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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 December 28, 2001

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

The total number of shares outstanding of the registrant’s Common Stock (net of treasury shares) as of January 25, 2002 .... 118,633,799 shares

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AVNET, INC. AND SUBSIDIARIES

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements with respect to the financial condition, results of operations and business of Avnet, Inc. (“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:

- Competitive pressures among distributors of electronic components and computer products may increase significantly through industry consolidation, entry of new competitors or otherwise.
- General economic or business conditions, domestic and foreign, may be less favorable than we expected, resulting in lower sales than we expected.
- Costs or difficulties related to the integration into Avnet of newly-acquired businesses, or businesses we expect to acquire, may be greater than we expected.
- Avnet may lose customers or suppliers as a result of the integration into Avnet of newly-acquired businesses.
- 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. We caution you not to place undue reliance on these statements, which speak only as of the date of this report.

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

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PART I

FINANCIAL INFORMATION

Item 1. *Financial Statements*

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Thousands, except share amounts)

	December 28, 2001	June 29, 2001
	(unaudited)	(audited)
Assets:		
Current assets:		
Cash and cash equivalents	$ 124,131	$ 97,279
Receivables, less allowances of $75,020 and $65,204, respectively (Note 12)	1,360,869	1,629,566
Inventories (Note 5)	1,612,796	1,917,044
Other	102,607	103,600
Total current assets	3,200,403	3,747,489
Property, plant & equipment, net	405,700	417,159
Goodwill, net of accumulated amortization of $89,361 and $120,127, respectively (Note 4)	836,486	1,404,863
Other assets	306,420	294,637
Total assets	$4,749,009	$5,864,148
Liabilities:		
Current liabilities:		
Borrowings due within one year	$ 67,543	$1,302,129
Accounts payable	868,216	853,196
Accrued expenses and other	367,415	414,740
Total current liabilities	1,303,174	2,570,065
Long-term debt and other long-term liabilities, less due within one year (Note 13)	1,673,636	919,493
Total liabilities	2,976,810	3,489,558
Commitments and contingencies (Note 6)		
Shareholders' equity (Notes 7 and 8):		
Common stock $1.00 par, authorized 300,000,000 shares, issued 118,508,000 shares and 117,840,000 shares, respectively	118,508	117,840
Additional paid-in capital	550,150	542,733
Retained earnings	1,150,658	1,770,645
Cumulative translation adjustments	(46,954)	(56,297)
Treasury stock at cost, 5,926 shares and 12,711 shares, respectively	(163)	(331)
Total shareholders' equity	1,772,199	2,374,590
Total liabilities and shareholders' equity	$4,749,009	$5,864,148

See Notes to Consolidated Financial Statements

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AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Thousands, except per share data)

	First Halves Ended	
	December 28, 2001	**December 29, 2000**
	(unaudited)	**(unaudited)**
Sales	$4,561,045	$6,819,085
Cost of sales	3,931,867	5,788,751
Gross profit	629,178	1,030,334
Selling, shipping, general and administrative expenses	601,747	660,194
Operating income	27,431	370,140
Other income, net	3,789	8,014
Interest expense	(71,172)	(91,414)
Income (loss) from continuing operations before income taxes	(39,952)	286,740
Income tax provision (benefit)	(18,169)	122,452
Income (loss) from continuing operations	(21,783)	164,288
Income from discontinued operations, net of income taxes of $13,611 in 2000	—	20,416
Income (loss) before cumulative effect of change in accounting principle	(21,783)	184,704
Cumulative effect of change in accounting principle (Note 4)	(580,495)	—
Net income (loss)	$ (602,278)	$ 184,704
Earnings (loss) per share from continuing operations (Note 9):		
Basic	$ (0.18)	$ 1.40
Diluted	$ (0.18)	$ 1.37
Earnings (loss) per share before cumulative effect of change in accounting principle (Notes 4 and 9):		
Basic	$ (0.18)	$ 1.58
Diluted	$ (0.18)	$ 1.53
Net earnings (loss) per share (Note 9):		
Basic	$ (5.10)	$ 1.58
Diluted	$ (5.10)	$ 1.53
Shares used to compute earnings (loss) per share (Note 9):		
Basic	117,993	117,048
Diluted	117,993	122,242

See Notes to Consolidated Financial Statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Thousands, except per share data)

	Second Quarters Ended	
	December 28, 2001	**December 29, 2000**
	(unaudited)	**(unaudited)**
Sales	$2,359,850	$3,630,494
Cost of sales	2,041,234	3,087,733
Gross profit	318,616	542,761
Selling, shipping, general and administrative expenses	294,810	351,632
Operating income	23,806	191,129
Other income, net	3,195	7,763
Interest expense	(33,101)	(53,612)
Income (loss) from continuing operations before income taxes	(6,100)	145,280
Income tax provision (benefit)	(3,524)	63,357
Income (loss) from continuing operations	(2,576)	81,923
Income from discontinued operations, net of income taxes of $12,238 in 2000	—	17,645
Net income (loss)	$ (2,576)	$ 99,568
Earnings (loss) per share from continuing operations (Note 9):		
Basic	$ (0.02)	$ 0.70
Diluted	$ (0.02)	$ 0.69
Net earnings (loss) per share (Note 9):		
Basic	$ (0.02)	$ 0.85
Diluted	$ (0.02)	$ 0.83
Shares used to compute earnings (loss) per share (Note 9):		
Basic	118,135	117,120
Diluted	118,135	121,475

See Notes to Consolidated Financial Statements

AVNET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands)

	First Halves Ended	
	December 28, 2001	December 29, 2000
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net income (loss)	$(602,278)	$ 184,704
Income from discontinued operations, net	—	(20,416)
Cumulative effect of change in accounting principle (Note 4)	580,495	—
Net income (loss) from continuing operations	(21,783)	164,288
Non-cash and other reconciling items:		
Depreciation and amortization	46,664	56,406
Deferred taxes	(1,654)	4
Other, net	17,807	12,295
	41,034	232,993
Changes in (net of effects of businesses acquired):		
Receivables	266,086	(252,466)
Inventories	316,332	(276,519)
Payables, accruals and other, net	(19,129)	(62,175)
Net cash flows provided from (used for) operating activities	604,323	(358,167)
Cash flows from financing activities:		
Issuance of notes in public offering, net of issuance costs	394,328	572,682
Repayment of notes	(528,969)	—
(Repayment) issuance of commercial paper and bank debt, net	(360,592)	600,424
Repayment of other debt, net	(2,315)	(98)
Cash dividends	(17,673)	(13,542)
Other, net	7,469	3,705
Net cash flows (used for) provided from financing activities	(507,752)	1,163,171
Cash flows from investing activities:		
Purchases of property, plant and equipment	(45,628)	(69,735)
Acquisition of operations, net (Note 10)	(25,336)	(695,063)
Investments in non-consolidated entities	(20)	(34,232)
Proceeds from sale of discontinued operations	—	175,000
Net cash flows used for investing activities	(70,984)	(624,030)
Effect of exchange rate changes on cash and cash equivalents	1,265	(1,186)
Net decrease in cash from discontinued operations	—	(7,047)
Cash and cash equivalents:		
— increase	26,852	172,741
— at beginning of period	97,279	251,831
— at end of period	$ 124,131	$ 424,572

Additional cash flow information (Note 10)

See Notes to Consolidated Financial Statements

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary, all of which are of a normal recurring nature, except for the cumulative effect of change in accounting principle discussed in Note 4, to present fairly the Company’s financial position as of December 28, 2001 and June 29, 2001; the results of operations for the first halves and second quarters ended December 28, 2001 and December 29, 2000; and the cash flows for the first halves ended December 28, 2001 and December 29, 2000. 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 June 29, 2001.

2. Effective June 8, 2001, the Company acquired Kent Electronics Corporation (“Kent”) in a transaction accounted for as a “pooling-of-interests.” Accordingly, the accompanying consolidated financial statements and notes for periods prior to the acquisition have been restated to reflect the acquisition of Kent.

3. The results of operations for the first half and second quarter ended December 28, 2001 are not necessarily indicative of the results to be expected for the full year.

