesting provisions under the applicable stock option plans and all incentive stock program shares allocated but not yet delivered will be accelerated so as to be immediately deliverable. Officer shall receive his or her accrued and unpaid salary and any accrued and unpaid pro rata bonus (assuming target payout) through the date of termination, and Officer will continue to participate in the medical, dental, life, disability and automobile benefits in which Officer is then participating for a period of two years from the date of termination.

3. Excise Taxes. In the event that Officer is deemed to have received an excess parachute payment (as such term is defined in Section 280G(b) of the Internal Revenue Code of 1986, as amended (the “Cod”)) that is subject to excise taxes (“Excise Taxes”) imposed by Section 4999 of the Code with respect to compensation paid to Officer pursuant to this Agreement, the Company shall make an additional payment equal to the sum of (i) all Excise Taxes payable by Officer plus (ii) any additional Excise Tax or federal or state income taxes imposed with respect to such payments.

4. Miscellaneous. This Agreement modifies any employment agreement between Officer and the Company only with respect to such terms and conditions that are specifically addressed in this Agreement. All other provisions of any employment agreement between the Company and Officer shall remain in full force and effect.

AVNET, INC.

By: /s/ Raymond Sadowski

Its: Senior VP & CFO

Officer

/s/ Edward Kamins

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Roy Vallee, Chief Executive Officer of Avnet, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avnet, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 10, 2004

/s/ ROY VALLEE
Roy Vallee
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Raymond Sadowski, Chief Financial Officer of Avnet, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avnet, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2004

/s/ RAYMOND SADOWSKI

Raymond Sadowski
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report on Form 10-Q for the period ended October 2, 2004 (the “Report”), I, Roy Vallee, Chief Executive Officer of Avnet, Inc., (the “Company”) hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2004

/s/ ROY VALLEE
Roy Vallee
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report on Form 10-Q for the period ended October 2, 2004 (the "Report"), I, Raymond Sadowski, Chief Financial Officer of Avnet, Inc., (the "Company") hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2004

/s/ RAYMOND SADOWSKI
Raymond Sadowski
Chief Financial Officer