4. In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (“SFAS 141”), “Business Combinations,” and Statement of Financial Accounting Standards No. 142 (“SFAS 142”), “Goodwill and Other Intangible Assets.” SFAS 141 requires that all business combinations be accounted for under the purchase method only and that certain identifiable intangible assets be recognized as assets apart from goodwill. SFAS 141 is effective for all business combinations initiated after June 30, 2001. SFAS 142 requires that ratable amortization of goodwill be replaced with periodic tests for goodwill impairment and that intangible assets with finite lives be amortized over their useful lives. The Company has elected to early adopt the provisions of SFAS 142 effective June 30, 2001, the first day of the Company’s fiscal year 2002. Therefore, the amortization of goodwill was suspended effective on that date. The following table presents the pro forma financial results for the quarters and first halves ended December 28, 2001 and December 29, 2000, respectively, on a basis consistent with the new accounting principle:

	Quarters Ended		**First Halves Ended**	
	December 28, 2001	**December 29, 2000**	**December 28, 2001**	**December 29, 2000**
	(Thousands, except per share data)			
Income (loss) from continuing operations	$(2,576)	$ 81,923	$ (21,783)	$164,288
Add back goodwill amortization	—	8,890	—	16,243
Income (loss) from continuing operations, as adjusted	(2,576)	90,813	(21,783)	180,531
Income from discontinued operations, net	—	17,645	—	20,416
Income (loss) before cumulative effect of change in accounting principle, as adjusted	(2,576)	108,458	(21,783)	200,947
Cumulative effect of change in accounting principle	—	—	(580,495)	—
Net income (loss), as adjusted	$(2,576)	$108,458	$(602,278)	$200,947

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Quarters Ended		First Halves Ended	
	December 28, 2001	December 29, 2000	December 28, 2001	December 29, 2000
	(Thousands, except per share data)			
Basic earnings (loss) per share:				
Earnings (loss) per share from continuing operations, as adjusted	$(0.02)	$0.78	$(0.18)	$1.54
Earnings (loss) per share before cumulative effect of change in accounting principle, as adjusted	$(0.02)	$0.93	$(0.18)	$1.72
Net earnings (loss) per share, as adjusted	$(0.02)	$0.93	$(5.10)	$1.72
Diluted earnings (loss) per share:				
Earnings (loss) per share from continuing operations, as adjusted	$(0.02)	$0.76	$(0.18)	$1.50
Earnings (loss) per share before cumulative effect of change in accounting principle, as adjusted	$(0.02)	$0.90	$(0.18)	$1.67
Net earnings (loss) per share, as adjusted	$(0.02)	$0.90	$(5.10)	$1.67

The Company has no goodwill or intangibles deemed to have a finite life. The carrying amount of goodwill upon adoption of SFAS 142 was $1.4 billion. There have been no changes in this carrying amount during the quarter and first half ended December 28, 2001 except for the impact of changes in foreign currency exchange rates on goodwill denominated in currencies other than U.S. dollars, the transition impairment charge discussed below and additional amounts discussed in Note 10.

Under the transitional provisions of SFAS 142, the Company identified and evaluated its reporting units for impairment of goodwill as of June 30, 2001, the first day of the Company’s fiscal year 2002. The carrying amount of certain reporting units exceeded their fair values at the date of adoption. As a result, the Company recorded an impairment charge of $580.5 million, which was recorded as a cumulative effect of a change in accounting principle in the first quarter of fiscal 2002 and is reflected in the accompanying consolidated statement of operations for the first half ended December 28, 2001. The following table presents the carrying amount of goodwill, by reportable segment, for the periods presented.

	Electronics Marketing	Computer Marketing	Applied Computing	Total
	(In thousands)			
Carrying value at June 29, 2001	$1,139,430	$265,433	$ —	$1,404,863
Cumulative effect of change in accounting principle	(563,492)	(17,003)	—	(580,495)
Other	11,179	939	—	12,118
Carrying value at December 28, 2001	$ 587,117	$249,369	$ —	$ 836,486

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The following table reflects the impact of the cumulative effect of change in accounting principle on the reported results for the Company's first quarter ended September 28, 2001:

Net loss, as reported	$ (19,207)
Cumulative effect of change in accounting principle	(580,495)
Net loss, as adjusted	$(599,702)
Net loss per share, as reported:	
Basic	$ (0.16)
Diluted	$ (0.16)
Net loss per share, as adjusted to include cumulative effect of change in accounting principle:	
Basic	$ (5.09)
Diluted	$ (5.09)

5. Inventories:

	December 28, 2001	June 29, 2001
	(Thousands)	
Finished goods	$1,514,832	$1,827,486
Work in process	5,414	19,104
Purchased parts and raw materials	92,550	70,454
	$1,612,796	$1,917,044

6. From time to time, the Company may become liable with respect to pending and threatened litigation, taxes, and environmental and other matters. The Company has been designated a potentially responsible party or has had other claims made against it in connection with environmental clean-ups at several sites. Based upon the information known to date, management believes that the Company 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. Number of shares of common stock reserved for stock options and stock incentive programs as of December 28, 2001	14,646,170

8. Comprehensive income (loss):

	Quarters Ended		First Halves Ended	
	December 28, 2001	December 29, 2000	December 28, 2001	December 29, 2000
	(Thousands)			
Net income (loss)	$ (2,576)	$ 99,568	$(602,278)	$184,704
Foreign currency translation adjustments	(27,834)	69,700	9,343	59,546
Valuation adjustments — unrealized loss on investments in marketable securities	—	(4,079)	—	(2,293)
Total comprehensive income (loss)	$(30,410)	$165,189	$(592,935)	$241,957

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9. Earnings (loss) per share:

	Quarters Ended		First Halves Ended	
	December 28, 2001	December 29, 2000	December 28, 2001	December 29, 2000
	(Thousands, except per share data)			
Numerator:				
Income (loss) from continuing operations	$ (2,576)	$ 81,923	$ (21,783)	$164,288
Interest on 4.5% convertible notes, net of tax	—	1,397	—	2,795
Adjusted income (loss) from continuing operations	(2,576)	83,320	(21,783)	167,083
Income from discontinued operations, net	—	17,645	—	20,416
Adjusted income (loss) before cumulative effect of change in accounting principle	(2,576)	100,965	(21,783)	187,499
Cumulative effect of change in accounting principle	—	—	(580,495)	—
Adjusted net income (loss)	$ (2,576)	$100,965	$(602,278)	$187,499
Denominator:				
Weighted average common shares for basic earnings (loss) per share	118,135	117,120	117,993	117,048
Net effect of dilutive stock options and restricted stock awards	—	719	—	1,558
Net effect of 4.5% convertible notes	—	3,636	—	3,636
Weighted average common shares for diluted earnings (loss) per share	118,135	121,475	117,993	122,242
Basic earnings (loss) per share:				
Income (loss) from continuing operations	$ (0.02)	$ 0.70	$ (0.18)	$ 1.40
Discontinued operations, net	—	0.15	—	0.18
Cumulative effect of change in accounting principle	—	—	(4.92)	—
Net earnings (loss) per basic share	$ (0.02)	$ 0.85	$ (5.10)	$ 1.58
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	$ (0.02)	$ 0.69	$ (0.18)	$ 1.37
Discontinued operations, net	—	0.14	—	0.16
Cumulative effect of change in accounting principle	—	—	(4.92)	—
Net earnings (loss) per diluted share	$ (0.02)	$ 0.83	$ (5.10)	$ 1.53

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The 4.5% convertible notes are excluded from the computation of diluted earnings (loss) per share from continuing operations and diluted earnings (loss) per share in the quarter and first half ended December 28, 2001 as the effects were antidilutive. Substantially all of the convertible notes were repaid during the quarter ended September 28, 2001. Other potentially dilutive securities, consisting of stock options and restricted stock awards (538,182 shares and 758,434 shares, respectively, computed using the treasury stock method), were also not included in the computation of diluted earnings (loss) per share for the quarter and first half ended December 28, 2001 because to do so would have been antidilutive.

10. Additional cash flow information:

Other non-cash and other reconciling items primarily includes the provision for doubtful accounts and certain non-recurring items.

Acquisitions of operations in the first half of fiscal 2002 includes primarily contingent purchase price payouts associated with businesses acquired in the prior fiscal year, principally for Sunrise Technology Ltd. and the Savoir Technology Group, Inc., and the purchase of the remaining 20% of Kopp Electronics Limited. The purchase prices for the acquisitions accounted for as purchases have been allocated, on a preliminary basis, to the assets acquired and liabilities assumed based upon estimated fair values as of the acquisition date and are subject to adjustment when additional information concerning asset and liability valuations is finalized.

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

	First Halves Ended	
	December 28, 2001	December 29, 2000
	(Thousands)	
Interest	$71,030	$ 80,756
Income taxes	11,701	111,389

AVNET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Segment information:

	Quarters Ended		First Halves Ended	
	December 28, 2001	December 29, 2000	December 28, 2001	December 29, 2000
	(Thousands)			
Sales:				
Electronics Marketing	$1,171,915	$2,312,219	$2,409,521	$4,539,141
Computer Marketing	704,797	830,542	1,276,752	1,518,699
Applied Computing	483,138	487,733	874,772	761,245
	$2,359,850	$3,630,494	$4,561,045	$6,819,085
Operating income (loss):				
Electronics Marketing	$ (1,800)	$ 172,474	$ (6,769)	$ 345,972
Computer Marketing	23,036	29,771	33,874	49,492
Applied Computing	16,975	16,004	31,475	27,075
Corporate	(14,405)	(27,120)	(31,149)	(52,399)
	$ 23,806	$ 191,129	$ 27,431	$ 370,140
Sales, by geographic area:				
Americas	$1,427,777	$2,525,932	$2,758,093	$5,011,618
EMEA	759,429	966,740	1,466,043	1,521,825
Asia/ Pacific	172,644	137,822	336,909	285,642
	$2,359,850	$3,630,494	$4,561,045	$6,819,085

	December 28, 2001	June 29, 2001
	(Thousands)	
Assets:		
Electronics Marketing	$1,887,268	$3,211,946
Computer Marketing	826,113	880,645
Applied Computing	560,202	423,821
Corporate	1,475,426	1,347,736
	$4,749,009	$5,864,148
Assets, by geographic area:		
Americas	$3,546,764	$3,946,044
EMEA	914,622	1,532,810
Asia/ Pacific	287,623	385,294
	$4,749,009	$5,864,148

12. Accounts receivable securitization:

In June 2001, the Company entered into a five-year $350 million accounts receivable securitization program whereby it sells, on a revolving basis, an undivided interest in a pool of its trade accounts receivable. 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. Under the program, the Company sells receivables in securitization transactions and retains a subordinated interest and servicing rights to those receivables. As of December 28, 2001, the Company had sold $350 million of receivables under the program which is reflected as a reduction of receivables in the accompanying balance sheet. Included in receivables in the accompanying consolidated balance sheet is the Company's retained interest in eligible receivables of $163.1 million at both December 28, 2001 and June 29, 2001. The cash received from the sale of receivables was used primarily to pay down outstanding borrowings. Accordingly, the amount of debt reflected on the balance sheets included in this report has been reduced by the $350 million of proceeds from receivables sold under the program.

13. Financial Instruments:

During the quarter ended December 28, 2001, the Company entered into two interest rate swaps (the Swaps) with a total notional amount of $400 million in order to hedge the change in fair value of certain fixed rate debt related to fluctuations in interest rates. These contracts are classified as fair value hedges and mature in fiscal 2007. The Swaps modify the Company's interest rate exposure by effectively converting the fixed 8.0% Notes issued in November 2001 to a floating rate based on the three-month U.S. dollar LIBOR plus a spread through their maturities. The hedged fixed rate debt and the Swaps are adjusted to current market values through interest expense. During the quarter, the market value adjustments for the debt hedged and Swaps directly offset one another. The fair value of the Swaps at December 28, 2001 was $6.1 million and is included in other long-term liabilities in the accompanying consolidated balance sheet.

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

OVERVIEW

Organization

The Company currently consists of three major operating groups: Electronics Marketing ("EM"), Computer Marketing ("CM") and Applied Computing ("AC"). EM focuses on the global distribution of, and value-added services associated with, electronics components; CM focuses on middle-to-high-end, value-added computer products distribution and related services; and AC serves the needs of personal computer original equipment manufacturers ("OEMs") and system integrators by providing the latest technologies such as microprocessors, DRAM modules and motherboards, and serves the needs of embedded systems OEMs that require technical services such as product prototyping, configurations and other value-added services.

With the retirement of Brian Hilton, president of EM, to be effective with the close of fiscal 2002, Roy Vallee, Chairman and CEO of the Company, announced in January 2002 that 22-year Avnet employee Andy Bryant, president of CM, would become the new president of EM. In addition, Rick Hamada, a 20-year Avnet employee, has been promoted to president of CM worldwide replacing Mr. Bryant. Mr. Hamada was the president of CM's largest division before assuming his new responsibilities.

Acquisitions

The results for the current year include a number of acquisitions completed by the Company subsequent to the end of last year's first fiscal quarter that affect the comparative financial results discussed below. In October 2000, the Company acquired certain European operations of VEBA Electronics Group (consisting of EBV, WBC, Atlas Logistics and RKE Systems, collectively, the "VEBA Group"). In February 2001, the Company acquired RDT Technologies Ltd., and in May 2001, the Company completed the acquisition of Sunrise Technology Ltd. Also, effective June 8, 2001, the Company acquired Kent Electronics Corporation ("Kent") in a transaction accounted for as a "pooling-of-interests." Accordingly, the accompanying consolidated financial statements and notes, as well as the information in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for periods prior to the acquisition, have been restated to reflect the acquisition of Kent.

The Company has pursued and expects to continue to pursue strategic acquisitions to expand its business. However, the Company currently does not anticipate further material acquisitions until it has completed the full integration of its recent acquisitions and strengthened its balance sheet. Management believes that the Company has the ability to generate sufficient capital resources from internal or external sources in order to continue its expansion program. In addition, as with past acquisitions, management does not expect that future acquisitions will materially impact the Company's liquidity.

Stock Split

On August 31, 2000, the Company's Board of Directors declared a two-for-one stock split to be effected in the form of a stock dividend (the "Stock Split"). The additional common stock was distributed on September 28, 2000 to shareholders of record on September 18, 2000. All references in this MD & A and elsewhere in this Report, to the number of shares, per share amounts and market prices of the Company's common stock have been restated to reflect the stock split and the resulting increased number of shares outstanding.

RESULTS OF OPERATIONS

Overview

The results for fiscal 2002 to date reflect an extremely difficult environment across all of the Company's operating groups, although the EM business has been most severely affected, offset only to a limited extent by acquisitions completed since the first fiscal quarter of 2001. However, enterprise revenues for the second quarter were somewhat better than expected. As noted below, both CM and AC posted strong sequential sales gains in the second quarter of the current fiscal year as compared with the first quarter which, when combined with a significantly slower rate of sequential quarterly sales decline at EM, appears to provide evidence that the decline in business conditions has hit its low-point and that the business environment should begin to improve.

Sales

The Company closed the second quarter of fiscal 2002 with consolidated sales of $2.36 billion, down 35% year-over-year, but up sequentially by 7% as compared with the first quarter of fiscal 2002. Sales for EM in the second quarter of fiscal 2002 of $1.17 billion were down 49% as compared with last year's second quarter and down by 5% sequentially from the first quarter of fiscal 2002. Sales for CM of $704.8 million and AC of $483.1 million were down 15% and 1%, respectively, as compared with last year's second quarter. However, CM and AC each grew sales by over 23% sequentially from the first quarter of fiscal 2002, benefiting from a strong seasonal gain. As a result, CM and AC combined accounted for approximately 50% of enterprise sales for the second quarter of fiscal 2002.

Consolidated sales for the first half of fiscal 2002 were $4.56 billion, down 33% as compared with $6.82 billion in the first half of last year. EM sales of $2.41 billion and CM sales of $1.28 billion in the first half of fiscal 2002 were down 47% and 16%, respectively, as compared with the prior year first half sales of $4.54 billion for EM and $1.52 billion for CM. AC had sales of $874.8 million in the first half of fiscal 2002 as compared with sales of $761.2 million in the first half of fiscal 2001, an increase of 15%.

The table below provides fiscal period revenues and analysis for the Company and its operating units.

FISCAL PERIOD REVENUES AND ANALYSIS

(Dollars in thousands)

	Q2-FY02 (Dec-01)	Q1-FY02 (Sept-01)	Sequential % Change	Q2-FY01 (Dec-00)	Year – Year % Change
Avnet, Inc.	$2,359,850	$2,201,195	7.2%	$3,630,494	(35.0)%
EM	1,171,915	1,237,606	(5.3)	2,312,219	(49.3)
CM	704,797	571,955	23.2	830,542	(15.1)
AC	483,138	391,634	23.4	487,733	(0.9)
EM					
Americas	655,841	676,223	(3.0)	1,620,778	(59.5)
EMEA	372,318	421,286	(11.6)	573,062	(35.0)
Asia	143,756	140,097	2.6	118,379	21.4
CM					
Americas	559,669	475,311	17.8	692,452	(19.2)
EMEA	135,435	86,818	56.0	128,103	5.7
Asia	9,693	9,826	(1.4)	9,987	(2.9)
AC					
Americas	212,267	178,782	18.7	212,702	(0.2)
EMEA	251,676	198,510	26.8	265,575	(5.2)
Asia	19,195	14,342	33.8	9,456	103.0

Gross Margins

Consolidated gross profit margins of 13.50% in the second quarter of fiscal 2002 were lower by 145 basis points as compared with 14.95% in the second quarter of fiscal 2001, while consolidated gross margins decreased by 61 basis points from the first quarter of fiscal 2002. These decreases were caused primarily by a change in the mix of business within the Company as CM and AC, which have lower gross margins than EM, provided a higher proportion of consolidated sales as compared with prior periods. In addition, the product mix within these operating groups also affected gross profit margins, as disk drive and microprocessor sales, two product groups with historically low margins, increased as a percentage of sales within the groups. The overall gross profit margins of the Company will continue to be affected by the changing product mix as it adjusts to economic and market factors. The two computing technology businesses (AC and CM), which service distinct sectors of the technology supply chain, are becoming a significant counterbalance to the heavily cyclical components business of EM. As a result, the mix of business factor is an ever-important one in determining Avnet's consolidated gross margins.

Consolidated gross profit margins in the first half of fiscal 2002 were 13.8% as compared with 15.1% in the first half of last year. This decrease in gross profit margins was due primarily to the mix of business as described above.

Operating Expenses

For the second consecutive quarter, operating expenses in absolute dollars were lower on both a year- over-year and on a sequential quarterly basis. Operating expenses totaled $294.8 million for the second quarter of fiscal 2002, as compared with $351.6 million in the second quarter a year ago and $306.9 million in the first quarter of fiscal 2002. In response to the economic and market conditions of the last twelve months, all three operating groups have executed expense reduction plans. The second quarter fiscal 2002 results reflect a reduction in annualized operating expenses in excess of $240 million as compared with the run rate of expenses at the end of the second quarter of fiscal 2001. This reduction is based on a pro forma adjustment to the actual reported expenses in the second quarter of fiscal 2001 to account for the impact of the operations of the VEBA Group, which were acquired partway through that quarter. Although operating expenses decreased in absolute dollars, operating expenses for the second quarter of fiscal 2002 increased as a percentage of sales from a year ago, to 12.5% in fiscal 2002 from 9.7% in fiscal 2001. This increase was caused primarily by the significant and rapid decrease in consolidated sales at a higher rate than the reduction in variable operating expenses.

Operating expenses for the first half of fiscal 2002 were $601.7 million down significantly as compared with $660.2 million in the first half of last year. However, the decrease in operating expenses did not keep pace with the drop in sales during that period resulting in an increase in expenses as a percentage of sales to 13.2% in the first half of fiscal 2002 as compared with 9.7% in the first half of last year.

Operating Income (Loss)

Operating income of $23.8 million in the second quarter of fiscal 2002 represented 1.01% of sales as compared with $191.1 million, or 5.26% of sales, in the second quarter of fiscal 2001. However, operating income for the second quarter was $20.2 million higher than the $3.6 million earned in the first quarter of the current fiscal year. Operating income as a percentage of sales for the second quarter of fiscal 2002 was up 85 basis points sequentially from the first quarter of fiscal 2002.

EM's operating loss before the allocation of corporate expenses was $1.8 million in the second quarter of fiscal 2002 as compared with income of $172.5 million in the prior year's second quarter. CM's operating income before the allocation of corporate expenses was $23.0 million in the second quarter of fiscal 2002 as compared with $29.8 million in the second quarter of last year. AC produced operating income of $17.0 million in the second quarter of fiscal 2002 as compared with $16.0 million in the second quarter of last year. The high rate of decline in operating income at EM is a result of the more severe impact of the economic downturn on EM's business as discussed previously.

Operating income for the first half fiscal 2002 was $27.4 million as compared with $370.1 million in the first half of last year. Operating income as a percentage of sales was 0.6% in the first half of the current year as compared with 5.4% last year.

Interest Expense

Interest expense for the second quarter of fiscal 2002 was down on both a sequential quarter and year-over-year basis. Interest expense was $33.1 million for the second quarter of fiscal 2002 as compared with last year’s second quarter expense of $53.6 million, a decrease of over 38%. Sequentially, interest expense was down by 13% as compared with the first quarter of fiscal 2002. Interest expense in the first half of fiscal 2002 of $71.2 million was down 22% as compared with $91.4 million in last year’s first half. The reduction of interest expense was primarily driven by a significant reduction in debt as each of the operating groups generated cash during the first half of fiscal 2002 fueled by reductions in working capital. Working capital reduction is one of the ways the Company lowers its cost of doing business in response to difficult business conditions. Driven primarily by reductions in working capital, enterprise debt was reduced by $203 million during the quarter, and since the end of December 2000, excluding the impact of the Company’s asset securitization program as described later in this MD&A, debt was reduced by over $1.2 billion.

Change in Accounting Principle — Goodwill

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142 (“SFAS 142”), “Goodwill and Other Intangible Assets,” which establishes financial accounting and reporting for acquired goodwill and other intangible assets. SFAS 142 requires that ratable amortization of goodwill be replaced with periodic tests for goodwill impairment and that intangible assets with finite lives be amortized over their useful lives. The Company has elected to early adopt the provisions of SFAS 142 effective June 30, 2001, the first day of the Company’s fiscal year 2002. Therefore, the amortization of goodwill was suspended effective on that date. Under the required transitional provisions of SFAS 142, the Company identified and evaluated its reporting units for impairment as of June 30, 2001 using a two-step process. The Company engaged an outside valuation consultant to assist in this process. The first step was to ascertain whether there was an indication that any of the Company’s goodwill was impaired. This was accomplished by identifying the Company’s reporting units pursuant to the guidelines set out in SFAS 142 and then determining the carrying value of each of those reporting units by assigning the Company’s assets and liabilities, including existing goodwill, to each of those reporting units as of June 30, 2001. For the purpose of this process, the reporting unit structure was defined as each of the three regional (Americas, EMEA and Asia/Pacific) businesses for each of the Company’s operating groups. The fair value of each reporting unit was determined by using a combination of present value and multiple of earnings valuation techniques. Such fair value was then compared to the carrying value of each reporting unit. As a result of completing the first step of the process, it was determined that there was an impairment of goodwill related to the Company’s EM and CM operations in both EMEA and Asia. There was no impairment of goodwill in the Americas region. In the second step of the process, the implied fair value of the affected reporting unit’s goodwill was compared to its carrying value in order to determine the amount of impairment, that is the amount by which the carrying amount exceeded the fair value. As a result of the valuation process, the Company recorded an impairment charge of $580.5 million, which was recorded as a cumulative effect of a change in accounting principle in the first quarter of fiscal 2002 and is reflected in the accompanying consolidated statement of operations for the first half ended December 28, 2001. As reflected in the accompanying consolidated statement of cash flows for the first half of fiscal 2002, the charge resulting from the cumulative effect of change in accounting principle did not impact cash flow. This cumulative effect of change in accounting principle may be adjusted slightly by the end of fiscal 2002 based upon the resolution of acquisition cost contingencies.

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

Net Income (Loss)

As a result of the factors described above, the Company recorded a net loss of $2.6 million from continuing operations in the second quarter of fiscal 2002, or $0.02 per share on a diluted basis, a significant sequential improvement as compared with a net loss of $19.2 million, or $0.16 per share on a diluted basis, in the first quarter of the current fiscal year. This compares with income from continuing operations in the second quarter of last year of $81.9 million, or $0.69 per share on a diluted basis. Including income from discontinued operations, net income in last year's second quarter was $99.6 million, or $0.83 per share on a diluted basis.

Net income (loss) from continuing operations in the first half of fiscal 2002 was a loss of $21.8 million as compared with income of $164.3 million in the first half of last year. Including the cumulative effect of change in accounting principle related to goodwill discussed above, the Company had a net loss of $602.3 million for the first half of fiscal 2002. Fiscal 2001 first half net income, including $20.4 million of income from discontinued operations, was $184.7 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

During the first half of fiscal 2002, the Company generated $41.0 million from income before the cumulative effect of the change in accounting principle, depreciation, amortization and other non-cash items, and generated $563.3 million from reductions in working capital, resulting in $604.3 million of net cash flows generated from operations. In addition, the Company used $54.6 million for other normal business operations including purchases of property, plant and equipment ($45.6 million) and dividends ($17.7 million), offset somewhat by cash generated from other items ($8.7 million). This resulted in $549.7 million in cash flow generation from normal business operations. The Company also used $25.4 million for acquisitions and investments in non-consolidated entities. As a result, the Company generated $524.3 million during the first half of fiscal year 2002 of which $497.5 million was used for the net repayment of debt and $26.8 million was added to the Company's available cash and cash equivalents. As previously announced, the Company will look to more effectively deploy its cash to fuel future earnings growth and deliver increased shareholder value by discontinuing the payment of its cash dividend effective after the dividend payment on January 2, 2002.

Currently, the Company does not have any material commitments for capital expenditures.

Capital Structure

On November 16, 2001, the Company issued $400.0 million of 8.0% Notes due November 16, 2006 (the "Notes"). The net proceeds received by the Company from the sale of the Notes were approximately $394.3 million after deduction of the underwriting discounts and other expenses associated with the sale. The net proceeds from the Notes have been used to repay commercial paper and other short-term indebtedness. The Notes were hedged with two interest rate swaps as discussed in Note 13 to the accompanying consolidated financial statements.

On October 25, 2001, the Company entered into agreements providing $1 billion in financing with a syndicate of banks led by Bank of America in order to replace the then existing $1.25 billion 364-day credit facility and the $700 million five-year credit facility. This new bank financing is divided into three separate credit facilities: a multi-year facility, a 364-day facility and a term loan facility. The multi-year facility is a three-year revolving, multi-currency facility that matures on October 23, 2004 and provides up to $428.75 million in financing. The 364-day facility is a revolving, multi-currency facility that matures on October 23, 2002 and provides up to $488.75 million in financing. The term loan facility, which matured on November 16, 2001, was a U.S. dollar facility that provided up to $82.5 million in financing. The Company may select from various interest rate options and maturities under these facilities, although the Company intends to use a significant amount as a back-up for its commercial paper program pursuant to which the Company is authorized to issue short-term notes for current operational business requirements. The credit agreements contain various covenants, none of which management believes materially limit the Company's financial flexibility to pursue its intended business strategy.

On October 12, 2001, Avnet Financial Services CVA, a wholly-owned subsidiary incorporated in Belgium, entered into an agreement with a Belgian bank which provides for the issuance of up to Euro 100 million in Treasury Notes. The Treasury Note program is a multi-currency program pursuant to which short term notes may be issued with maturities from seven days to one year with either fixed or floating rates of interest. This program is intended to partially finance the working capital requirements of the Company's European operations.

In June 2001, the Company entered into a five-year $350 million accounts receivable securitization program whereby it sells, on a revolving basis, an undivided interest in a pool of its trade accounts receivable. Under the program, the Company sells receivables in securitization transactions and retains a subordinated interest and servicing rights to those receivables. At December 28, 2001, the Company had sold $350 million of receivables under the program, which is reflected as a reduction of receivables in the accompanying balance sheet. The cash received from the sale of receivables was used primarily to pay down outstanding borrowings. Accordingly, the amount of debt reflected on the balance sheets included in this report has been reduced by the $350 million of receivables sold under the program. The purpose of this 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. On February 6, 2002, the Company amended its accounts receivable securitization agreements to provide an additional $100 million, bringing the aggregate funding available under the program up to $450 million.

In October 2000, the Company issued $250.0 million of 8.20% Notes due October 17, 2003 (the "8.20% Notes") and issued $325.0 million of Floating Rate Notes due October 17, 2001 (the "Floating Rate Notes"). The proceeds from the sale of the 8.20% Notes and the Floating Rate Notes were approximately $572.7 million after deduction of underwriting discounts and other expenses associated with the sale. The Floating Rate Notes were repaid upon their maturity in October 2001. The Floating Rate Notes bore interest at an annual rate equal to three-month LIBOR, reset quarterly, plus 87.5 basis points (0.875%). After temporarily using the net proceeds from the 8.20% Notes and the Floating Rate Notes to pay down commercial paper and make investments in short-term securities, the net proceeds were used to fund the acquisition of certain European operations of the VEBA Group as described in the "Acquisitions" section above.

On October 27, 2000, the Company entered into a $1.25 billion 364-day credit facility with a syndicate of banks. This facility provided additional working capital capacity. The Company was able to select from various interest rate options and maturities under this facility, although the Company utilized the facility primarily as back-up for its commercial paper program. This facility expired upon maturity and was replaced by the $1.0 billion of credit facilities described above.

The Company also has several small credit facilities available to fund the short term working capital, foreign exchange, overdraft and letter of credit needs of its European and Asian operations.

Liquidity

The Company's quick assets at December 28, 2001 totaled $1.485 billion as compared with $1.727 billion at June 29, 2001. At December 28, 2001, quick assets were greater than the Company's current liabilities by $181.8 million as compared with a $843.2 million deficit at the end of fiscal 2001. Working capital at December 28, 2001 was $1.897 billion as compared with $1.177 billion at June 29, 2001. At December 28, 2001, to support each dollar of current liabilities, the Company had $1.14 of quick assets and $1.32 of other current assets, for a total of $2.46 as compared with $1.46 at June 29, 2001. The principal reason for the increase in the working capital and quick ratios indicated above was the decrease in short-term borrowings as a result of a change in the Company's debt structure discussed in "Capital Structure" above. The Company routinely evaluates its capital structure and may, if deemed appropriate, issue equity or equity-linked securities in the future. Management is not now aware of any commitments, contingencies or events within the Company's control that may significantly change its ability to generate sufficient cash from internal or external sources to meet its needs.

MARKET RISK

Legal/Regulatory Risk Analysis

The Company and the former owners of a Company-owned site in Oxford, North Carolina have entered into a Consent Decree and Court Order with the Environmental Protection Agency (EPA) for the environmental clean-up of the site, the cost of which, according to the EPA's remedial investigation and feasibility study, is estimated to be approximately $6.3 million, exclusive of the $1.5 million in EPA past costs paid by the potentially responsible parties (PRP's). Pursuant to a Consent Decree and Court Order entered into between the Company and the former owners of the site, the former owners have agreed to bear at least 70% of the clean-up costs of the site, and the Company will be responsible for not more than 30% of those costs. In addition, the Company has become aware of claims that may be made against it and/or its Sterling Electronics Corp. subsidiary, which was acquired as part of the acquisition of Marshall Industries. Sterling once owned 92.46% of the capital stock of Phaostron, Inc. In August 1995, Sterling sold the interest in Phaostron to Westbase, Inc. At the time of the sale, Sterling and Westbase entered into an agreement related to environmental costs resulting from alleged contamination at a facility leased by Phaostron that is a part of the San Gabriel Valley Superfund Site. The agreement provided that Sterling would pay up to $800,000 for environmental costs associated with the site. The Company does not believe that Sterling or the Company will be responsible for environmental costs in excess of $800,000 and has established what it believes to be adequate reserves for any share of such costs that may be borne by Sterling or the Company. In addition, the Company has received notice from a third party of its intention to seek indemnification for costs it may incur in connection with an environmental clean-up at a site in Rush, Pennsylvania resulting from the alleged disposal of wire insulation material at the site by a former unit of the Company. Based upon the information known to date, management believes that the Company has appropriately accrued in its financial statements for its share of the costs of the clean-ups with respect to the above mentioned sites. The Company is also a defendant in a lawsuit brought against it at an environmental clean-up site in Huguenot, New York. At this time, management cannot estimate the amount of the Company's potential liability, if any, for clean-up costs in connection with this site, but does not anticipate that this matter, or any other contingent matters, will have a material adverse impact on the Company's financial condition, liquidity or results of operations.

Impact of Foreign Currency and Interest Rate Fluctuations

Many of the Company's operations, primarily its international subsidiaries, occasionally purchase and sell products in currencies other than their functional currencies. This subjects the Company to the risks associated with fluctuations of foreign currency exchange rates. The Company reduces this risk by utilizing natural hedging (offsetting receivables and payables) as well as by creating offsetting positions through the use of derivative financial instruments, primarily forward foreign exchange contracts with maturities of less than sixty days. The market risk related to the foreign exchange contracts is offset by the changes in valuation of the underlying items being hedged. The amount of risk and the use of derivative financial instruments described above is not material to the Company's financial position or results of operations.

The Company is also exposed to the impact of changes in short-term interest rates. The Company utilizes a mix of debt maturities along with both fixed rate and variable rate debt to manage changes in interest rates. In addition, the Company enters into interest rate swaps to further manage its exposure to interest rate changes related to its borrowings and to lower its overall borrowing costs. As of January 30, 2002, approximately 43% of the Company's outstanding debt was in fixed rate instruments and 57% (including as debt the $350 million outstanding under the Company's accounts receivable securitization program) was subject to variable short-term interest rates, after giving effect to the interest rate swaps.

The Company does not hedge either its investment in its foreign operations or its floating interest rate exposures. The Company adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 133 ("SFAS 133") "Accounting for Derivative Instruments and Hedging Activities" on July 1, 2000. The adoption of SFAS 133 did not have a material impact on the Company's financial statements.

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

See Note 1 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended June 29, 2001 and the "Liquidity and Capital Resources" and "Market Risk" sections of Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 2 of this Form 10-Q.

PART II — OTHER INFORMATION

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

(a) The 2001 Annual Meeting of Shareholders of the Company was held on November 29, 2001.

(b) Not required. Proxies were solicited by the Company pursuant to Regulation 14A under the Securities Exchange Act of 1934, and no solicitation in opposition to management's nominees for the board of directors was made. All of the nominees were elected.

(c) The shareholders of the Company were asked to vote upon (i) election of directors, (ii) a proposal to approve an amendment to the Avnet Employee Stock Purchase Plan to authorize an additional 1,000,000 shares reserved for sale under the Plan, and (iii) ratification of the appointment of Arthur Andersen LLP as independent public accountants for the fiscal year ending June 28, 2002. All proposals were adopted by the shareholders by the following votes:

Election of Directors:	For	Withheld
Eleanor Baum	105,468,792	178,126
J. Veronica Biggins	105,455,870	191,048
Lawrence W. Clarkson	105,485,261	161,657
Ehud Houminer	105,474,705	172,213
James A. Lawrence	105,484,196	162,722
Salvatore J. Nuzzo	105,463,604	183,314
Ray M. Robinson	105,465,588	181,330
Frederic Salerno	105,484,730	162,188
Gary L. Tooker	105,483,060	163,858
Roy Vallee	105,472,015	174,903

Matter	For	Against	Abstain	Broker Non-Votes
Approve an amendment to the Avnet Employee Stock Purchase Plan to authorize an additional 1,000,000 shares reserved for sale under the Plan	104,404,465	1,046,006	196,447	-0-
Ratification of the appointment of Arthur Andersen LLP as independent auditors	104,845,587	693,622	107,709	-0-

(d) Not applicable.

Item 6. *Exhibits and Reports on Form 8-K*

A. Exhibits:

2A.	Amended and Restated Agreement and Plan of Merger dated as of March 2, 2000, among the Company, Tactful Acquisition Corp and Savoir Technology Group, Inc. (incorporated herein by reference to Appendix A to the Proxy Statement/ Prospectus included in the Company's Registration Statement on Form S-4, Registration Number 333-86970).*
2B.	Share Purchase Agreement dated August 7, 2000 by and among VEBA Electronics GmbH, EBV Verwaltungs GmbH i.L., Viterra Grundstucke Verwaltungs GmbH, VEBA Electronics LLC, VEBA Electronics Beteiligungs GmbH, VEBA Electronics (UK) Plc, Raab Karcher Electronics Systems Plc and E.ON Aktiengesellschaft and Arrow Electronics, Inc., Avnet, Inc. and Cherrybright Limited (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 22, 2000, Exhibit 2).*
2C.	Amended and Restated Agreement and Plan of Merger dated as of March 21, 2001, between the Company and Kent Electronics Corporation (incorporated herein by reference to Appendix A to the Joint Proxy Statement/ Prospectus included in the Company's Registration Statement on Form S-4, Registration Number 333-58852).*
3A.	Restated Certificate of Incorporation of the Company (incorporated herein by reference to the Company's Current Report on Form 8-K dated February 12, 2001, Exhibit 3(i)).
3B.	By-laws of the Company, effective July 27, 2001 (incorporated herein by reference to the Company's Current Report on Form 8-K dated September 25, 2001 Exhibit 4).
4.	Note: The total amount of securities authorized under any instrument which defines the rights of holders of Company's long-term debt does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. Therefore, none of such instruments are required to be filed as exhibits to this Report. The Company agrees to furnish copies of such instruments to the Commission upon request.
10.	Amended and Restated Employee Stock Purchase Plan**

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* This Exhibit does not include the Exhibits and Schedules thereto as listed in its table of contents. The Company undertakes to furnish any such Exhibits and Schedules to the Securities and Exchange Commission upon its request.

** Filed herewith.

B. Reports on Form 8-K:

During the second quarter of fiscal 2002, the Company filed the following Current Reports on Form 8-K: (1) Current Report on Form 8-K bearing cover date of October 3, 2001 in which the Company reported under Item 9 that it issued a press release announcing preliminary earnings and an investors teleconference to be held on October 4, 2001; (2) Current Report on Form 8-K bearing cover date of October 22, 2001 in which the Company reported under Item 9 that it issued a press release announcing its first quarter fiscal 2002 earnings conference call would be held on October 25, 2001; (3) Current Report on Form 8-K bearing cover date of October 25, 2001 in which the Company reported under Item 9 that it issued a press release announcing its first quarter fiscal year 2002 results; (4) Current Report on Form 8-K bearing cover date of November 13, 2001 in which the Company reported under Item 9 that it issued a press release announcing that Roy Vallee would be speaking at the Merrill Lynch “US TechTrends Conference” at the Landmark London Hotel in the UK on November 16, 2001; (5) Current Report on Form 8-K bearing cover date of November 13, 2001 in which the Company reported under Item 5 the sale of $400,000,000 aggregate principal amount of its 8% Notes due 2006 in an underwritten public offering and filed related exhibits under Item 7; (6) Current Report on Form 8-K bearing cover date of November 20, 2001 in which the Company reported under Item 9 that it issued a press release announcing that Roy Vallee would be speaking at the Credit Suisse First Boston “Annual Technology Conference” at the Phoenician Resort in Scottsdale, Arizona on November 27, 2001; (7) Current Report on Form 8-K bearing cover date of November 21, 2001 in which the Company reported under Item 9 that it issued a press release announcing the Company’s Annual Meeting of Shareholders to be held on November 29, 2001 at 2:00 p.m. at the Wyndham Buttes Resort, in Tempe, Arizona; and (8) Current Report on Form 8-K bearing cover date of December 10, 2001 in which the Company reported under Item 9 that it issued a press release announcing that Roy Vallee would be speaking at the Raymond James “Annual IT Supply Chain Investor Conference” at the Intercontinental Barclay, in New York City on December 12, 2001.

SIGNATURES

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

AVNET, INC.
(Registrant)

By: /s/ RAYMOND SADOWSKI

Raymond Sadowski
Senior Vice President,
Chief Financial Officer and
Assistant Secretary

By: /s/ JOHN F. COLE

John F. Cole
Controller and
Principal Accounting Officer

Date: February 11, 2002

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INDEX TO EXHIBITS

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** Filed herewith.

EXHIBIT 10

AVNET EMPLOYEE STOCK PURCHASE PLAN

AMENDED AND RESTATED
SEPTEMBER 28, 2001

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AVNET EMPLOYEE STOCK PURCHASE PLAN

AMENDED AND RESTATED
SEPTEMBER 28, 2001

1. PURPOSE.

The purpose of this Avnet Employee Stock Purchase Plan (the "Plan") is to advance the interests of Avnet, Inc, a New York corporation ("the Company"), and its shareholders by providing Eligible Employees (as defined in section 2(g) below) of the Company and its Designated Subsidiaries (as defined in section 2(f) below) with an opportunity to acquire an ownership interest in the Company by purchasing Common Stock of the Company on favorable terms through payroll deductions. It is the intention of the Company that the Plan, as applied to Employees resident in the United States of America, qualify as an "employee stock purchase plan" under section 423 of the Internal Revenue Code of 1986, as amended (the "Code"). Accordingly, provisions of the Plan shall be construed so as to extend and limit participation in a manner consistent with the requirements of section 423 of the Code. As applied to an Employee resident in a country other than the United States of America, the Plan shall not be subject to section 423 of the Code and the terms of the Plan may be subject to an appendix to the Plan corresponding to the Employee's resident country.

2. DEFINITIONS.

(a) "Board" means the Board of Directors of the Company.

(b) "Business Day" means a day when the New York Stock Exchange is open.

(c) "Common Stock" means the common stock, par value $1.00 per share, of the Company, or the number and kind of shares of stock or other securities into which such common stock may be changed in accordance with section 13 of the Plan.

(d) "Committee" means the entity administering the Plan, as provided in section 3 below.

(e) "Compensation" means the total cash compensation, including salary, wages, overtime pay, and bonuses, paid to an Eligible Employee by reason of his employment with the Employer (determined prior to any reduction thereof by operation of a salary reduction election under a plan described in section 401(k) of the Code or section 125 of the Code), as reported on IRS Form W-2, but excluding any amounts not paid in cash which are required to be accounted for as imputed income on IRS Form W-2, any reimbursements of expenses and amounts under stock incentives or stock options.

(f) "Designated Subsidiary" means a Subsidiary that has been designated by the Committee from time to time, in its sole discretion, as eligible to participate in the Plan.

(g) "Eligible Employee" means, with respect to any Offering, an individual who is an Employee at all times during the period beginning three (3) months before the Offering Date and ending on the Offering Date.

(h) "Employee" means any person, including an Insider, who has attained age 18 and is employed by the Company or one of its Designated Subsidiaries, exclusive of any such person whose customary employment with the Company or a Designated Subsidiary is for less than 20 hours per week.

(i) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(j) "Fair Market Value" generally means, with respect to any share of Common Stock, as of any date under the Plan, the closing price of the Common Stock on the New York Stock Exchange on a particular date.

(k) "Insider" means any Participant who is subject to section 16 of the Exchange Act.

(l) "Offering" means any of the offerings to Participants of options to purchase Common Stock under the Plan, each continuing for one month, as described in section 5 below.

(m) "Offering Date" means the first day of the period of an Offering under the Plan, as described in section 5 below.

(n) "Option Price" means the lesser of: (i) 85% of the Fair Market Value of one share of Common Stock on the Offering Date, or (ii) 85% of the Fair Market Value of one share of Common Stock on the Termination Date the definition of which, for purposes of this subsection 2(n) only, shall be subject to Treas. Reg. sec.1.421-7(f).

(o) "Participant" means an Eligible Employee who elects to participate in Offerings under the Plan pursuant to section 6 below.

(p) "Securities Act" means the Securities Act of 1933, as amended.

(q) "Subsidiary" means any corporation, other than the Company, in an unbroken chain of corporations, beginning with the Company, if, at the time an option is granted under the Plan, each of the corporations, other than the last corporation in the unbroken chain, owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(r) "Termination Date" means the last day of the period of an Offering under the Plan, as described in section 5 below.

3. PLAN ADMINISTRATION.

(a) Committee Members. The administration of the Plan shall be under the supervision of the committee for the Plan (the "Committee") appointed by the Board from time to time. Members of the Committee shall serve at the pleasure of the Board and may be removed by the Board at any time without prior written notice. A Committee member may resign by giving written notice to the Board.

(b) Powers and Duties of the Committee. The Committee will have full power to administer the Plan in all of its details, subject to the requirements of applicable law. For this purpose, the Committee's powers will include, but will not be limited to, the following authority, in addition to all other powers provided by this Plan:

(i) To adopt and apply, in a uniform and nondiscriminatory manner to all persons similarly situated, such rules and regulations as it deems necessary or proper for the efficient and proper administration of the Plan, including the establishment of any claims procedures that may include a requirement that all disputes that cannot be resolved between a Participant and the Committee will be subject to binding arbitration;

(ii) To interpret the Plan and decide all questions concerning the Plan, such as the eligibility of any person to participate in the Plan, and the respective benefits and rights of Participants and others entitled thereto and the exclusive power to remedy ambiguities, inconsistencies or omissions in the terms of the Plan;

(iii) To appoint such agents, counsel, accountants, consultants and other persons as may be required to assist in administering the Plan;

(iv) To allocate and delegate its responsibilities under the Plan and to designate other persons to carry out any of its responsibilities under the Plan;

(v) To prescribe such forms as may be necessary or appropriate for Employees to make elections under the Plan or to otherwise administer the Plan; and

(vi) To do such other acts as it deems necessary or appropriate to administer the Plan in accordance with its terms, or as may be provided for or required by law.

(c) Committee Action. The certificate of a Committee member designated by the Committee that the Committee has taken or authorized any action shall be conclusive in favor of any person relying on, or subject to, the certificate. Any interpretation of the Plan, and any decision on any matter within the discretion of the Committee, made by the committee in good faith shall be final and binding on all persons. A majority of the members of the Committee shall constitute a quorum. The Committee shall act by majority approval of the members and shall keep minutes of its meetings. Action of the Committee may be taken without a meeting if unanimous written consent is given. Copies of minutes of the Committee's meetings and of its actions by written consent shall be kept with the corporate records of the Company.

(d) Exoneration of Committee Members. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted under it. The Company hereby agrees to indemnify, defend and hold harmless, to the fullest extent permitted by law, any Committee member against any and all liabilities, damages, costs and expenses (including attorneys' fees and amounts paid in settlement of any claims approved by the Company) occasioned by any act or omission to act in connection with the Plan, if such act or omission was not due to the gross negligence or willful misconduct of the Committee member.

4. ELIGIBILITY TO PARTICIPATE IN OFFERINGS.

(a) An Eligible Employee is entitled to participate in Offerings in accordance with sections 5 and 6, beginning with the Offering Date after an Employee first becomes an Eligible Employee, subject to the limitations imposed by section 423 of the Code.

(b) Notwithstanding any provisions of the Plan to the contrary: (i) no Employee shall be granted an option under the Plan if immediately after the grant, such Employee (or any other person whose stock ownership would be attributed to such Employee pursuant to section 424(d) of the Code) would own shares of Common Stock and/or hold outstanding options to purchase shares of Common Stock possessing 5% or more of the total combined voting power or value of all classes of shares of the Company or of any Subsidiary; and (ii) an Eligible Employee who is an Insider may not participate in Offerings under the Plan until the Plan has been approved by the Company's Shareholders in accordance with Rule 16b-3 of the Exchange Act.

5. OFFERINGS.

Options to purchase shares of Common Stock shall be offered to Participants under the Plan through a continuous series of Offerings, each beginning on the first Business Day of the month (the "Offering Date"), and each Offering shall terminate on the last Business Day of the month corresponding to the Offering Date (the "Termination Date"). The first Offering under the Plan, however, shall have an Offering Date of October 2, 1995 and a Termination Date of October 31, 1995. Offerings under the Plan shall continue until either (a) the Committee decides, in its sole discretion, that no further Offerings shall be made because the Common Stock remaining available under the Plan is insufficient to make an Offering to all Eligible Employees, or (b) the Plan is terminated in accordance with section 17 below. Notwithstanding the foregoing, Offerings will be limited under the Plan so that no Eligible Employee will be permitted to purchase shares of Common Stock under all "employee stock purchase plans" (within the meaning of section 423 of the Code) of the Company and its Subsidiaries in excess of $25,000 of the Fair Market Value of such shares of Common Stock (determined at the time of an Offering Date) for each calendar year in which an Offering is outstanding at any time.

6. PARTICIPATION IN OFFERINGS.

(a) An Eligible Employee may participate in Offerings under the Plan by completing a subscription agreement authorizing payroll deductions on the form provided by the Company (the "Participation Form") and filing the Participation Form with the Company (pursuant to such standards or procedures as are established by the Committee) at least 15 days before the Offering Date of the first Offering in which such Employee wishes to participate.

(b) Except as provided in section 7(a) below, payroll deductions for a Participant shall begin with the first payroll following the applicable Offering Date, and shall continue until the Plan is terminated, subject to earlier termination by the Participant as provided in section 11 below or increases or decreases by the Participant in the amount of payroll deductions as provided in section 7(c) below.

7. PAYROLL DEDUCTIONS.

(a) By completing and filing a Participation Form, an Eligible Employee shall elect to have payroll deductions withheld from his total Compensation on each pay date (including pay dates covering regular payroll, commissions and bonuses) during the time he is a Participant in the Plan in such amount as he shall designate on the Participation Form; provided, however, that: (i) payroll deductions must be in such percentages or whole dollar amounts, as determined by rules established by the Committee which may change from time to time to provide for the efficient administration of the Plan; (ii) the Committee may establish rules limiting the amount of an Eligible Employee's Payroll Deductions, except that any percentage or dollar limitation must apply uniformly to all Eligible Employees; (iii) and each Participant's payroll deductions must be equal to at least the minimum percentage or dollar amount established by the Committee from time to time, but no more than $21,250 (U.S.) per calendar year.

(b) All payroll deductions authorized by a Participant shall be credited to an account established under the Plan for the Participant. The funds represented by such account shall be held as part of the Company's general assets, usable for any corporate purpose, and the Company shall not be obligated to segregate such funds. A Participant may not make any separate cash payment or contribution to such account.

(c) No increases or decreases of the amount of payroll deductions for a Participant may be made during an Offering. A Participant may increase or decrease the amount of his payroll deductions under the Plan for subsequent Offerings by completing an amended Participation Form and filing it with the Company (pursuant to such standards and procedures established by the Committee) not less than 15 days prior to the Offering Date as of which such increase or decrease is to be effective.

(d) A Participant may discontinue his participation in the Plan at any time as provided in section 11 below.

8. GRANT OF OPTION.

On each Offering Date, each Participant shall be granted (by operation of the Plan) an option to purchase (at the Option Price) as many shares of Common Stock as he will be able to purchase with the payroll deductions credited to his account during his participation in the Offering beginning on such Offering Date. Notwithstanding the foregoing, the maximum number of shares of Common Stock that an Employee may purchase under an Offering may not exceed 1,000 (as may be adjusted from time to time under section 13(b)).

9. EXERCISE OF OPTION.

(a) Unless a Participant gives written notice to the Company as provided in subsection 9(c) below or withdraws from the Plan pursuant to section 11 below, his option for the purchase of shares of Common Stock granted under an Offering will be exercised automatically at the Termination Date of such Offering for the purchase of the number of shares of Common Stock that the accumulated payroll deductions in his account on such Termination Date will purchase at the applicable Option Price.

(b) No Participant (or any person claiming through such Participant) shall have any interest in any Common Stock subject to an option under the Plan until such option has been exercised, at which point such interest shall be limited to the interest of a purchaser of the Common Stock purchased upon such exercise pending the delivery of such Common Stock in accordance with section 10 below. During his lifetime, a Participant's option to purchase shares of Common Stock under the Plan is exercisable only by him.

(c) By written notice to the Company prior to the end of the Business Day on a Termination Date corresponding to an Offering, a Participant may elect, effective on such Termination Date, to withdraw all of the accumulated payroll deductions in his account as of the Termination Date (which will also constitute a notice of termination and withdrawal pursuant to section 11(a)). However, the preceding sentence shall not apply to an Insider who has made, with the prior written consent of the Committee, an irrevocable election at least six (6) months prior to a Termination Date until such six (6) month period has expired, in accordance with 17 CFR sec.240.16b-3(d) (1).

10. DELIVERY.

As promptly as practicable after the Termination Date of each Offering, the Company will deliver, or cause to be delivered, on behalf of each Participant, a certificate representing the shares of Common Stock purchased upon exercise of his option granted for such offering, to a brokerage firm (designated by the Company) that has rights to execute trades on the New York Stock Exchange. Such shares will be deposited in an account established for the Participant at the brokerage firm.

11. WITHDRAWAL; TERMINATION OF EMPLOYMENT.

(a) A Participant may terminate his participation in the Plan and withdraw all, but not less than all, the payroll deductions credited to his account under the Plan at any time prior to the end of the Business Day on a Termination Date corresponding to an Offering, by giving written notice to the Company. Such notice shall state that the Participant wishes to terminate his involvement in the Plan, specify a Termination Date and request the withdrawal of all of the Participant's payroll deductions held under the Plan. All of the Participant's payroll deductions credited to his account will be paid to him as soon as practicable after the Termination Date specified in the notice of termination and withdrawal (or, if no such date is specified, as soon as practical after receipt of his notice of termination and withdrawal), and his option for such Offering will be automatically canceled, and no further payroll deductions for the purchase of shares of

Common Stock will be made for such Offering or for any subsequent offering, except in accordance with a new Participation Form filed pursuant to section 6 above.

(b) Upon termination, or notice of termination, of a Participant's employment for any reason, including retirement or death, any payroll deductions authorized under section 7 shall be cancelled immediately. Thereafter, any payroll deductions that were previously accumulated in the Participant's account prior to his termination or notice of termination will be applied in accordance with the provisions of Section 9. However, if a termination of employment precludes an Employee from being classified as an Eligible Employee with respect to an Offering, then the payroll deductions accumulated in his account will be returned to him as soon as practicable after such termination or, in the case of his death, to the person or persons entitled thereto under section 14 below, and his option will be automatically canceled. For purposes of the Plan, the termination date of employment shall be the Participant's last date of actual employment and shall not include any period during which such Participant receives any severance payments. A transfer of employment between the Company and a Designated Subsidiary or between one Designated Subsidiary and another Designated Subsidiary, or absence or leave approved by the Company, shall not be deemed a termination of employment under this subsection 11(b).

(c) A Participant's termination and withdrawal pursuant to subsection 11(a) above will not have any effect upon his eligibility to participate in a subsequent Offering by completing and filing a new Participation Form pursuant to section 6 above or in any similar plan that may hereafter be adopted by the Company; provided, however, that, unless otherwise permitted by the Committee in its sole discretion, an Insider who has not made the six (6) month irrevocable election described in subsection 9(c), may not participate in the Plan for at least six months after the effective date of his termination and withdrawal in accordance with 17 CFR sec.240.16b-3 (d) (2).

12. INTEREST.

No interest shall accrue on a Participant's payroll deductions under the Plan.

13. STOCK SUBJECT TO THE PLAN.

(a) The maximum number of shares of Common Stock that shall be reserved for sale under the Plan shall be 3,000,000 shares, subject to adjustment upon changes in capitalization of the Company as provided in subsection (b) below. The shares to be sold to Participants under the Plan may be, at the election of the Company, either treasury shares or shares authorized but unissued and may be derived from shares of Common Stock purchased by the Company. If the total number of shares of Common Stock that would otherwise be subject to options granted pursuant to section 8 above on any Termination Date exceeds the number of shares then available under the Plan (after deduction of all shares for which options have been exercised or are then outstanding), the Company shall make a pro rata allocation of the shares of Common Stock remaining available for issuance in as uniform and equitable a manner as is practicable. In such event, the Company shall give written notice of such reduction of the number of shares subject to the option to each Participant affected thereby and shall return any excess funds accumulated in each Participant's account as soon as practicable after the Termination Date of such Offering.

(b) If any option under the Plan is exercised after any Common Stock dividend, split-up, recapitalization, merger, consolidation, combination or exchange of Common Stock or the like, occurring after the shareholders of the Company approve the Plan, the number of shares of Common Stock to which such option shall be applicable and the Option Price for such Common Stock shall be appropriately adjusted by the Company.

14. DISPOSITION UPON DEATH.

If a Participant dies, shares of Common Stock and/or cash, if any, attributable to the Participant's account under the Plan (when cash or shares of Common Stock are held for his account) shall be delivered to the executor or administrator of the estate of the Participant; or, if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares of Common Stock and/or cash to the spouse or to anyone or more dependents or relatives of the Participant; or, if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

15. TRANSFERABILITY.

Neither payroll deductions credited to a Participant's account nor any rights relating to the exercise of an option or to receive shares of Common Stock under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will the laws of descent and distribution, or as provided in section 14 above) by the Participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with section 11(a) above.

16. SHARE TRANSFER RESTRICTIONS.

(a) Shares of Common Stock shall not be issued under the Plan unless such issuance is either registered under the Securities Act and applicable state securities laws or is exempt from such registrations.

(b) Shares of Common Stock issued under the Plan may not be sold, assigned, transferred, pledged encumbered, or otherwise disposed of (whether voluntarily or involuntarily) except pursuant to registration under the Securities Act and applicable state securities laws, or pursuant to exemptions from such registrations.

(c) Notwithstanding any other provision of the Plan or any documents entered into pursuant to the Plan and except as permitted by the Committee in its sole discretion, any shares of Common Stock issued to a Participant who is an Insider may not be sold, assigned, transferred, pledged, encumbered or otherwise disposed of for a six-month period until after the Option Price is determined on or after the Termination Date corresponding to the Offering with respect to which they were issued.

17. AMENDMENT OR TERMINATION.

The Plan may be amended by the Committee from time to time to the extent that the Committee deems necessary or appropriate in light of, and consistent with, section 423 of the Code; provided, however, that any amendment that either changes the composition, function or duties of the Committee or modifies the terms and conditions pursuant to which options are granted hereunder must be approved by the Board. The Board also may terminate the Plan or the granting of options pursuant to the Plan at any time; provided, however, that the Board shall not have the right to modify, cancel, or amend any outstanding option granted pursuant to the Plan before such termination unless each Participant consents in writing to such modification, amendment or cancellation. The Plan shall terminate automatically if it is not approved by the Shareholders of the Company, in accordance with Treas. Reg. sec.1.423-2(c), by September 30, 1996. Notwithstanding the foregoing, no amendment adopted by either the Committee or the Board shall be effective, without approval of the shareholders of the Company, if shareholder approval of the amendment is then required pursuant to Rule 16b-3 under the Exchange Act or any successor rule or section 423 of the Code.

18. NOTICES.

All notices or other communications by a Participant to the Company in connection with the Plan shall be deemed to have been duly given when received by the Secretary of the Company or by any other person designated by the Company for the receipt of such notices or other communications, in the form and at the location specified by the Company.

19. EFFECTIVE DATE OF PLAN.

The Plan shall be effective as of October 1, 1995. The Plan has been adopted by the Board subject to shareholder approval, and prior to shareholder approval shares of Common Stock issued under the Plan are subject to such approval.

20. MISCELLANEOUS.

(a) Headings and Gender. The headings to sections in the Plan have been included for convenience of reference only. The masculine pronoun shall include the feminine and the singular the plural, whenever appropriate. Except as otherwise expressly indicated, all references to sections in the Plan shall be to sections of the Plan.

(b) Governing Law. The Plan shall be interpreted and construed in accordance with the internal laws of the State of New York to the extent that such laws are not superseded by the laws of the United States of America.

(c) Plan Not A Contract of Employment. The Plan does not constitute a contract of employment and participation in the Plan does not give any Employee or Participant the right to be retained in the employ of the Company or a Designated Subsidiary, nor give any person a right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.